DecisionPoint Systems, Inc.
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Under the Securities Act of 1933, as amended
Registration No. 333-191317

DECISIONPOINT SYSTEMS, INC.

Up to 4,391,000 Shares of Common Stock

PROSPECTUS

This prospectus relates to the offering by the selling stockholders of up to 4,391,000 shares of common stock, including 2,927,333 outstanding shares and 1,463,667 shares issuable upon exercise of warrants.

Our common stock is traded on the OTC Bulletin Board under the symbol "DPSI." On September 18, 2013, the closing price of our common stock was $0.72 per share. The selling stockholders may sell all or a portion of these shares from time to time in market transactions through any market on which our common stock is then traded, in negotiated transactions or otherwise, and at prices and on terms that will be determined by the then prevailing market price or at negotiated prices directly or through a broker or brokers, who may act as agent or as principal or by a combination of such methods of sale. For additional information on the methods of sale, you should refer to the section entitled "Plan of Distribution."

Concurrently with this offering by the selling stockholders, the Company has registered for resale, by other selling stockholders, pursuant to the Company's Amendment No. 4 to Registration Statement on Form S-1, SEC File No. 333-186619, up to 957,712 shares of Series D Preferred Stock and 11,661,176 shares of common stock.

We will bear all costs relating to the registration of these shares of our common stock, other than any selling stockholders' legal or accounting costs or commissions.

We will not receive any proceeds from the sale of common stock by the selling stockholders.

Investing in our common stock involves a high degree of risk. Before making any investment in our common stock, you should read and carefully consider the risks described in this prospectus under "Risk Factors" beginning on page 3 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus is dated October 4, 2013

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You should rely only on the information contained in this prospectus or any prospectus supplement or amendment thereto. We have not authorized anyone to provide you with different information.

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PROSPECTUS SUMMARY

This summary highlights information contained throughout this prospectus and is qualified in its entirety to the more detailed information and financial statements included elsewhere in this prospectus. This summary does not contain all of the information that should be considered before investing in our common stock. Investors should read the entire prospectus carefully, including the more detailed information regarding our business, the risks of purchasing our common stock discussed in this prospectus under “Risk Factors” beginning on page 3 of this prospectus and our financial statements and the accompanying notes beginning on page F-1 of this prospectus.

In this prospectus, we refer to DecisionPoint Systems, Inc. as the “Company,” “we”, “us” or “our”.

Our Company

We are an enterprise systems integrator that provides mobility systems integration and supply chain systems integration, as well as traditional scanning and mobility hardware solutions. We design, deploy and support mobile computing and wireless systems that enable our customers to access enterprise data at the point of decision whether they are on the retail selling floor, warehouse loading dock or on the road making deliveries. 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 professional services including consulting, proprietary and third party software and software customization as an integral part of our customized solutions for our customers. Our supply chain systems integration offerings include Warehouse Management Systems, Transportation Management Systems, and Enterprise Resource Planning Systems as well as legacy systems. We operate in one business segment.

We deliver to our customers the ability to make better, faster and more accurate business decisions by implementing industry-specific, enterprise wireless and mobile computing systems for their front-line employees, inside and outside of the ‘four-walls’. It is these systems which provide the information to improve the hundreds of individual business decisions made each day. The “productivity paradox” is that the information remains locked away in their organization’s enterprise computing system, and historically, accessible only when employees were at their desk. Our solutions solve this productivity issue. As a result our customers are able to move their business decision points closer to their own customers who in turn, drive their own improved productivity and operational efficiencies.

We accomplish this by providing our customers with everything they need to achieve their enterprise mobility goals, starting with the planning of their systems, to the design and build stage, to the deployment and support stage, and finally to achieving their projected Return On Investment.

We have developed an ‘ecosystem’ of partners which we bring to every customer situation. The standout partner in this ecosystem is Motorola Solutions, Inc. (“Motorola Solutions”), which provides the vast amount of our re-sold products including bar code scanners, battery’s charging stations and accessories. We also partner with other top equipment and software suppliers such as Zebra Technologies Corporation, Datamax - O’Neil — a unit of the Dover Corporation, in addition to a host of specialized independent software vendors such as AirVersent, AirWatch, Antenna Software, Verifone GlobalBay and Wavelink.

We are focused on several commercial enterprise markets. These include retail, manufacturing, distribution, transportation and logistics. We are also increasingly focused on the markets for these systems in the markets where there are large groups of field services workers. These markets include maintenance and repair, inspections, deliveries, and other specialized business services such as uniform rental. This part of our business did not exist a few years ago. But with the continued growth of the mobile internet, we expect to add resources in this area in order to take advantage of the increasing opportunities. We expect our customers to continue to embrace and deploy new technology to enhance their own customers' experience with business and improve their own operations to lower their operating costs and better service their customers. Our expertise and understanding of our customers' operations and business operations in general, coupled with our expertise and understanding of new technology for equipment and software offerings enables us to identify new trends and opportunities to implement new solutions to our existing and potential customers.

We have several offices throughout the U.S which allows us to serve any customer on a nation-wide basis. We can provide depot services through our West and East coast facilities.

We have recently seen indications that the major retailers are optimistic about the future economic climate which will translate into increased opportunities in our largest target market. Additionally, we are always keenly aware of potential acquisition candidates that can provide complementary products and service offerings to our customer base.

An investment in DecisionPoint Systems, Inc. is speculative and involves substantial risks. You should read the "Risk Factors" section of this prospectus for a discussion of certain factors to consider carefully before deciding to invest in us.

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Corporate Information

DecisionPoint Systems, Inc., formerly known as Comamtech, Inc., was incorporated on August 16, 2010, in Canada under the laws of the Ontario Business Corporations Act (“OCBA”). On June 15, 2011, we entered into a Plan of Merger (the “Merger Agreement”) among the Company, its wholly owned subsidiary, 2259736 Ontario Inc., incorporated under the laws of the Province of Ontario, Canada (the “Purchaser”) and DecisionPoint Systems, Inc., a Delaware corporation that had been publicly traded since June 2009 (“Old DecisionPoint”). Pursuant to the Merger Agreement, under Section 182 of the OCBA, on June 15, 2011 (the “Effective Date”) Old DecisionPoint merged (the “Merger”) into the Purchaser and became a wholly owned subsidiary of the Company. Prior to the Merger, Comamtech was a “shell company” (as such term is defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)). In connection with the Merger, the Company changed its name to DecisionPoint Systems, Inc., and the Purchaser changed its name to DecisionPoint Systems International, Inc. (“DecisionPoint Systems International”). On June 15, 2011, both companies were reincorporated in the State of Delaware.

About this Offering

August 2013 Private Placement

As of August 15, 2013, the Company entered into a securities purchase agreement (the “Purchase Agreement”) with accredited investors (the “Investors”) for aggregate gross proceeds of $1,756,400. Closings were held as of August 15, 2013 and August 21, 2013. Pursuant to the Purchase Agreement, the Company sold an aggregate of 2,927,333 Units, each Unit consisting of one share of common stock and one warrant to purchase one-half of one share of common stock (the “Investor Warrants”), for a purchase price of $0.60 per Unit, such that the Company sold an aggregate of 2,927,333 shares of common stock (the “Common Shares”) and 1,463,667 Investor Warrants for aggregate gross proceeds of $1,756,400 (the “Private Placement”). The Investor Warrants have a five-year term and an exercise price of $1.00 per share

Pursuant to the Purchase Agreement, the Company granted to the Investors anti-dilution rights such that, for the period commencing on August 15, 2013 and terminating August 21, 2015, in the event the Company issues or grants any shares of common stock or securities convertible, exchangeable or exercisable for shares of common stock (subject to certain exceptions) pursuant to which shares of common stock may be acquired at a price less than $0.60 per share, then the Company will issue additional shares of common stock to the Investors in an amount sufficient that the subscription price paid under the Private Placement, when divided by the total number of shares issued, will result in an actual price paid by such Investors per share of common stock equal to such lower price.

The Company retained Newport Coast Securities, Inc. (the “Placement Agent” or "Newport") as the placement agent for the Private Placement. The Company paid the Placement Agent $175,640 in commissions (equal to 10% of the gross proceeds), and issued to the Placement Agent and its designees five-year warrants (the “Placement Agent Warrants”) to purchase 292,733 shares of common stock (equal to 10% of the number of Units sold in the Private Placement) at an exercise price of $0.60 per share, exercisable on a cashless basis, in connection with the Private Placement. Newport is not acting or serving as underwriter or selling agent with respect to the sale of securities by the selling stockholders and has no agreement with the selling stockholders or the Company with respect to any such services. Neither Newport nor any of its associated persons are participating as a selling stockholder under this prospectus.

The Investors included Nicholas Toms, the Company’s chief executive officer, who purchased 166,667 Units for an aggregate purchase price of $100,000, and an additional existing stockholder of the Company, who purchased 83,333 Units for an aggregate purchase price of $50,000.

The Company received net proceeds from the Private Placement of approximately $1.4 million, after deducting the Placement Agent's commissions and other offering expenses. The Company intends to use the net proceeds for working capital and other general corporate purposes.

Pursuant to the Purchase Agreement, the Company agreed to, within 30 days of August 21, 2013, file a registration statement (the "Registration Statement") with the Securities and Exchange Commission covering the re-sale of the Common Shares and the shares of common stock underlying the Investor Warrants. The Company also agreed to use its best efforts to have the Registration Statement become effective as soon as possible after filing (and in any event within 120 days of the filing of such Registration Statement).

In connection with the foregoing, the Company relied on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, for transactions not involving a public offering, and Rule 506 of Regulation D thereunder.

This prospectus includes the (i) 2,927,333 Common Shares sold in the Private Placement and (ii) 1,463,667 shares issuable upon exercise of the Investor Warrants sold in the Private Placement

As of June 30, 2013, we had negative working capital of $13.6 million and total stockholders' deficit of $2.45 million. As of December 31, 2012, we had negative working capital of $9.1 million and total stockholders' equity of $0.9 million.

Common stock offered by the selling stockholders: shares of common stock, including the following:	2,927,333 outstanding shares of common stock sold in the Private Placement, 1,463,667 shares of common stock underlying the Investor Warrants sold in the Private Placement;
Common stock to be outstanding after the offering	Up to 13,607,763 shares. (1)
OTCBB symbol	DPSI

(1) Based on 12,144,096 shares of common stock outstanding as of September 18, 2013. Assumes exercise of the 1,463,667 Investor Warrants.

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RISK FACTORS

An investment in our securities has a high degree of risk. Before you invest you should carefully consider the risks and uncertainties described below and the other information in this prospectus. If any of the following risks actually occur, our business, operating results and financial condition could be harmed and the value of our stock could go down. This means you could lose all or a part of your investment.

