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

FORM 10-K

(Mark One)
X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

Commission File Number: 0-10355

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

Minnesota	41-0957999
(State or other jurisdiction of incorporation or organization)	(Federal Employer Identification No.)

213 South Main Street
Hector, MN 55342
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (320) 848-6231

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class
Common Stock, $.05 par value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

The aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately $57,843,000 based upon the closing sale price of the Company's common stock on the NASDAQ National Market System on March 15, 2002.

As of March 15, 2002 there were outstanding 8,261,493 shares of the Registrant's common stock.

Documents Incorporated by Reference: The Company's Proxy Statement for its Annual Meeting of Shareholders to be held on May 16, 2002 is incorporated by reference into Part III of this Form 10-K.

PART I

ITEM 1. BUSINESS

(a) GENERAL DEVELOPMENT OF BUSINESS

Communications Systems, Inc. (herein collectively called "CSI" or the "Company") is a Minnesota corporation organized in 1969 which operates directly and through its subsidiaries located in the United States (including Puerto Rico), Costa Rica and the United Kingdom. CSI is principally engaged in the manufacture and sale of modular connecting and wiring devices for voice and data communications and the manufacture of media and rate conversion products for telecommunications networks.

Effective August 7, 1998, the Company acquired JDL Technologies, Inc. ("JDL"). JDL, located in Edina, Minnesota, provides telecommunications network design, specification, and training services to educational institutions. JDL also sells internet access software for use in elementary and secondary schools. The acquisition was accounted for as a purchase and operations of JDL have been included in consolidated operations from August 7, 1998.

Effective December 1, 1998, the Company acquired Transition Networks, Inc. ("TNI"). TNI, located in Eden Prairie, Minnesota is a manufacturer of media and rate conversion products, which permit telecommunications networks to move information between copper-wired equipment and fiber-optic cable. The acquisition was accounted for as a purchase and operations of TNI have been included in consolidated operations from December 1, 1998.

Effective April 7, 1999, the Company acquired LANart Corporation, a designer and manufacturer of application specific integrated circuits. LANart's operations have been merged into the Company's Transition Networks, Inc. subsidiary. The acquisition was accounted for as a purchase and operations of LANart Corporation have been included in consolidated results from April 7, 1999.

Additional information on these acquisitions can be found in subparagraphs (c)(1)(iii) and (c)(1)(iv) under Item 1 herein, in "Acquisitions and Dispositions" under Item 7, Management's Discussion and Analysis and in Note 8 of Notes to Consolidated Financial Statements under Item 8, herein.

(b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The Company divides its businesses into four segments: Suttle, which manufactures U.S. standard modular connecting and wiring devices for voice and data communications; Austin Taylor, which manufactures British standard line jacks, patch panels, wiring harness assemblies, metal boxes, distribution cabinets and distribution and central office frames; Transition Networks, which designs and markets data transmission and computer network products and other operations; JDL Technologies, Inc. provides telecommunications network design, specification and training services to educational institutions. The Company conducts manufacturing in the United States (including Puerto Rico), the United Kingdom and Costa Rica. Information regarding operations in the various segments is set forth in Note 9 of the Notes to Consolidated Financial Statements under Item 8, herein.

(c) NARRATIVE DESCRIPTION OF BUSINESS

(i) Suttle

The Company manufactures and markets connectors and wiring devices for voice, data and video communications under the "Suttle" brand name in the United States (U.S.) and internationally. The Company also manufactures a line of high performance fiber-optic connectors, interconnect devices and fiber cable assemblies for the telecommunications, computer and electronics markets. Products are manufactured at the Company's plants in Hector, Minnesota (Suttle Apparatus Minnesota Division), Humacao, Puerto Rico (Suttle Caribe, Inc.) and San Jose, Costa Rica (Suttle Costa Rica, S.A.). Segment sales were $39,992,000 in 2001 or 42% of consolidated revenues and $55,111,000 or 46% in 2000.