RISKS RELATED TO OUR BUSINESS

Our limited operating history as a public company makes it difficult for us to evaluate our future business prospects and make decisions based on those estimates of our future performance .

Although our management team has been engaged in software development for an extended period of time and we began the operations of our current business in December 2003, we have only been operating as a public company with our current operations since June 2009. We have a limited operating history in our current combined form, which makes it difficult to evaluate our business on the basis of historical operations. As a consequence, it is difficult, if not impossible, to forecast our future results based upon our historical data. Reliance on our historical results may not be representative of the results we will achieve. Because of the uncertainties related to our lack of historical operations, we may be hindered in our ability to anticipate and timely adapt to increases or decreases in sales, product costs or expenses. If we make poor budgetary decisions as a result of unreliable historical data, we could be less profitable or incur losses, which may result in a decline in our stock price.

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

Customer requirements for mobile computing products 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 enhancements of existing products. Enhancing existing products and developing new products 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 may not result in products attractive or acceptable to our customers. Furthermore, we may not be able to launch new or improved products before our competition launches comparable products. Any of these factors could cause our business or financial results to suffer.

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, therefore, adversely affect shareholder value or our financial results.

Integration of new businesses or technologies into our business may have any of the following adverse effects:

- We may have difficulty transitioning customers and other business relationships.
- We may have problems unifying management following a transaction.
- We may lose key employees from our existing or acquired businesses.
- We may experience intensified competition from other companies seeking to expand sales and market share during the integration period.
- Our management's attention may be diverted to the assimilation of the technology and personnel of acquired businesses or new product or service lines.
- We may experience difficulties in coordinating geographically disparate organizations and corporate cultures and integrating management personnel with different business

backgrounds.

The inability of our management to successfully integrate acquired businesses, 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 or liquidity, or on our 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 certain financing and acquisition-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 transactions and have a material adverse impact on our stock price, revenues, revenue growth, balance sheet, results of operations and liquidity.

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

We may need to raise additional monies in order to fund our growth strategy and 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 our business. There can be no assurance that additional financing will be available when needed, on favorable terms, or at all. If these funds are not available when we need them, then we may need to change our business strategy and reduce our rate of growth.

In the near term, our successful restructuring of our operations and reduction of operating costs and/or our ability to raise additional capital at acceptable terms is critical to its ability to continue to operate for the foreseeable future. If we continue to incur operating losses and/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/or 3) continued defaults under the various loan agreements. A covenant default would give the bank the right to demand immediate payment of all outstanding amounts which we would not be able to repay out of normal operations. There are no assurances that we will successfully implement our plans with respect to these liquidity matters.

Our revolving line of credit agreements 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 agreements as well as our term loan impose operating restrictions on us in the form of financial and non-financial covenants (see "Note 6 – Line of Credit" along with Note 7 –Term Debt" in our accompanying Notes to Form 10-Q Unaudited Condensed Consolidated Financial Statements included elsewhere in this Prospectus for additional details). These restrictions limit the manner in which we can conduct our business and may restrict us from engaging in favorable business opportunities. These restrictions limit our ability, among other things, to incur further debt, make future acquisitions and other investments, restrict making certain payments such as dividend payments, and restrict disposition of assets.

At July 31, 2013, the outstanding balance on our line of credit with Silicon Valley Bank ("SVB") is $3.1 million, down from $4.2 million at April 30, 2013, and the availability under the line of credit has increased to $2.6 million. We rely on the line of credit to fund daily operating activities maintaining very little cash on hand. As of December 31, 2012, we were in compliance with all of our financial covenants with SVB. As of May 31, 2013 and June 30, 2013, we were not in compliance with the Tangible Net Worth financial covenant as defined in the amended SVB Loan Agreement. SVB agreed to temporarily forbear from exercising their rights and remedies under the facility until August 28, 2013 and has agreed to waive the existing covenant violations if a gross capital raise of $1.5 million is completed by such date. We completed the capital raise and were able to achieve compliance with the forbearance agreement prior to August 28, 2013. Accordingly, we believe that at the time of this filing it is compliance with the terms and provisions of its SVB lending agreements. Except for any capital raises through August 28, 2013, the minimum Tangible Net Worth requirement of a $(9.7) million deficit will be further reduced by one half of any funds raised through sales of common stock (as only 50% of additional capital raises are given credit in the Tangible Net Worth calculation). We estimate that our minimum Tangible Net Worth at July 31, 2013, giving pro forma effect for the net $1.3 million in capital raise closed to date in August, was approximately a $(9.2) million deficit, leaving approximately $0.5 million in Tangible Net Worth cushion over the requirement of the line of credit. Should we continue to incur losses in a manner consistent with its recent historical financial performance, we will violate this covenant without additional net capital raises in amounts that are approximately twice the amount of the losses incurred.

The RBC Term Loan has certain financial covenants and other non-financial covenants. As of June 30, 2013 and December 31, 2012, Apex was not in compliance with the Fixed Charge Coverage ratio (as defined by the RBC Credit Agreement). The Fixed Charge Coverage ratio of not less than 1.25:1 is calculated as the ratio of the trailing twelve months of earnings before interest, taxes, depreciation and amortization ("EBITDA") to loan payments and interest charges for the RBC Credit Agreement and the BDC Term Loan. Our calculation of the Fixed Charge Coverage ratio at June 30, 2013 and December 31, 2012 is 0.58:1 and 0.86:1, respectively. Additionally, at June 30, 2013 we were not in compliance with the Maximum Funded Debt to EBITDA ratio. In order to be in compliance with this covenant, we need a ratio of not less than 2.25:1. At June 30, 2013 our maximum funded debt to EBITDA ratio was 2.29:1. Under the RBC Credit Agreement, violation of this covenant is an Event of Default which grants RBC the right to demand immediate payment of outstanding balances. In March 2013, May 2013 and August 2013, we received waivers for non-compliance of these covenants at December 31, 2012, March 31, 2013 and June 30, 2013. The covenants were reset by RBC on August 16, 2013. We do not believe that we will be in compliance with the reset covenants at December 31, 2013. We are currently further discussing adjusting the reset debt covenants with RBC. Although we believe it is improbable RBC will exercise their rights up to, and including, acceleration of the outstanding debt, there can be no assurance that RBC will not exercise their rights pursuant to the provisions of the debt obligation. Accordingly, we have classified the term debt obligation as current at June 30, 2013.

The BDC Loan Agreement contains certain financial and non-financial covenants which may materially impact our liquidity, including minimum working capital requirements, tangible net worth requirements and limitations on additional indebtedness. As of June 30, 2013 and December 31, 2012, Apex was not in compliance with the minimum working capital financial covenant. In order to be in compliance with the minimum working capital requirement at June 30, 2013 and December 31, 2012, we would have needed an additional \$0.7 and \$0.5 million in working capital, respectively. Under the BDC Loan Agreement, violation of this covenant is an Event of Default which grants BDC the right to demand immediate payment of outstanding balances. In March 2013 and May 2013, we received waivers for non-compliance of these covenants at December 31, 2012, March 31, 2013 and June 30, 2013. We are currently discussing resetting debt covenants with BDC. Although we believe it is improbable that BDC will exercise their rights pursuant to the provisions of the debt obligation up to, and including, acceleration of the outstanding debt, there can be no assurance that BDC will not exercise their rights. Accordingly, we have classified the debt obligation as current at June 30, 2013.

In connection with the BDC Loan Agreement, BDC executed a subordination agreement in favor of Silicon Valley Bank, pursuant to which BDC agreed to subordinate any security interest in assets of the Company granted in connection with the BDC Loan Agreement to Silicon Valley Bank's existing security interest in assets of the Company. The subordination agreement contains cross-default provisions which may materially impact our liquidity.

In the event either or both of the RBC Loan Agreement or the BDC Loan Agreement were deemed to be in default, RBC or BDC, as applicable, could, among other things (subject to the rights of SVB as the Company's senior lender), terminate the facilities, demand immediate repayment of any outstanding amounts, and foreclose on our assets. Any such action would require us to curtail or cease operations. The Company does not have alternative sources of financing.

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 we do. As compared with our company therefore, such competitors may:

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- 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
- 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 mobile solutions companies such as International Business Machines, Accenture, Sedlak, Peak Technologies, Agilysys, Acsis, Stratix and Catalyst International
- in certain areas our existing hardware suppliers, in particular Motorola Solutions but also Intermec, Zebra and others
- the in-house IT departments of many of our customers.

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

We derived approximately 19.4% of our revenues from two customers in 2012. We derived approximately 23.5% of our revenues from our two largest customers in 2011. For the years ended December 31, 2012 and 2011, we had one customer within the healthcare industry, that generated 12.5% and 15.2%, respectively, of our total sales.

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 any one of these customers or reduced purchases by them would not have a material adverse effect on our business as we would adjust our personnel staffing levels accordingly.

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. Service contracts are purchased on an annual basis generally and are the performance responsibility of the actual service provider as opposed to the Company. Termination provisions are generally standard clauses based upon non-performance, but a customer can cancel with a certain reasonable notice period anywhere from 30 to 90 days. 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 Sprint, 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.

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 made. 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 and profitability may be affected by changes in economic, business or industry conditions.

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If the economic climate in the U.S. or abroad deteriorates, 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 professional 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 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.

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.

We rely heavily on a number of privileged vendor relationships as a 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.

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.

We must effectively manage the growth of our operations, or our company will suffer.

Our ability to successfully implement our business plan requires an effective planning and management process. If funding is available, we intend to increase the scope of our operations and acquire complementary businesses.

Implementing our business plan will require significant additional funding and resources. If we 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. Any failure to manage any of the foregoing areas efficiently and effectively would cause our business 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.

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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.

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.

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 suffer.

If we lose members of our senior management, we may not be able to find appropriate replacements on a timely basis, and our business 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, Principal Financial Officer, Chief Operating Officer, 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. In 2012, our former Chief Financial Officer, Donald Rowley, left the Company and was replaced with an Interim Chief Financial Officer, Paul Ross. On February 19, 2013, we appointed Dave Goodman as our new Chief Financial Officer. Mr. Goodman resigned on May 17, 2013. On May 23, 2013, Michael Roe was appointed as Principal Financial Officer.

We are increasingly dependent on information technology systems and infrastructure (cyber security).

We increasingly 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.

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 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.

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

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.

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If we are unable to maintain the effectiveness of our internal controls, our financial results may not be accurately reported.

Management's assessment of the effectiveness of our disclosure controls and procedures as of June 30, 2012 and September 30, 2012 reported that such controls and procedures were ineffective as a result of a material weakness in our internal control over financial reporting related to the supervision and review of our financial closing and reporting process and in our ability to account for complex transactions as described in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 and September 30, 2012. The complex transactions related to purchase accounting for acquisitions made in 2012. During the fourth quarter of 2012, we devoted significant time and resources to the remediation of the material weakness that included, but was not limited to:

- evaluating of Finance Department's management and staff qualifications, which resulted in us making certain personnel changes in the Accounting and Finance department.
- Implementation of further process and control procedures surrounding review of significant transactions within the financial closing process
- Implementing new control procedures over the utilization of external resources

Although further and ongoing efforts will continue in 2013 and beyond to enhance our internal control over financial reporting, we believe that our remediation efforts now provide the foundation for compliance.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting in accordance with accounting principles generally accepted in the United States. Because the inherent limitations of internal control over financial reporting cannot guarantee the prevention or detection of a material weakness, we can never guarantee a material weakness over financial reporting will not occur, including with respect to any previously reported material weaknesses. Any future material weakness could result in material misstatements in our financial statements or cause us to fail to meet our reporting obligations. In addition, if we are unable to certify that our internal control over financial reporting is effective, we may be subject to sanctions or investigations by regulatory authorities such as the SEC, and we could lose investor confidence in the accuracy and completeness of our financial reports, which would materially harm our business, the price of our common stock and our ability to access the capital markets.

Our Net Operating Loss Carryforwards may be limited.

Pursuant to Internal Revenue Code (IRC) Section 382, annual use of our Federal net operating loss carryforwards may be limited in the event a cumulative change in ownership of our company of more than fifty percent occurs within a three-year period. In addition, IRC Section 382 may limit our built-in items of deduction, including capitalized start-up costs and research and development costs. We have completed an IRC 382 analysis regarding the limitation of our net operating loss carryforwards as of December 31, 2012. At December 31, 2012, we had Federal net operating loss carryforwards of approximately $5.9 million. Of this amount, approximately $5.1 million is available after the application of IRC Section 382 limitations.

RISKS RELATED TO OUR COMMON STOCK

There has been a limited trading market for our common stock.

Currently, our common stock is available for quotation on the Over-the-Counter Bulletin Board under the symbol "DPSI." It is anticipated that there will be a limited trading market for the common stock on the Over-the-Counter

Bulletin Board. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares. An inactive market may also impair our ability to raise capital by selling shares of capital stock and may impair our ability to acquire other companies or technologies by using common stock as consideration.

We may pay dividends on our Series D Preferred Stock in shares of Series D Preferred Stock, valued based on the trading price of our common stock, which would result in dilution to current stockholders.

Our Series D Preferred Stock entitles the holder to cumulative dividends, payable quarterly, at an annual rate of (i) 8% of the Stated Value of $1.00 during the three year period commencing on the date of issue, and (ii) 12% of the Stated Value commencing three years after the date of issue. We may, at our option, pay dividends in shares of Series D Preferred Stock ("PIK Shares"), in which event the applicable dividend rate will be 12% and the number of such PIK Shares issuable will be equal to the aggregate dividend payable divided by the lesser of (x) the then effective Conversion Price (currently $0.90) or (y) the average volume weighted average price ("VWAP") of the Company's common stock for the five prior consecutive trading days. Accordingly, if the VWAP of our common stock for the applicable measuring period is below $0.90, the number of shares issuable as PIK shares will vary with such VWAP.

The following table sets forth, for illustrative purposes, the number of shares of Series D Preferred Stock we would issue if we were to elect to pay dividends on the Series D Preferred Stock in 2013, at different VWAP's. The PIK shares are convertible into such number of shares of our common stock equal to the number of shares of Series D Preferred Stock to be converted, multiplied by the Stated Value, and divided by the Conversion Price in effect at the time of the conversion.

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VWAP	Number of PIK shares issuable in 2013
$0.90	101,135
$0.80	114,470
$0.60	155,398

If we issue common stock at a price less than the conversion price then in effect, the conversion price of the Series D Preferred Stock will be reduced and will potentially cause additional common to be issued upon Series D Preferred Stock conversion.

Our Series D Preferred Stock entitles the holder certain anti-dilution rights upon subsequent issuances of common stock which is less than the conversion price then in effect (which was initially $1.00) of the Series D Preferred Stock.

As of August 15, 2013, we entered into a securities purchase agreement (the “Purchase Agreement”) with accredited investors (the “Investors”) for aggregate gross proceeds of $1,756,400. Closings were held as of August 15, 2013 and August 21, 2013. Pursuant to the Purchase Agreement, we sold an aggregate of 2,927,333 Units, each Unit consisting of one share of common stock and one warrant to purchase one-half of one share of common stock (the “Investor Warrants”), for a purchase price of $0.60 per Unit, such that we sold an aggregate of 2,927,333 shares of common stock (the “Common Shares”) and 1,463,667 Investor Warrants for aggregate gross proceeds of $1,756,400 (the “Private Placement”). The Investor Warrants have a five-year term and an exercise price of $1.00 per share. The placement Agent Warrants have a five-year term and an exercise price of $0.60 per share. As a result, the exercise price of the Series D Preferred Stock was reduced from $1.00 per share to $0.90 per share. If all Series D Preferred Stock is converted an additional 782,444 shares of common stock will be issued further diluting existing common stockholders and holders of Series D Preferred warrants and Investor Warrants.

Placement Agent Warrants and Investor Warrants contain certain anti-dilution and price adjustment provisions

In connection with the closings on August 15, 2013 and August 21, 2013, warrants issued to the placement agent and investors contained certain anti-dilution (“down-round”) protection. If at any time while the Placement Agent Warrants or Investor Warrant is outstanding, we shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue any common stock or common stock equivalent, at an effective price per share less than the exercise price of the Placement Agent Warrant or Investor Warrant then in effect, the exercise price of the Placement Agent Warrant and Investor Warrant shall be reduced to the base share price of the newly issued common stock or common stock equivalent. If all Placement Agent Warrants or Investor Warrants are converted to common stock at an exercise price less than the conversion price then in effect, additional shares of common stock will be issued further diluting existing common stockholders and holders of Series D Preferred warrants.

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:

- our ability to integrate operations, technology, products and services;
- our ability to execute its business plan;
- operating results below expectations;
-

our issuance of additional securities, including debt or equity or a combination thereof, which will 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 the capital 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 capital 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, such as the timing of the research, development and regulatory pathways of our product candidates, 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 are not a good indication of our future performance.

If we or our existing shareholders sell a substantial number of shares of our common stock in the public market, our stock price may decline.

If we or our existing shareholders sell a large number of shares of our common stock, or the public market perceives that we or our existing shareholders might sell shares of common stock, particularly with respect to our affiliates, directors, executive officers or other insiders, the market price of our common stock could decline significantly.

In the future, we may issue additional shares to our employees, directors or consultants, 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.

Our common stock is subject to the "penny stock" rules of the SEC and the trading market in our securities is limited, which makes transactions in our stock cumbersome and may reduce the value of an investment in our stock.

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The Securities and Exchange Commission ("SEC") has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- that a broker or dealer approve a person's account for transactions in penny stocks; and
- the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- obtain financial information and investment experience objectives of the person; and
- make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form:

- sets forth the basis on which the broker or dealer made the suitability determination; and
- that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

FINRA sales practice requirements may also limit a shareholder's ability to buy and sell our stock.

In addition to the "penny stock" rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

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 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.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains “forward-looking statements”. Forward-looking statements reflect the current view about future events. When used in this prospectus, the words “anticipate,” “believe,” “estimate,” “expect,” “future,” “intend,” “plan,” negative of these terms and similar expressions, as they relate to us or our management, identify forward-looking statements. Such statements, include, but are not limited to, statements contained in this prospectus relating to our business strategy, our future operating results and liquidity and capital resources outlook. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward–looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees of assurance of future performance. We caution you therefore against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, without limitation, a continued decline in general economic conditions nationally and internationally; decreased demand for our products and services; market acceptance of our products and services; our ability to protect our intellectual property rights; the impact of any infringement actions or other litigation brought against us; competition from other providers and products; our ability to develop and commercialize new and improved products and services; our ability to raise capital to fund continuing operations; changes in government regulation; our ability to complete customer transactions and capital raising transactions; and other factors (including the risks contained in the section of this prospectus entitled “Risk Factors”) relating to our industry, our operations and results of operations and any businesses that may be acquired by us. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended or planned.

Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not undertake to update any of the forward-looking statements to conform these statements to actual results.

USE OF PROCEEDS

We will not receive any proceeds from the sale of common stock offered by the selling stockholders under this prospectus.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is currently quoted on the Over-The-Counter Bulletin Board under the symbol “DPSI .” There was no trading in our stock through June 30, 2009.

The following table sets forth the range of high and low bid prices for our common stock for each of the periods indicated as reported by the OTC BB. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	High	Low
First Quarter of 2011	$ 3.24	$ 1.50
Second Quarter of 2011	$ 3.25	$ 2.22
Third Quarter of 2011	$ 2.50	$ 1.85
Fourth Quarter of 2011	$ 2.10	$ 0.50

First Quarter of 2012	$	1.64	$	0.65
Second Quarter of 2012	$	1.54	$	0.90
Third Quarter of 2012	$	1.35	$	0.71
Fourth Quarter of 2012	$	1.25	$	0.55
First Quarter of 2013	$	1.26	$	0.81
Second Quarter of 2013	$	1.30	$	0.70
Third Quarter of 2013 (as of September 18, 2013)	$	1.00	$	0.49

On September 18, 2013, the closing bid price of our common stock, as reported on the OTC Bulletin Board was $0.72 per share.

Number of Stockholders

As of September 18, 2013, there were approximately 659 holders of record of our common stock.

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Dividend Policy

Common Stock – The holders of our common stock are entitled to receive dividends if and when declared by our Board of Directors out of funds legally available for distribution. Any such dividends may be paid in cash, property or shares of our common stock.

We have not paid any dividends on our common stock since our inception, and it is not likely that any dividends on our common stock will be declared in the foreseeable future. Any dividends will be subject to the discretion of our Board of Directors, and will depend upon, among other things, our operating and financial condition and our capital requirements and general business conditions.

Preferred Stock - The holders of the Series A and Series B Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, dividends at an annual rate of 8% of the stated value. Dividends shall be cumulative and shall accrue on each share of the outstanding Series A and B Preferred Stock from the date of its issue. Cumulative, undeclared dividends on our Series A Preferred and Series B Preferred Shares totaled $324,000 and $78,000 at June 30, 2013, respectively.

The Series D Preferred Stock entitles the holder to cumulative dividends, payable quarterly, at an annual rate of (i) 8% of the Stated Value during the three year period commencing on the date of issue, and (ii) 12% of the Stated Value commencing three years after the date of issue. We may, at our option, pay dividends in PIK Shares, in which event the applicable dividend rate will be 12% and the number of such PIK Shares issuable will be equal to the aggregate dividend payable divided by the lesser of (x) the then effective Conversion Price or (y) the average volume weighted average price of the Company's common stock for the five prior consecutive trading days. On April 16, 2013, we paid a cash dividend of $154,186 on the Series D Preferred Stock for the period from the dates of issue to March 31, 2013. On July 16, 2013, the Company paid a cash dividend of $140,454 on the Series D preferred Stock for the period from April 1, 2013 to June 30, 2013.