Products

Suttle's products are used in on-premise connection of telephones, data terminals and related equipment. The product line consists primarily of modular connecting devices and includes numerous types of jacks, connecting blocks and assemblies, adapters, cords and related equipment, which are offered in a variety of colors, styles and wiring configurations. Most of the products are used in voice applications, but the Company continues to develop an expanding line of products for network systems applications. A significant portion of the Company's revenues is derived from sales of a line of corrosion-resistant connectors, which utilize a water-resistant gel to offer superior performance in harsh environments. Station apparatus products generally range in price from $.70 to $25.00 per unit. A majority of the sales volume, both in units and revenues, is derived from products selling for under $5.00.

The Company produces high performance fiber-optic connectors, interconnect devices and fiber cable assemblies that are used in high-speed fiber-optic networks and local area network connections. The Company's patented Quick Term TM fiber optic connector significantly reduces installation time and costs associated with making fiber connections. By eliminating the need for a curing oven, the product reduces field installation time for this process from 20 minutes to 2 minutes. The Company's fiber-optic connector products range in price from $2.50 to $1,500.00.

The Company is a manufacturer of DSL (Digital Subscriber Lines) filters for home and business applications. The Company also resells DSL filter products procured

from offshore sources. These filters permit the user to receive both analog and digital signals simultaneously and allow a single telephone line to support uninterrupted voice, fax and internet capabilities.

Markets and Marketing

Suttle competes in all major areas of the telecommunications connector market utilizing modular four, six and eight conductor jacks. Customers include the major telephone companies (frequently referred to as "RBOCs" which are Verizon Logistics, Bell South, SBC Communications, and Qwest), other telephone companies, electrical contractors, interconnect companies, original equipment manufacturers and retailers. These customers are served directly through the Company's sales staff and through distributors such as Sprint North Supply, Graybar Electric Company, Alltel Supply, KGP and Anixter Communications.

As a group, sales to the major telephone companies, both directly and through distribution, were approximately $19,394,000 in 2001 and $29,713,000 in 2000, which represented 48% of Suttle's sales in 2001 and 54% in 2000. Sales to Verizon Logistics, Alltel Supply and KGP, the principal distributors serving this market, amounted to 21%, 17% and 7%, respectively, of Suttle's sales in 2001. Sales to Verizon Logistics, Alltell Supply and KGP were 20%, 17% and 14%, respectively, of Suttle's sales in 2000.

The Company markets business and network systems products, which are an increasingly important part of its product line. Independent contractors (which include businesses often referred to as "interconnect companies") are engaged in the business of engineering, selling, installing and maintaining telephone equipment for the business community. The Company markets its products to independent contractors through a network of manufacturer's representatives, through distributors, and through the Company's sales staff. Sales of products for business and network systems accounted for 13% and 16% of Suttle's revenues in 2001 and 2000, respectively.

Approximately 4% of Suttle's 2001 and 2000 revenues were derived from sales in the retail market. The Company is a supplier of telephone connecting products to Radio Shack, other retailers, office supply distributors and specialized telephone stores. Sales to the retail market are made through a limited number of manufacturers' representatives.

Fiber-optic products are marketed to original equipment manufacturers (OEMs) in the U.S. and internationally through the Company's sales staff, manufacturers' representatives and a network of distributors, including Graybar Electric Company, Arcade Electronics and Branch Datacom. Sales of fiber-optic products accounted for 6% of Suttle's revenues in 2001 and 4% in 2000. Sales of DSL products introduced in 2000 represented an additional 11% of sales in 2001 and 4% in 2000.

The balance of Suttle's sales in 2001 and 2000 were to original equipment manufacturers, non-major telephone companies and international customers. In the communications industry market, sales to telephone companies are made directly or through distribution. Sales to OEM customers are made through a nationwide network of distributors, some of which are affiliates of major telephone companies, and through the Company's sales staff.