Securities Authorized for Issuance under Equity Compensation Plans

In December 2010, we established the 2010 Stock Option Plan (the "Plan"). The Plan authorizes the issuance of 1,000,000 shares of common stock. Pursuant to the terms of the Merger Agreement, we assumed all of Old DecisionPoint's obligations under their outstanding stock option plans.

Under the Plan, common stock incentives may be granted to officers, employees, directors, consultants, and advisors. As of June 30, 2013 , incentives under the Plan may be granted only in the form of non-statutory stock options and all stock options of Old DecisionPoint that were assumed by us became non-statutory options on the date of the assumption.

The Plan is administered by our Board of Directors, or a committee appointed by our 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 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 five 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.

Provided below is information regarding our equity compensation plans under which our equity securities are authorized for issuance as of December 31, 2012 subject to our available authorized shares.

Plan Category

	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	544,505	$ 1.82	455,495
Equity compensation plans not approved by security holders	-	-	-
Total	544,505	$ 1.82	455,495

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

You should read the following discussion and analysis of financial condition and results of operation together with the financial statements and the related notes included in this prospectus.

In addition, some of the statements contained in this prospectus that are not historical facts are "forward-looking statements" which can be identified by the use of terminology such as "estimates," "projects," "plans," "believes," "expects," "anticipates," "intends," or the negative or other variations, or by discussions of strategy that involve risks and uncertainties. We urge you to be cautious of the forward-looking statements, that such statements, which are contained in this prospectus, reflect our current beliefs with respect to future events and involve known and unknown risks, uncertainties and other factors affecting our operations, market growth, services, products and licenses. No assurances can be given regarding the achievement of future results, as actual results may differ materially as a result of the risks we face, and actual events may differ from the assumptions underlying the statements that have been made regarding anticipated events. Factors that may cause actual results, our performance or achievements, or industry results, to differ materially from those contemplated by such forward-looking statements include, without limitation:

- Our ability to raise capital when needed and on acceptable terms and conditions;
- Our ability to manage the growth of our business through internal growth and acquisitions;
- The intensity of competition;
- General economic conditions and,
- Our ability to attract and retain management, and to integrate and maintain technical information and management information systems.

All written and oral forward-looking statements made in connection with this prospectus that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Given the uncertainties that surround such statements, you are cautioned not to place undue reliance on such forward-looking statements. Except as may be required under applicable securities laws, we undertake no obligation to publicly update or revise any forward-looking statements whether as a result more information, future events or occurrences.

Overview

DecisionPoint enables our clients to "move decisions closer to the customer" by "empowering the mobile worker". We define the mobile worker as those individuals that are on the front line in direct contact with customers. These workers include field repair technicians, sales associates, couriers, public safety employees and millions of other workers that deliver goods and or services throughout the country. Whether they are blue or white collar, mobile workers have many characteristics in common. Mobile workers need information, access to corporate resources, decision support tools and the ability to capture and report information back to the organization.

DecisionPoint empowers these mobile workers through the implementation of various mobile technologies including specialized mobile business applications, wireless networks, mobile computers (for example, rugged, tablets, and smartphones) and a comprehensive suite of consulting, integration, deployment and support services.

Mobile computing capabilities and usage continue to grow. With choice comes complexity so helping our customers navigate the myriad of options is what we do best. The right choice may be an off-the-shelf application or a custom business application to fit a very specific business process. DecisionPoint has the specialized resources and support structure to address the needs of mobile applications in the retail, transportation, field workforce sales/service and the warehousing market segments. We continue to invest in building out our capabilities to support these markets and business needs. For example, in July 2012, we invested in the expansion of our custom software development capabilities through the acquisition of Illume Mobile in Tulsa, OK, which specializes in the custom development of specialized mobile business applications for Apple, Android and Windows Mobile devices. Additionally, through the acquisition of Illume Mobile we acquired a cloud-based, horizontal software application "ContentSentral" which manages and distributes multiple types of corporate content (for example, PDF, video, images, and spreadsheets) on mobile tablets used by field workers. We also dramatically increased our software products expertise with the acquisition in June 2012 of APEX in Canada. The APEXWare™ software suite significantly expanded our field sales/service software offerings. APEXWare™ is a purpose-built mobile application suite ideally suited to the automation of field sales/service and warehouse workers. Additionally, we continue to expand our deployment and MobileCare support offerings. In 2012 we moved our headquarters location to a larger facility in Irvine, CA in order to accommodate the expansion of our express depot and technical support organizations. We also continue to invest in our "MobileCare EMM" enterprise mobility management offering. In 2008, we recognized the need for customers to outsource their mobile device management ("MDM") needs, thus we invested in building out a MDM practice that offers these services under a comprehensive managed service model. We have extended this offering from our historically ruggedized mobile computer customer base to address the growth of consumer devices in the enterprise and support the Bring Your Own Device (BYOD) and Bring Your Own Application (BYOA) movement.

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Recognizing that we cannot build every business application, we have developed an 'ecosystem' of partners which support our custom and off-the-shelf solutions. These partners include suppliers of mobile devices (Apple, Intermec, Motorola, among others), wireless carriers (AT&T, Sprint, T-Mobile, Verizon), mobile peripheral manufactures (Zebra Technologies Corporation, Datamax - O'Neil), in addition to a host of specialized independent software vendors such as AirWatch, VeriFone GlobalBay, XRS and Wavelink.

We are focused on several commercial enterprise markets. These include retail, field sales/service, warehousing and distribution and transportation. With the continued growth of the mobile internet, we expect to see our current markets growth in addition to the emergence of new markets. In order to identify these new markets we recently created a new internal organization whose sole purpose is to identify and nurture new market opportunities. We expect our customers to continue to embrace and deploy new technology to better enhance their own customers' experiences and improve their own operations while lowering their operating costs. Our expertise and understanding of our customers' operations and business operations in general, coupled with our expertise and understanding of mobile technology equipment and software offerings enables us to identify new trends and opportunities and provide these new solutions to our existing and potential customers.

At DecisionPoint, we deliver to our customers the ability to make better, faster and more accurate business decisions by implementing industry-specific, enterprise wireless and mobile computing systems for their front-line mobile workers, inside and outside of the traditional workplace. It is these systems that provide the information to improve the hundreds of individual business decisions made each day. Historically, critical information has remained locked away in the organization's enterprise computing systems, accessible only when employees were at their desks. Our solutions unlock this information and deliver it to employees when needed regardless of their location. As a result, our customers are able to move their business decision points closer to their customers which we believe in turn improves customer service levels, reduces cost and accelerates business growth.

We have several offices throughout North America which allows us to serve our multi-location clients and their mobile workforces. We provide depot services through our West and East coast facilities. Additionally, we are always keenly aware of potential acquisition candidates that can provide complementary products and service offerings to our customer base.

The Merger

On June 15, 2011, pursuant to the Merger (see "Business"), we acquired all of the issued and outstanding capital stock of Old DecisionPoint from its shareholders in exchange for 4,593,660 shares of our common stock, resulting in an exchange ratio of one share for every eight shares of common stock tendered (1:8). We also acquired all of Old DecisionPoint's issued and outstanding Series A Cumulative Convertible Preferred Shares and Series B Cumulative Convertible Preferred Shares in exchange for 243,750 and 118,750 of Cumulative Convertible Preferred Shares, respectively. Immediately after the Merger, there were 6,934,412 shares of common stock outstanding and 243,750 and 118,750 shares of Series A Cumulative Convertible Preferred Shares and Series B Cumulative Convertible Preferred Shares outstanding, respectively. Pursuant to the terms of the Merger Agreement, we assumed all of Old DecisionPoint's obligations under their outstanding stock option plans and warrant agreements. Two of our directors retained their positions and the remaining positions were filled by the directors and officers of Old DecisionPoint. In connection with and upon the Effective Date of the Merger, we issued 153,883 additional common shares as payment for a finder's fee. The shares were valued at $2.30 per share, the closing share price on the Effective Date, for total consideration of $353,931. The finder's fee and other expenses have been accounted for as costs of the Merger in the accompanying consolidated statement of stockholders' equity in Form 10-K included elsewhere in this Prospectus. On November 8, 2011, we entered into an agreement with the finder pursuant to which the finder returned all of the aforementioned shares of our stock in exchange for $250,000 in cash. The agreement was approved by the Board of Directors. The value of the shares on the date of the agreement was $1.33 and as such, $204,664 has been recorded as treasury stock for accounting purposes. The remaining $45,336 has been reflected as a charge in the statement of operations for the year ended December 31, 2011. Other expenses related to the Merger totaled $376,547.

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The estimated fair values of the financial assets received and liabilities assumed from Comamtech in the Merger are comprised of the following as of June 15, 2011:

Cash	$ 2,361,742
Note receivable	100,000
Other receivables	1,488,850
Other curent assets	150,545
Accounts payable	(153,450)
Net asset value	$ 3,947,687

The other receivables are comprised of a $1,500,000 payment due from the sale of a business by Comamtech to a publicly traded company and another miscellaneous receivable of $49,732. The $1,500,000 receivable was collected in May 2012. We estimated the fair value of this receivable by calculating the present value of the expected cash payment using a credit risk adjusted interest rate of 4.6%. The fair value of the receivable is $1,476,285 as of December 31, 2011, and is included in other receivables in the accompanying consolidated balance sheet as of December 31, 2011 in Form 10-K included elsewhere in this Prospectus.

The note receivable represented approximately $4.4 million due from the sale of a business by Comamtech to a private company ("Empresario"). The note was secured by the assets of Empresario and was guaranteed by its principal shareholder. To accommodate Empresario's inability to perform, the note was restructured several times by Comamtech prior to the Merger. Empresario defaulted on the amended terms on August 10, 2011, and we sent Empresario a demand for payment. At that time, Empresario had not been able to secure a viable path for repayment and, based on all of the information available at the time, we had assessed the financial health and capitalization of Empresario along with its claim paying ability as being very poor. Accordingly, we estimated the fair value of the note receivable to be $100,000 as of the effective date of the Merger.

On September 2, 2011, we entered into a transfer and payment agreement (the "Transfer Agreement") among the Company, Empresario, and its sole shareholder. Pursuant to the Transfer Agreement, Empresario paid the Company $530,000, and we transferred to Empresario its right, title and interest in the Purchased Assets, as defined by the Asset Purchase Agreement dated May 14, 2009, between Comamtech and Empresario ("the Purchase Agreement"). The convertible secured debenture, dated August 10, 2010, between Empresario and Comamtech, in the original amount of $4,411,186 was cancelled and terminated. The guarantee, dated May 14, 2009, among Comamtech, Empresario, and the sole shareholder, pursuant to which the sole shareholder guaranteed certain obligations under the Purchase Agreement, was cancelled and terminated. Costs incurred to complete the Transfer Agreement totaled $130,000, of which $100,000 was due to Robert Chaiken, a Director of the Company, for services related to negotiating the Transfer Agreement. Of that amount, $42,152 was paid in cash and on September 30, 2011, we issued Mr. Chaiken 26,906 shares of common stock valued at $57,848 as payment in full. The remaining costs were legal and other professional services to complete the Transfer.

The difference between the estimated fair value of the note receivable of $100,000 and the payment of $530,000, reduced by a $130,000 in costs to complete the Transfer, approximated $300,000 and was recorded as other income in the accompanying consolidated statement of operations for the year ended December 31, 2011 in Form 10-K included elsewhere in this Prospectus.

Pursuant to the Merger Agreement, on or before August 25, 2011, we were to have an audit performed on the balance sheet of Comamtech as of June 15, 2011 (the "Opening Balance Sheet"). Prior to August 25, 2011, we prepared a statement (the "Purchase Price Statement") setting forth our good faith computation of the shareholders' equity of Comamtech as of August 15, 2011. During August 2011, both parties accepted the Purchase Price Statement and agreed to forego an audit.

Pursuant to the Merger Agreement, if the final shareholders' equity balance reflected in the Opening Balance Sheet was less than $7,233,000, then the shareholders of Old DecisionPoint at the date of the Merger were entitled to receive, on a pro rata basis, common shares according to a schedule set forth in the Merger Agreement. The final shareholders' equity balance reflected in the Opening Balance Sheet was $3,947,687 (see table above) and as a result, we issued the maximum number of additional common shares of 487,310 to the Old DecisionPoint shareholders on September 30, 2011. These shares were included in total common shares issued and outstanding as of the Effective Date of the transaction, as reflected in our Form 10-Q for the period ending June 30, 2011. This had the effect of reducing the exchange ratio from one for every eight shares tendered (1:8) to one for every seven point two three shares tendered (1:7.23273). The additional common shares have been accounted for as a reduction in the exchange ratio for all other securities, including the preferred stock, stock options and warrants to purchase shares of our securities.

As a result, after the adjustment to the exchange ratio, we had acquired all of the issued and outstanding capital stock of Old DecisionPoint from its shareholders by exchanging 36,749,286 of Old DecisionPoint common shares for 5,080,970 shares of our common stock and by exchanging 975 and 380 shares of Old DecisionPoint Series A and Series B Cumulative Convertible Preferred Shares, for 269,608 and 131,347 shares of our Series A and Series B Cumulative Convertible Preferred Shares, respectively.

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Business Combinations

Illume Mobile Acquisition

On July 31, 2012 ("Illume Closing Date"), we consummated an asset purchase agreement ("Asset Purchase Agreement") with MacroSolve, Inc. Pursuant to the Asset Purchase Agreement, we purchased the business (including substantially all the related assets) of the seller's Illume Mobile division ("Illume Mobile"), based in Tulsa, Oklahoma.

Founded in 1996, Illume Mobile is a mobile business solutions provider that services mobile products and platforms. Illume Mobile's initial core business is the development and integration of business applications for mobile environments. Today, Illume Mobile serves the mobile application development needs of a wide range of customers, from Fortune 500s to small and medium-sized businesses. It delivers advanced, mobile apps for many device platforms including iPad, iPhone and Android with functionality including 3D animation, mobile video, augmented reality, GPS, and more. Illume Mobile seeks to leverage its combination of creativity, technical savvy, years of mobile experience, and market insight to enable customers to envision their mobile applications and bring them to reality, providing the most value in the shortest amount of time. For more information regarding this acquisition, (see "Note 4 – Business Combinations" in the accompanying Notes to Form 10-Q Unaudited Condensed Consolidated Financial Statements included elsewhere in this Prospectus for additional details) .

Apex Systems Integrators Acquisition

On June 4, 2012 ("Closing Date"), pursuant to a Stock Purchase Agreement ("Purchase Agreement"), we acquired all of the issued and outstanding shares of Apex Systems Integrators Inc. ("Apex"), a corporation organized under the laws of the Province of Ontario, Canada. Apex is a provider of wireless mobile work force software solutions. Its suite of products utilizes the latest technologies to empower the mobile worker in many areas including merchandising, sales and delivery; field service; logistics and transportation; and, warehouse management. Its clients are North American companies that are household names whose products and services are used daily to feed, transport, entertain and care for people throughout the world. For more information regarding this acquisition, see "Note 4 – Business Combinations " in the accompanying Notes to Form 10-Q Unaudited Condensed Consolidated Financial Statements included elsewhere in this Prospectus for additional details .

The operating results of Illume Mobile have been included in our results of operations beginning August 1, 2012 and operating results of Apex have been included in our results of operations beginning June 5, 2012.

Pro Forma Disclosure of Financial Information (unaudited)

The following table summarizes our unaudited consolidated results of operations for the three and six months ended June 30, 2012 as if the Apex and Illume acquisitions had occurred on January 1, 2012 (in thousands except per share data):

	Three Months Ended June 30, 2012		Six Months Ended June 30, 2012	
	As Reported	Pro Forma	As Reported	Pro Forma
Net sales	$ 17,767	$ 18,497	$ 35,577	$ 37,677
Net loss attributable to common shareholders	(1,523)	(2,325)	(1,982)	(3,866)

Net loss per share - basic and diluted	(0.20)	(0.27)	(0.27)	(0.46)

Included in the pro forma combined results of operations are the following adjustments for Apex: (i) amortization of intangible assets for the three and six months ended June 30, 2012 of $229,000 and $572,000, respectively, (ii) a net increase in interest expense for the three and six months ended June 30, 2013 of $116,000 and $291,000, respectively.

Included in the pro forma combined results of operations are the following adjustments for Illume Mobile: (i) amortization of intangible assets for the three and six months ended June 30, 2012 of $53,000 and $106,000, respectively. Net loss per share assumes the 325,000 shares issued in connection with the Apex acquisition and the 617,284 shares issued in connection with the Illume Mobile acquisition are outstanding for each period presented (see "Note 4 – Business Combinations" in the accompanying Notes to the Unaudited Condensed Consolidated Financial Statements) .

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The following table summarizes our unaudited consolidated results of operations for the years ended December 31, 2012 and 2011, as if the Apex and Illume acquisitions had occurred on January 1, 2011 (in thousands):

	December 31,			
	2012	2011	2012	2011
	as reported		pro forma	
Net sales	$ 71,501	$ 58,359	$ 73,703	$ 62,024
Net loss attributable to common shareholders	(4,820)	(5,654)	(6,887)	(8,441)
Net loss per share - basic and diluted	(0.61)	(0.94)	(0.87)	(1.21)

Included in the pro forma combined results of operations are the following adjustments for Apex: (i) amortization of intangible assets for the years ended December 31, 2012 and 2011 of $572,000 and $1,392,000, respectively, (ii) a net increase in interest expense for the years ended December 31, 2012 and 2011 of $291,000 and $708,000, respectively.

Included in the pro forma combined results of operations are the following adjustments for Illume Mobile: (i) amortization of intangible assets for the years ended December 31, 2012 and 2011 of $125,000 and $214,000, respectively. Net loss per share assumes the 325,000 shares issued in connection with the Apex acquisition and the 617,284 shares issued in connection with the Illume Mobile acquisition are outstanding for each period presented, see " Note 4 – Business Combinations " in the accompanying Notes to the Form 10-Q Unaudited Condensed Consolidated Financial Statements included elsewhere in this Prospectus for additional details.

The historical financial information of Apex has been extracted for the periods required from the historical financial statements of Apex Systems Integrators, Inc. which were prepared in accordance with U.S. generally accepted accounting principles. The historical financial information of Illume Mobile has been derived from using internally generated management reports for the periods required. Historical financial information from both Apex and Illume Mobile were combined with the operations of the Company for the corresponding periods for purposes of pro forma presentation.

The unaudited pro forma financial information is not intended to represent or be indicative of the Company's consolidated results of operations that would have been reported had the Apex and Illume Mobile acquisitions been completed as of the beginning of the period presented, nor should it be taken as indicative of the Company's future consolidated results of operations.

Recent Business Developments

During the second quarter of 2013, we released a number of enhancements to our APEXWare Field Service software platform. The first major enhancement was the introduction of support for the IOS operating system and Apple's iPad tablet computer series. Tablet computers and specifically the iPad are gaining acceptance with many field service providers and as such supporting this new technology and form factor extends the potential market for APEXWare Field Service. The second major enhancement is the support of the Android operating system. As field service organizations look for new and less expensive mobile computers, smart phones are increasing being selected by many Field Service organizations. Additionally, the traditional rugged mobile computer manufacturers such as Intermec and Motorola are releasing new ruggedized mobile computers based on the Android operating system. These devices are specifically suited for Field Service providers that require hardened devices or peripheral support such as barcode scanning. All the APEXWareÔ Field Service business functions are available on the iPad and Android devices including:

- Work Order Management
- Parts Inventory Management
- Parts Ordering
- Asset Management
- Time and Labor Reporting
- Custom Forms Data Collection

Results of Operations

For comparison purposes, all dollar amounts have been rounded to nearest million while all percentages are actual. Due to rounding, totals in the tables presented may not sum to the total presented in the table.

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Increase (Decrease)	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Increase (Decrease)
Total revenue	$ 14,721	$ 17,767	(17.1%)	$ 28,493	$ 35,577	(19.9%)
Gross profit	$ 3,566	3,719	(4.1%)	$ 6,390	7,463	(14.4%)
Total operating expenses	$ 4,464	4,802	(7.1%)	$ 9,496	8,629	10.1%
Loss from operations	$ (898)	(1,083)	(17.1%)	$ (3,106)	(1,166)	166.5%
Loss before provision for income taxes	$ (1,146)	(1,258)	(8.9%)	$ (3,575)	(1,453)	146.1%

Total Revenue

Revenues for the three and six months ended June 30, 2013 and 2012 is summarized below:

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Increase (Decrease)	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Increase (Decrease)
Hardware	$ 8,524	$ 11,864	(28.1%)	$ 16,854	$ 24,631	(31.6%)
Professional services	4,411	4,292	2.8%	8,344	7,900	5.6%
Software	1,461	1,047	39.5%	2,536	1,861	36.3%
Other	325	564	(42.5%)	759	1,185	(36.0%)
	$ 14,721	$ 17,767	(17.1%)	$ 28,493	$ 35,577	(19.9%)

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Revenues were $14.7 million for the three months ended June 30, 2013, compared to $17.8 million for the same period ended June 30, 2012, a decrease of $3.1 million or 17.1%. The decrease in revenue was partially offset due to the inclusion of the operating results of our Apex and Illume Mobile acquisitions in mid-2012. Revenues for Apex were $0.9 million for the three months ended June 30, 2013, compared to $0.2 million for the same period ended June 30, 2012. Revenues for Illume Mobile were $0.3 million in the three months ended June 30, 2013. Excluding the impact of Apex and Illume Mobile acquisitions in mid-2012, revenues decreased by $4.1 million, or 23.2% over the same quarter in the prior year with the largest decrease occurring in hardware sales where sales decreased by 28.1%.