Competition

Suttle encounters strong competition in all its product lines. The Company competes primarily on the basis of the broad lines of products offered, product performance, quality, price and delivery.

Suttle's principal competitors for sales to telephone companies and independent contractors include Lucent Technologies, Ortronics, Leviton, Hubbell, Northern Telecom and AMP, Inc. Most of these companies have greater financial resources than the Company. In addition, distributors of the Company's apparatus products also market products for one or more of these competitors. Lucent Technologies markets to telephone companies and independent contractors directly and through telephone industry distributors that also market the Company's products.

In retail markets, the Company experiences significant competition from importers of low-priced modular products that market their products directly and through a number of distributors to various retail outlets.

The Company's principal competitor for sales to the major telephone companies is Lucent Technologies. To date, foreign manufacturers of apparatus products have not presented significant competition for sales to this market.

Order Book

Suttle manufactures its products on the basis of estimated customer requirements. Outstanding customer orders at March 1, 2002 were approximately

$2,964,000 compared to approximately $1,839,000 at March 1, 2001. Because new orders are filled on a relatively short timetable, the Company does not believe its order book is a significant indicator of future results.

Manufacturing and Sources of Supply

The Company's products are manufactured using plastic parts, wire sub-assemblies, fasteners, brackets, electronic circuit boards and other components, most of which are fabricated by the Company. There are multiple sources of supply for the materials and parts required and the Company is not dependent upon any single supplier, except that Suttle's corrosion-resistant products utilize a moisture-resistant gel-filled fig available only from Tyco Electronics. The unavailability of the gel-filled figs from Tyco Electronics could have a material adverse effect on the Company. The Company has not generally experienced significant problems in obtaining its required supplies, although from time to time spot shortages are experienced.

Research and Development; Patents

The Company continually monitors industry requirements and creates new products to improve its existing station apparatus product line. The Company's CorroShield line of corrosion resistant products was introduced in 1993, as was its Flex-Plate line of data products. The Company added additional products to these product lines in 1994 and 1995. The Company's SpeedStar line of high-speed data connectors was introduced in early 1996. In 1997, a proprietary Category 5 connector was developed which meets the highest current industry standard. In 2000, DSL (Digital Subscriber Lines) filters for home and business applications were introduced.

Historically, the Company has not relied on patents to protect its competitive position in the station apparatus market. However, duplication of Company designs by foreign apparatus manufacturers has caused the Company to apply for design patents on a number of products.

The Company's "Suttle Apparatus" brand name is important to its business. The Company regularly supports this name by trade advertising and believes it is well known in the marketplace.

(ii) Austin Taylor

Austin Taylor Communications, Ltd. manufactures voice and data connectors and related products at its plant in Bethesda, Wales, U.K. Its product line consists of British standard line jacks, patch panels, wiring harness assemblies, metal boxes, distribution cabinets and distribution and central office frames. Sales by Austin Taylor were $9,620,000, or 10% of consolidated revenues, in 2001 and $10,148,000 or 8% in 2000.

Austin Taylor is a vertically integrated manufacturer with metal stamping, metal bending, forming and painting, plastic injection molding and printed circuit board assembly capabilities. Austin Taylor's major customers include Cable and Wireless Communications, Northern Telecom Europe, Lucent Technologies and British Telecom. Austin Taylor's products are sold directly by its sales staff and through distributors, including Anixter Communications, NS Supply Group, RS Components and Telcom Products. Approximately 32% of Austin Taylor sales were to United Kingdom customers in 2001 and 2000.

The Company believes the European telecommunications market will offer increasing opportunities as the European Economic Community eliminates trade barriers and standardizes use of modular connector products. Austin Taylor also serves as a base to manufacture and/or distribute Suttle and Transition Networks, Inc. products and jointly developed products in the United Kingdom, Europe and internationally. The Company markets Austin Taylor products in the U.S., Canada, and other markets.