Revenues were $28.5 million for the six months ended June 30, 2013, compared to $35.6 million for the same period ended June 30, 2012, a decrease of $7.1 million or 19.9%. The decrease in revenue was partially offset due to the inclusion of the operating results of our Apex and Illume Mobile acquisitions in mid-2012. Revenues for Apex were $1.4 million for the six months ended June 30, 2013, compared to $0.2 million for the same period ended June 30, 2012. Revenues for Illume Mobile were $0.5 million in the six months ended June 30, 2013. Excluding the impact of Apex and Illume Mobile acquisitions in mid-2012, revenues decreased by $8.8 million, or 24.8% over the same period in the prior year with the largest decrease occurring in hardware sales where sales decreased by 31.6%.

The improved economic conditions in the U.S. which had begun in the first half of 2010, and continued improvement throughout 2011 and 2012 had a positive effect on our sales in those years. Prior to 2010, major retail chains had deferred new technology implementation and delayed systems' refresh. Conversely, the economic environment in 2012 stabilized whereupon we benefitted from renewed interest and more importantly, fundamental need to implement new cost saving technology. In the first and second quarter of 2013, we did not have the same level of customers with new technology implementation and systems' refresh. As a result, the hardware revenues for the three and six months ended June 30, 2013 declined by 28.1% and 31.6%, respectively, which was due to the decrease in system upgrades of mobile computing at the retail level. The slight increase in professional services for the three and six months ended June 30, 2013 compared to the same period in 2012 of 2.8% and 5.6%, respectively, relates to deployment and staging services to support our customers' prior technology upgrades. Our increase in software revenues for the three and six months ended June 30, 2013 compared to the same periods in 2012 is attributable to contributions of software revenues from the Apex and Illume Mobile acquisitions. The slight decrease in other revenues relates to a reallocation of our corporate resources away from the lower volume for consumables and towards the professional services business.

Cost of Sales

Cost of sales for the three and six months ended June 30, 2013 and 2012 is summarized below:

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Increase (Decrease)	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Increase (Decrease)
Hardware	$ 6,851	$ 9,931	(31.0%)	$ 13,613	$ 20,504	(33.6%)
Professional services	2,865	2,958	(3.2%)	5,658	5,411	4.6%
Software	1,206	795	51.7%	2,286	1,467	55.9%
Other	233	364	(35.9%)	546	732	(25.4%)
	$ 11,155	$ 14,048	(20.6%)	$ 22,103	$ 28,114	(21.4%)

The types of expenses included in the cost of sales line are hardware costs, third party licenses, costs associated with third party professional services, salaries and benefits for project managers and software engineers, freight, consumables and accessories.

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Cost of sales were $11.2 million for the three months ended June 30, 2013, compared to $14.0 million for the same period ended June 30, 2012, a decrease of $2.8 million or 20.0%. The decrease in cost of sales for hardware of 31.0% for the three months ended June 30, 2013 compared to the same period in 2012 was slightly higher than the hardware revenue decrease due to fewer large hardware orders which usually have reduced pricing. The decrease in cost of sales for professional services from the three months ended June 30, 2013 to the three months ended June 30, 2012 was 3.2%, compared to the revenue growth rate of 2.8% and was due to a decrease in professional service personnel. The increase in cost of sales for software of 51.7% for the three months ended June 30, 2013 compared to the same period in 2012 was slightly higher due to the impact of software intangible asset amortization. The decrease in other cost of sales relates to the decrease in the other revenues.

Cost of sales were $22.1 million for the six months ended June 30, 2013, compared to $28.1 million for the same period ended June 30, 2012, a decrease of $6.0 million or 21.4%. The decrease in cost of sales for hardware of 33.6% for the six months ended June 30, 2013 compared to the same period in 2012 was slightly higher that the hardware revenue decrease due to a fewer large orders which usually have reduced pricing. The increase in cost of sales for professional services from the six months ended June 30, 2013 to the six months ended June 30, 2012 was 4.6% compared to the revenue growth rate of 5.6%. The increase in cost of sales for software of 55.9% for the six months ended June 30, 2013 compared to the same period in 2012 was slightly higher due to the impact of software intangible asset amortization. The decrease in other cost of sales relates to the decrease on other revenues.

Gross Profit

Our gross profit was $3.6 million for the three months ended June 30, 2013, compared to $3.7 million for the same period ended June 30, 2012, a decrease of $0.1 million or 4.1%. Our gross margin percentage increased by 330 basis points to 24.2% in 2013, from 20.9% in the comparable period of 2012.

Our gross profit was $6.4 million for the six months ended June 30, 2013, compared to $7.5 million for the same period ended June 30, 2012, a decrease of $1.1 million or 14.4%. Our gross margin percentage increased by 140 basis points to 22.4% in 2013, from 21.0% in the comparable period of 2012.

The increase in gross margin percentage for the three and six months ended June 30, 2013 is due to continued implementation of increased cost control for the products and services which we resell, and our professional service costs were positively impacted by our better utilization associated with greater recognized revenue from these services in the current three and six months and therefore, we realized higher margins on those services. Additionally, these increases are partially offset due to amortization of intangible software assets, offset by the lower volume of hardware sales which carry a lower gross margin, combined with a higher proportion of sales from professional services.

Selling, General and Administrative Expenses

	Three Months Ended June 30,		Increase	Six Months Ended June 30,		Increase
	2013	2012	(Decrease)	2013	2012	(Decrease)
Selling, general and administrative expenses	$ 4,464	$ 4,803	(7.1%)	$ 9,496	$ 8,628	10.1%
As a percentage of sales	30.3%	27.0%	3.3%	33.3%	24.3%	9.1%

Selling, general and administrative expenses were $4.5 million for the three months ended June 30, 2013, compared to $4.8 million for the same period in the prior year. This represents a decrease of $0.3 million, or 7.1%. The decrease was primarily due to reduced Legal and other professional fees.

Selling, general and administrative expenses were $9.5 million for the six months ended June 30, 2013, compared to $8.6 million for the same period in the prior year. This represents an increase of $0.9 million, or 10.1%. The increase was partially due to the addition of the Apex and Illume Mobile businesses which added $1.2 million compared to the same period in the prior year in selling, general and administrative costs to operate those businesses. Additionally, there was an increase in sales salary related expenses of $0.9 million which, in part relates to the expansion of the sales force in the U.S. tasked with bringing the APEXWare™ product to the U.S. market.

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	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Increase (Decrease)	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Increase (Decrease)
Depreciation and amortization						
In cost of sales	$ 0.2	$ 0.1	246.2%	$ 0.4	$ 0.1	500.4%
In operating expenses	0.3	0.2	48.1%	0.6	0.3	69.1%
Total depreciation and amortization	$ 0.5	$ 0.3	93.4%	$ 1.0	$ 0.4	139.6%
As a percentage of sales	3.4%	1.4%		3.5%	1.2%	

In addition to the differences above, selling, general and administrative costs were higher for the six months ended June 30, 2013 due to amortization of intangible assets as a result of the Apex and Illume acquisitions in 2012.

Interest Expense

Interest expense, which is related to our line of credit, subordinated debt, was $0.3 million for the three months ended June 30, 2013, compared to $0.2 million for the same period in the prior year.

Interest expense, which is related to our line of credit, subordinated debt, was $0.5 million for the six months ended June 30, 2013, compared to $0.3 million for the same period in the prior year.

The $0.2 million increase in interest expense for the three and six months ended June 30, 2013 compared to the same period in the prior year was the result of increased general debt obligations and relating to the Apex acquisition. On June 4, 2012 Apex entered in to the RBC Credit Agreement, borrowing CDN $2,500,000 at an interest rate of RBP plus 4%. The RBC Credit Agreement also includes a revolving demand facility with an authorized limit of CDN $200,000 at an interest rate of RBP plus 1.5%. On June 4, 2012 Apex also entered in to the BDC Loan Agreement, borrowing CDN $1,700,000 at the rate of 12% per annum. Additionally, on February 27, 2013, we entered into an amendment to the Loan and Security Agreement with SVB which provided an additional term loan of $1 million at a rate of 7.5%. Due to these additional borrowings, interest expense was higher during the three and six months ended June 30, 2013.

For comparison purposes, all dollar amounts have been rounded to nearest million while all percentages are actual.

	Year ended December 31, 2012	Year ended December 31, 2011	Increase/(Decrease)	
Total revenue	$ 71.5	$ 58.4	$ 13.1	22.5%
Gross profit	$ 15.6	$ 12.0	$ 3.6	29.7%
Total operating expenses	$ 18.7	$ 13.6	$ 5.1	37.2%
Loss from operations	$ (3.1)	$ (1.6)	$ 1.5	93.8%
Loss before provision for income taxes	$ (4.0)	$ (5.1)	$ (1.1)	-21.3%

Total Revenue

Revenues for the years ended December 31, 2012 and 2011 is summarized below:

	Year ended December 31, 2012	2011	Increase (Decrease)
Hardware	$ 48.5	$ 40.3	20.4%
Professional services	16.4	13.5	21.3%
Software	4.5	2.0	120.1%
Other	2.1	2.5	-16.6%
	$ 71.5	$ 58.4	22.5%

Revenues were $71.5 million for the year ended December 31, 2012, compared to $58.4 million for the same period ended December 31, 2011, an increase of $13.1 million or 22.5%. The increase in revenue was partially due to the inclusion of the operating results of our Apex acquisition from June 5, 2012 and Illume Mobile from August 1, 2012. Revenues for Apex were $1.1 million and revenues for Illume Mobile were $0.4 million. Excluding the impact of Apex and Illume Mobile acquisitions in 2012, revenues increased by $11.5 million, or 20.0% over the prior year with the largest increase occurring in hardware sales where sales increased by 18.9%.

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The improved economic conditions in the U.S. which had begun in the first half of 2010, and continued improvement throughout 2011 and 2012 have had a positive effect on our sales. In prior years, major retail chains had deferred new technology implementation and delayed systems' refresh. Conversely, the economic environment in 2012 stabilized whereupon we benefitted from renewed interest and more importantly, fundamental need to implement new cost saving technology. As a result, the 20.4% increase in hardware revenues for the year ended December 31, 2012 compared to the same period in 2011 was due to the increase in system upgrades of mobile computing at the retail level. The increase in professional services for the year ended December 31, 2012 compared to the same period in 2011 of 21.3% relates to deployment and staging services to support our customer's technology upgrades. Our increase in software revenues for the year ended December 31, 2012 compared to the same period in 2011 is attributable to the increased implementation activity as well as the contributions of software revenues from the Apex and Illume Mobile acquisitions. The decrease in other revenues relates to a reallocation of corporate resources away from the lower volume for consumables and towards the professional services business.