Outstanding customer orders for Austin Taylor products were approximately $527,000 at March 1, 2002 compared to $595,000 at March 1, 2001. Because Austin Taylor fills new orders on a relatively short timetable, the Company does not believe its order book is a significant indicator of future results.

(iii) Transition Networks

Transition Networks designs, manufactures and markets media converters, baluns, transceivers, network interface cards, and fiber hubs. Transition Networks sells its product solely through distributors, resellers, integrators, and OEMs. Sales decreased $4,327,000 or 11% to $35, 246,000. However, operating income increased by $1,413,000 to $2,118,000. The increase in operating income can be attributed to the reduction of selling, general and administrative expenses. International sales accounted for 37.2% of sales or $13,111,512 in 2001, up slightly compared to 2000 when international sales accounted for 36.4% of total sales. Sales to major distributors in 2001 totaled $18,640,114 a 16% decline compared to 2000.

Products

Transition Networks designs, produces, and sells media converter devices that make it possible to transmit telecommunications signals between systems using different types of media (for example between copper and fiber optic networks). These products are used to support legacy systems as customers' networks grow, integrate fiber optics into a network, and extend the reach of networks. Protocols supported include Gigabit Ethernet, Fast Ethernet, Ethernet, Token Ring, T1/E1, DS3, RS232, RS485, ATM, OC3, OC12, 3270, and 5250. The company uses ASIC (Application Specific Integrated Circuits) for development of some products, but is also reliant on industry for the development of new integrated circuits for the development of new products. Transition Networks is also vulnerable to the threat of manufacturers discontinuing a product that may be a sole source. Product hardware and software development is done internally. The software that Transition Networks utilizes to manage our products is provided free with the product. The concentration of Transition Networks product development is on hardware; software is developed to support hardware sales.

Transition Networks outsources most of its manufacturing processes. Approximately 55% of its products are manufactured offshore, principally in the Far East. These offshore sources of supply are subject to certain risks, including foreign currency fluctuations and interference from political sources. The Company has alternate sources of supply for its products and to date has not had problems obtaining necessary supplies.

Markets and Marketing

Transition Networks' products are used in a broad array of markets including enterprise networks, service providers' networks, and industrial environments such as manufacturing floors. Due to its broad customer base and the nature of the applications for its products, Transition Networks was not impacted to the extent that other network equipment manufacturers were affected by the market downturn.

The media conversion product line consists of the different form factors to address various applications. The chassis based systems, the Conversion Center(TM) and the Point System(TM) are used primarily in telecommunication closets for high-density applications and when multiple protocols need to be supported. Stand alone media converters are used typically at a workstation or for lower density applications.

Transition Networks continues to develop products that address the enterprise, service provider, and industrial markets. This includes developing converters for emerging protocols and existing protocols in new markets. Some of these products include DS3, remote management devices, and single fiber products. Some development efforts are paced by the development of critical components such as integrated circuits and optical transceivers.

Marketing primarily consists of tradeshows, trade magazine advertising, public relations activities, and direct mail. Total dollars spent in 2001 on marketing declined 31% compared to 2000. This can be attributed to a temporary reduction in employees, reduced advertising, and reduced mailing efforts.

Research and Development

Research and development consists mostly of salaries and personnel costs related to engineering, technical support, outside testing, equipment and supplies associated with enhancing existing products and developing new products. With the exception of capital expenditures, research and development costs are expensed when incurred. Research and development spending was $576,000 in 2001 compared to $640,000 in 2000. The cost reduction was due to closing of a development center in Needham, MA and consolidating development efforts at the Eden Prairie, MN facility.

Competition

Transition Networks faces strong competition across its entire product line. Allied Telelsyn a manufacturer of media converters, network interface cards, transceivers and switch products is the leading competitor. Other competitors include IMC Networks and Metrobility Optical Solutions. A large number of competitors exist for the highest volume products in the Ethernet and Fast Ethernet family. Low cost competitors from China and Taiwan are strongest in the developing Asian markets, but have had limited success in the North American market. A deeper penetration of these competitors poses a potential threat to sales and profit margins. Competition also exists from substitutes such as lower cost fiber switches.

Order Book

Outstanding customer orders for Transition Networks products were approximately $387,000 at March 1, 2002 and $1,225,000 at March 1, 2001. Transition Networks also fills orders on a relatively short-term basis and therefore does not believe its order book is a significant indicator of future results.

(iv) JDL Technologies, Inc.

JDL Technologies, Inc. provides telecommunications network design, specification, and training services to educational institutions. JDL also sells internet access software for use in elementary and secondary schools. Sales by JDL for 2001 totaled $10,247,000 and represented 11% of consolidated revenues. Total sales for 2000 totaled $14,887,000 or 12% of consolidated revenues. Sales of hardware, software and related equipment totaled $5,664,000 in 2001 or 55% of total sales compared to $12,285,000 in 2000 or 83%. of total sales. Training, support and consulting revenue totaled $4,584,000 and $2,595,000 in 2001 and 2000, respectively. Sales of hardware products, consulting and training services to two large school districts totaled $11,725,000 in 2000.

Outstanding customer orders for JDL products and services were approximately $8,736,000 as of March 1, 2002 and $2,350,000 at March 1, 2001. JDL does not believe its order book is a significant indicator of future results.

(d) Employment Levels

As of March 1, 2002 the Company employed 621 people. Of this number, 384 were employed by Suttle (including 30 in Puerto Rico, 150 in Hector, Minnesota and 204 in Costa Rica),114 by Austin Taylor Communications, Ltd., 80 by Transition Networks, Inc., 27 by JDL Technologies, Inc. and 16 general and administrative positions. The Company considers its employee relations to be good.

(e) Factors Affecting Future Performance

From time to time, in reports filed with the Securities and Exchange Commission, in press releases, and in other communications to shareholders or the investing public, the Company may make forward-looking statements concerning possible or anticipated future financial performance, business activities or plans which are typically preceded by the words "believes", "expects", "anticipates", "intends" or similar expressions. For such forward-looking statements, the Company claims the protection of the safe harbor for forward-looking statements contained in federal securities laws. Shareholders and the investing public should understand that such forward looking statements are subject to risks and uncertainties which could cause actual performance, activities or plans to differ significantly from those indicated in the forward-looking statements. Such risks and uncertainties include, but are not limited to: lower sales to RBOCs and other major customers; competitive products and technologies; our ability to successfully reduce operating expenses at certain business units; the general health of the telecom sector, profitability of recent acquisitions; delays in new product introductions; higher than expected expense related to new sales and marketing initiatives; availability of adequate supplies of raw materials and components; fuel prices; and other factors discussed from time to time in the Company's filings with the Securities and Exchange Commission.

(f) Executive Officers of Registrant

The executive officers of the Company and their ages at March 1, 2002 were as follows:

Name	Age	Position 1
Curtis A. Sampson	68	Chairman of the Board and Chief Executive Officer [1970]
Jeffrey K. Berg	59	President and Chief Operating Officer [2000]2
Paul N. Hanson	55	Vice President - Finance, Treasurer and Chief Financial Officer [1982]
Daniel G. Easter	45	President, Transition Networks, Inc. [2000]3
Lee Ludlam	41	Managing Director, Austin Taylor Communications, Ltd. [1998]4
Thomas J. Lapping	43	President, JDL Technologies, Inc. [1998]5

- ----------------------------------

1 Dates in brackets indicate period during which officers began serving in such capacity. Executive officers serve at the pleasure of the Board of Directors and are elected annually for one-year terms.

2 Mr. Berg was appointed Chief Operating Officer of Communications Systems,

Inc. in November 2000 and named President of the Company in March 2002. Prior to November 2000, Mr. Berg served as President of the Company's Suttle Apparatus Corporation.