Cost of Sales

Cost of sales for the years ended December 31, 2012 and 2011 is summarized below:

	Year ended December 31, 2012	2011	Increase (Decrease)
Hardware	$ 40.2	$ 33.0	21.5%
Professional services	11.3	10.2	10.7%
Software	3.2	1.6	100.7%
Other	1.3	1.5	-15.3%
	$ 56.0	$ 46.4	20.7%

The types of expenses included in the cost of sales line are hardware costs, third party licenses, costs associated with third party professional services, salaries and benefits for project managers and software engineers, freight, consumables and accessories.

Cost of sales were $56.0 million for the year ended December 31, 2012, compared to $46.4 million for the same period ended December 31, 2011, an increase of $9.6 million or 20.7%. The increase in cost of sales for hardware of 21.5% for the year ended December 31, 2012 compared to the same period in 2011 was slightly higher than the hardware revenue increase due to reduced pricing associated with larger technology purchases. The increase in cost of sales for professional services from the year ended December 31, 2011 to the year ended December 31, 2012 was 10.7%, much lower than the revenue growth rate of 21.3% and was due to better utilization of professional service personnel associated with the growth in revenues. The increase in cost of sales for software of 100.7% for the year ended December 31, 2012 compared to the same period in 2011 was lower than the software revenue increase due to a change in product mix associated with the Apex and Illume Mobile acquisitions. The decrease in other cost of sales relates to the decrease in the other revenues in approximately the same percentage.

Gross Profit

Our gross profit was $15.6 million for the year ended December 31, 2012, compared to $12.0 million for the same period ended December 31, 2011, an increase of $3.6 million or 29.7%. Our gross margin percentage increased by 1.3% to 21.8% in 2012, from 20.5% in the comparable period of 2011. The increase in gross profit is directly due to the higher gross profit from professional services revenue. Additionally, we have continued to implement increased cost control for the products and services which we resell, our professional service costs were positively impacted by our better utilization associated with greater recognized revenue from these services in the current twelve months and therefore, we realized higher margins on those services.

Selling, General and Administrative Expenses

	Year ended December 31, 2012	Year ended December 31, 2011	Increase/(Decrease)	
Selling, general and administrative expenses	$ 18.7	$ 13.6	$ 5.1	37.2%
As a percentage of sales	26.1%	23.3%		2.8%

Selling, general and administrative expenses were $18.7 million for the year ended December 31, 2012, compared to $13.6 million for the same period in the prior year. This represents an increase of $5.1 million, or 37.2%.The increase was partially due to $2.2 million in costs to acquire the Apex and Illume Mobile businesses. Further, the addition of those businesses in 2012 added $1.7 million in selling, general and administrative expenses to operate those businesses. Additionally, the Company had severance expenses of $0.4 million in 2012 which it didn't have in 2011.

	Year ended December 31, 2012	2011	Increase/(Decrease)	
Depreciation and amortization	$ 1.6	$ 0.6	$ 1.0	177.2 %

Finance and administration expenses were also higher due to amortization of intangible assets as a result of the Apex and Illume acquisitions in 2012. Amortization expense of intangible assets for the years ended December 2012 and 2011, totaled $1.5 million and $0.5 million, respectively.

Interest Expense

Interest expense, which is related to our line of credit, subordinated debt and our obligations with related parties, was $1.0 million for the year ended December 31, 2012, compared to $1.2 million for the same period ended December 31, 2011. The $0.2 million decrease in interest expense was the result of the exchange of our subordinated notes for preferred stock in June 2011, and lower amounts outstanding on our lines of credit and term loans in the first five months of 2012, prior to the issuance of term debt for the Apex financing. On June 4, 2012 Apex entered in to the RBC Credit Agreement, borrowing CDN $2,500,000 at an interest rate of Royal Bank Prime (“RBP”) plus 4%. The RBC Credit Agreement also includes a revolving demand facility with an authorized limit of CDN $200,000 at an interest rate of RBP plus 1.5%. On June 4, 2012 Apex also entered in to the BDC Loan Agreement, borrowing CDN $1,700,000 at the rate of 12% per annum. Due to these additional borrowings, interest expense was higher during the second half of 2012.

Other (Income) Expense

Other (income) expense for the years ended December 31, 2012 and 2011, totaled $(116,000) and $(363,000), respectively. During 2011, we satisfied our receivable from Empresario for a net gain of $0.3 included as ‘other income’.

Liquidity and Capital Resources

Cash and Cash Flow

Although we have historically experienced losses, a material part of those losses were from non-cash transactions (refer to the accompanying Form 10-Q Unaudited Condensed Consolidated Statements of Cash Flows included elsewhere in this Prospectus.) In connection with these losses, we have accumulated substantial net operating loss carry-forwards to off-set future taxable income. In order to maintain normal operations for the foreseeable future, we must continue to have access to our line of credit, become profitable and/or access additional equity capital. There can be no assurance that we will become profitable or that we can continue to raise additional funds required to continue our normal operations. The accompanying consolidated financial statements do not include any adjustments that would be required should we not be successful with these activities.

Funds generated by operating activities and our credit facilities continue to be our most significant sources of liquidity. For the six months ended June 30, 2013, our revenue decreased approximately 19.9%, compared to the six months ended June 30, 2012, partially due to the lower level of retail customers’ system refreshes and system implementations. We also had an increased level of selling, general and administrative expenses in the first six months of 2013 compared to the same period in 2012 due to inclusion of the results from Apex and Illume Mobile along with increased selling expenses, professional expenses and investor relations expenses related to being a public company along with an increase in amortization expense of intangible assets, all resulted in higher operating loss for the first six months of 2013.

We believe that our strategic shift to higher margin field mobility solutions with additional APEXWare™ software and professional service revenues will improve our results as economic conditions continue to improve.

In the quarter ended June 30, 2013, we experienced a decrease in revenue of $3.0 million compared to the quarter ended June 30, 2012, and a $1.0 million increase in revenue compared to the previous sequential quarter ended March 31, 2013. In the six months ended June 30, 2013, we incurred approximately $0.9 million in increased expenses due to professional fees relating to the capital raising activities, the registration of common shares as a result of the Series D Preferred Stock offering and associated audit fees, and other matters such as employee termination costs. We experienced a net loss of $1.3 million and $3.7 million for the three and six month periods ended June 30, 2013, which were far in excess of the internal forecast maintained by the management team. In addition, we have a substantial working capital deficit totaling $(13.6) million at June 30, 2013. Although a portion of this deficit is associated with deferred costs and unearned revenues and term debt that has been classified current due to expected future covenant violations (see further discussion at Note 7), our liabilities that are expected to be satisfied in the foreseeable future in cash far exceed the operating assets that are expected to be satisfied in cash. As a result, the availability under our credit line has contracted significantly and our overall liquidity has become significantly constrained.

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To address these matters, we have embarked on a comprehensive review of our operations, which is expected to significantly reduce non-essential expenses and complete the integration of our acquisitions of Apex and Illume Mobile, which is expected to result in further cost savings.

As of August 15, 2013, the Company entered into a securities purchase agreement with accredited investors for aggregate gross proceeds of $1,756,400. Closings were held as of August 15, 2013 and August 21, 2013. Pursuant to the Purchase Agreement, the Company sold an aggregate of 2,927,333 Units, each Unit consisting of one share of common stock and one warrant to purchase one-half of one share of common stock (the "Investor Warrants"), for a purchase price of $0.60 per Unit, such that the Company sold an aggregate of 2,927,333 shares of common stock (the "Common Shares") and 1,463,667 Investor Warrants for aggregate gross proceeds of $1,756,400. The Investor Warrants have a five-year term and an exercise price of $1.00 per share. We received net proceeds of approximately $1.4 million, after deducting the placement agent fees of 10% and other offering expenses.

During 2012 and 2013, all principal payments on our term debt were made within payment terms. We were not in compliance with certain financial covenants under the agreements with Royal Bank of Canada ("RBC Credit Agreement") and BDC, Inc. ("BDC Credit Agreement") as of December, 31, 2012, March 31, 2013 and June 30, 2013. We have received waivers for non-compliance for past covenant violations and are currently discussing resetting debt covenants with these institutions to avoid currently expected future violations. Although we believe it is improbable that RBC and/or BDC will exercise their rights up to, and including, acceleration of the outstanding debt, there can be no assurance RBC and BDC will not exercise their rights pursuant to the provisions of the debt obligations. Accordingly, we have classified these debt obligations as current at June 30, 2013 (see Note 7 – Term Debt in the accompanying Form 10-Q Notes to Unaudited Condensed Consolidated Financial Statements included elsewhere in this Prospectus).

At July 31, 2013, the outstanding balance on the line of credit with Silicon Valley Bank ("SVB") is $3.1 million, down from $4.2 million at April 30, 2013, and the availability under the line of credit has increased to $2.6 million (see Note 6 – Lines of Credit in the accompanying Form 10-Q Notes to Unaudited Condensed Consolidated Financial Statements included elsewhere in this Prospectus). We rely on the line of credit to fund daily operating activities maintaining very little cash on hand. As of December 31, 2012, we were in compliance with all of our financial covenants with SVB. As of May 31, 2013 and June 30, 2013, we were not in compliance with the Tangible Net Worth financial covenant as defined in the amended SVB Loan Agreement. SVB has agreed to temporarily forbear from exercising their rights and remedies under the facility until August 28, 2013 and has agreed to waive the existing covenant violations if a gross capital raise of $1.5 million is completed by such date. We completed the capital raise and were able to achieve compliance with the forbearance agreement prior to August 28, 2013. Accordingly, we believe that at the time of this filing we are in compliance with the terms and provisions of its SVB lending agreements. Except for any capital raises through August 28, 2013, the minimum Tangible Net Worth requirement of a $(9.7) million deficit will be further reduced by one half of any funds raised through sales of common stock (as only 50% of additional capital raises are given credit in the Tangible Net Worth calculation). We estimate that its minimum Tangible Net Worth at July 31, 2013, giving pro forma effect for the net $1.4 million in capital raise closed to date in August, was approximately a $(9.1) million deficit, leaving approximately $0.6 million in Tangible Net Worth cushion over the requirement of the line of credit. Should we continue to incur losses in a manner consistent with our recent historical financial performance, we will violate this covenant without additional net capital raises in amounts that are approximately twice the amount of the losses incurred.

In the near term, our successful restructuring of our operations and reduction of operating costs and/or its ability to raise additional capital at acceptable terms is critical to its ability to continue to operate for the foreseeable future. If we continue to incur operating losses and/or does not raise sufficient additional capital, material adverse events may occur including, but not limited to, 1) a reduction in the nature and scope of the Company's operations, 2) the Company's inability to fully implement its current business plan and/or 3) continued defaults under the various loan agreements. A covenant default would give the bank the right to demand immediate payment of all outstanding amounts which the Company would not be able to repay out of normal operations. There are no assurances that the Company will successfully implement its plans with respect to these liquidity matters. The unaudited condensed consolidated financial statements do not reflect any adjustment that may be required resulting from the adverse outcome relating to this uncertainty.

As a matter of course, we do not maintain significant cash balances on hand since we are financed by a line of credit. Typically, we use any excess cash to repay the then outstanding line of credit balance. As long as we continue to generate revenues and meet our financial covenants, we are permitted to draw down on our line of credit to fund our normal working capital needs. As of June 30, 2013, the outstanding balance on our SVB line of credit was approximately $2.6 million and the interest rate is 7.0%. As of June 30, 2013, there was $2.9 million available under the line of credit. As of July 31, 2013, the outstanding balance under the line of credit was $3.1 million and there was $2.6 million available under the line of credit. On February 27, 2013, we obtained an additional $1.0 million term loan from SVB (see below under "2013 Financing" for terms of the line of credit and the term loan.)

In connection with our Preferred Series D Private Placement in December 2012, 25% of the net proceeds are to be restricted for the Apex payment of the contingent consideration and the additional bonus consideration (see below under "2012 Financing.") These funds have not been placed into escrow pending agreement between the Company and former owners of Apex regarding the financial institution that will escrow the funds, the amount of funds to be escrowed and the terms of the escrow agreement itself.

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In the last four complete years of operations from 2009 through 2012, we have not experienced any significant effects of inflation on our product and service pricing, revenues or our income from continuing operations.

As of June 30, 2013 and December 31, 2012, we had cash of approximately $0.3 million and $1.1 million, respectively. We have used, and plan to use, such cash for general corporate purposes, including working capital.

As of June 30, 2013, we had negative working capital of $13.6 million and total stockholders' deficit of ($2.5) million. As of December 31, 2012, we had negative working capital of $9.1 million and total stockholders' equity of $0.9 million. At June 30, 2013, included in current liabilities is unearned revenue of $7.3 million, which reflects services that are to be performed in future periods but that have been paid and/or accrued for and therefore, would not represent additional future cash outflows. At June 30, 2013, included in current assets are deferred costs of $4.0 million which reflect costs paid for third party extended maintenance services that are being amortized over their respective service periods, which do not generally represent future cash inflows. The increase in the unearned revenue, offset by the deferred costs, continues to provide a benefit in future periods as the amounts convert to net realized revenue.

2013 Financing and Common Stock Private Placement

Silicon Valley Bank Financing

On February 27, 2013, we and Silicon Valley Bank ("SVB"), entered into an Amendment (the "Amendment") to Loan and Security Agreement, which amended the terms of the Loan and Security Agreement dated as of December 15, 2006 (as amended, the "Loan Agreement"). Pursuant to the Amendment, SVB made a new term loan to us on February 27, 2013, of $1,000,000 ("Term Loan II"). Repayment of Term Loan II, together with accrued interest thereon, is due in 36 monthly installments commencing on the first day of the month following the month in which the funding date of Term Loan II occurred.

Pursuant to the Amendment, the Loan Agreement was amended to provide that the revolving credit line thereunder will accrue interest at an annual rate equal to 3.75 percentage points above the Prime Rate, which may be further reduced to 3.25 percentage points above the Prime Rate after we achieve two consecutive fiscal quarters (beginning with any fiscal quarter ending on or after March 31, 2013) of profitability. In addition, the maturity date of the revolving credit line under the Loan Agreement was extended to February 28, 2015, the principal amount outstanding under the Term Loan under the Loan Agreement will accrue interest at a fixed annual rate equal to 9.0%, the principal amount outstanding under the Term Loan II will accrue interest at a fixed annual rate equal to 7.5%, and we agreed to pay an anniversary fee of $100,000 on February 28, 2014.

The Loan Agreement includes customary covenants, limitations and events of default. Financial covenants which may materially impact our liquidity include minimum liquidity and fixed charge coverage ratios (1.5 to 1), minimum tangible net worth requirements ($9.7 million) and limitations on indebtedness. Additionally, the Loan Agreement has customary cross-default covenants which will cause us to be in default if we are in default in other loan agreements. As of December 31, 2012, we were in compliance with all of our financial covenants with SVB. As of May 31, 2013 and June 30, 2013, we were not on compliance with the Tangible Net Worth financial covenant as defined in the amended SVB Loan Agreement.

On August 16, 2013, we entered into an agreement with SVB ("Forbearance Agreement") pursuant to which SVB agreed to temporarily forbear from exercising their rights and remedies under the facility until August 28, 2013 and agreed to waive the existing covenant violations if a gross capital raise of $1.5 million is completed by such date. We completed the capital raise and were able to achieve compliance with the Forbearance Agreement prior to August 28, 2013. Accordingly, we believe that at the time of this filing we are in compliance with the terms and provisions of the

SVB lending agreements. Except for any capital raises through August 28, 2013, the minimum Tangible Net Worth requirement of a $(9.7) million deficit will be further reduced by one half of any funds raised through sales of common stock (as only 50% of additional capital raises are given credit in the Tangible Net Worth calculation). We estimate that its minimum Tangible Net Worth at July 31, 2013, giving pro forma effect for the net $1.3 million in capital raise closed to date in August, was approximately a $(9.1) million deficit, leaving approximately $0.6 million in Tangible Net Worth cushion over the requirement of the line of credit. Should we continue to incur losses in a manner consistent with its recent historical financial performance, we will violate this covenant without additional net capital raises in amounts that are approximately twice the amount of the losses incurred.

Common Stock Private Placement

As noted above, as of August 15, 2013, the Company entered into a securities purchase agreement (the “Purchase Agreement”) with accredited investors (the “Investors”) for aggregate gross proceeds of $1,756,400. Closings were held as of August 15, 2013 and August 21, 2013. Pursuant to the Purchase Agreement, the Company sold an aggregate of 2,927,333 Units, each Unit consisting of one share of common stock and one warrant to purchase one-half of one share of common stock (the “Investor Warrants”), for a purchase price of $0.60 per Unit, such that the Company sold an aggregate of 2,927,333 shares of common stock (the “Common Shares”) and 1,463,667 Investor Warrants for aggregate gross proceeds of $1,756,400 (the “Private Placement”). The Investor Warrants have a five-year term and an exercise price of $1.00 per share

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The Company retained Newport Coast Securities, Inc. (the "Placement Agent") as the placement agent for the Private Placement. The Company paid the Placement Agent $175,640 in commissions (equal to 10% of the gross proceeds), and issued to the Placement Agent and its designees five-year warrants (the "Placement Agent Warrants") to purchase 292,733 shares of common stock (equal to 10% of the number of Units sold in the Private Placement) at an exercise price of $0.60 per share, exercisable on a cashless basis, in connection with the Private Placement. We expect that the warrants will receive liability accounting treatment under existing technical standards.

The Company's Series D Preferred Stock entitles the holder certain anti-dilution rights upon subsequent issuances of common stock which is less than the $1.00 per share conversion price of the Series D Preferred Stock. The conversion price of the Series D Preferred Stock will be further reduced by any additional equity issuances which are lower than the conversion price in effect at the time of issuance. As a result of the Purchase Agreement discussed above, the exercise price of the Series D Preferred Stock was reduced from $1.00 per share to $0.90 per share. If all Series D Preferred Stock is converted an additional 782,444 shares of common stock will be issued further diluting existing common stockholders and holders of Series D Preferred warrants and Investor Warrants.

2012 Financing and Preferred Series D Private Placement

Royal Bank of Canada and BDC Capital, Inc. Financing

On June 4, 2012, Apex entered into a Credit Agreement ("RBC Credit Agreement") with Royal Bank of Canada ("RBC"), pursuant to which RBC made available certain credit facilities in the aggregate amount of up to CDN$2,750,000 (US$2,641,000 at the Closing Date), including a revolving demand facility with an authorized limit of CDN$200,000 (US$192,000 at the Closing Date). The RBC Term Loan accrues interest at RBP plus 4% (7% at December 31, 2012). Principal and interest is payable over a three year period at a fixed principal amount of CDN$69,444 a month beginning in July 2012 and continuing through June 2015. Apex paid approximately $120,000 in financing costs, which has been recorded as deferred financing costs and is being amortized to interest expense over the term of the loan.

In addition, the RBC Term Loan calls for mandatory repayments based on 20% of Apex's free cash flow as defined in the RBC Credit Agreement, before discretionary bonuses based on the annual year end audited financial statements of Apex, beginning with the fiscal year ended December 31, 2012, and payable within 30 days of the delivery of the annual audited financial statements, and continuing every six months through December 31, 2014. As of June 30, 2013 and December 31, 2012, the Company estimates that the mandatory repayment based on 20% of Apex's free cash flow will be $0.

The RBC Term Loan has certain financial covenants and other non-financial covenants. As of June 30, 2013 and December 31, 2012, Apex was not in compliance with the Fixed Charge Coverage ratio (as defined by the RBC Credit Agreement). The Fixed Charge Coverage ratio of not less than 1.25:1 is calculated as the ratio of the trailing twelve months of earnings before interest, taxes, depreciation and amortization ("EBITDA") to loan payments and interest charges for the RBC Credit Agreement and the BDC Term Loan. Our calculation of the Fixed Charge Coverage ratio at June 30, 2013 and December 31, 2012 is 0.58:1 and 0.86:1, respectively. Additionally, at June 30, 2013 we were not in compliance with the Maximum Funded Debt to EBITDA ratio. In order to be in compliance with this covenant, we need a ratio of not less than 2.25:1. At June 30, 2013 our maximum funded debt to EBITDA ratio was 2.29:1. Under the RBC Credit Agreement, violation of this covenant is an Event of Default which grants RBC the right to demand immediate payment of outstanding balances. In March 2013, May 2013 and August 2013, we received waivers for non-compliance of these covenants at December 31, 2012, March 31, 2013 and June 30, 2013. The covenants were reset by RBC on August 16, 2013. We do not believe that we will be in compliance with the reset covenants at December 31, 2013. We are currently further discussing adjusting the reset debt covenants with RBC. Although we believe it is improbable RBC will exercise their rights up to, and including, acceleration of the outstanding debt, there can be no assurance that RBC will not exercise their rights pursuant to the provisions of the debt obligation. Accordingly, we have classified the term debt obligation as current at June 30, 2013.