3 Mr. Easter was appointed President of Transition Networks, Inc. in September 2000. From July 1997 to September 2000 he served as Transition Networks' Vice President of Sales and Marketing. Prior to July 1997, he was an executive of Allied Telesyn International Corporation in Seattle, WA.

4 Mr. Ludlam was appointed Managing Director of Austin Taylor in November 1998. From December 1995 to November 1998, he served as Austin Taylor's Director of Manufacturing.

5 JDL Technologies, Inc. was acquired by the Company in 1998. Mr. Lapping founded JDL Technologies, Inc. in 1989.

Messrs. Sampson and Hanson each devote approximately 50% of their working time to the Company's business with the balance devoted to management responsibilities at Hector Communications Corporation ("HCC"), a diversified telecommunications holding company also headquartered in Hector, Minnesota, for which they are separately compensated by HCC.

(g) FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES

Financial information about domestic and foreign operations and export sales may be obtained by reference to Note 9 of the "Notes to Consolidated Financial Statements" under Item 8 herein.

ITEM 2. PROPERTIES

The administrative and manufacturing functions of CSI are conducted at the following facilities:

- In Hector, Minnesota the Company owns a 15,000 square foot building where its executive and administrative offices are located.

- Suttle's manufacturing is conducted at three locations. At Hector, Minnesota, the Company owns three plants totaling 68,000 feet of manufacturing space. The Company leases space from the Puerto Rico Industrial Development Company in a facility in Humacao, Puerto Rico aggregating 7,000 square feet. The Company leases 40,000 square feet of manufacturing space in San Jose, Costa Rica. In 2001, the Company began leasing a 35,000 square foot facility in Waconia, Minnesota to be utilized as a distribution center for Suttle and Transition Networks, Inc. products.

- Austin Taylor Communications, Ltd. owns a 40,000 square foot facility.

- Transition Networks, Inc. leases a 27,000 square foot facility in Eden Prairie, Minnesota where its manufacturing and administrative facilities are located.

- JDL Technologies, Inc. leases an 11,000 square foot facility in Edina, Minnesota, which houses its business operations.

- The Company owns a 35,000 square foot plant in Lawrenceville, Illinois. This facility is for sale, but is currently leased to other tenants, pending a sale.

CSI believes these facilities will be adequate to accommodate its administrative, manufacturing and distribution needs for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

No material litigation or other claims are presently pending against the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET MATTERS FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) MARKET INFORMATION

The Company's common stock is currently traded in the National Market System of the National Association of Securities Dealers Automated Quotation System ("NASDAQ").

The table below presents the price range of high and low trades of the Company's common stock for each quarterly period indicated as reported by NASDAQ:

	2001		2000	
	High	Low	High	Low
First	$10.69	$7.75	$24.00	$12.56
Second	9.50	7.01	18.63	13.13
Third	8.61	5.40	17.88	12.00
Fourth	8.15	5.85	14.13	7.25

(b) HOLDERS

At March 1, 2002 there were approximately 820 holders of record of Communications Systems, Inc. common stock.

(c) DIVIDENDS

The Company had paid regular quarterly dividends since October 1, 1985. The per share quarterly dividends paid were $.10 in 1999 and 2000. Effective for the quarter beginning October 1, 2001, the CSI Board of Directors suspended the payment of a regular quarterly dividend due to the substantial reduction in earnings during the first half of 2001. Reinstatement of a quarterly dividend will be reviewed on a regular basis.

ITEM 6. SELECTED FINANCIAL DATA
<TABLE>
<CAPTION>

COMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES
SELECTED FINANCIAL INFORMATION
(in thousands except per share amounts)

	Year Ended December 31				
	2001	2000	1999	1998	1997
Selected Income Statement Data					
<S>	<C>	<C>	<C>	<C>	<C>
Revenues	$ 95,105	$ 119,720	$ 117,525	$ 71,570	$ 76,114
Costs and Expenses:					
Cost of Sales	69,602	82,355	77,280	50,599	52,684
Selling, General and Administrative Expenses	24,691	29,432	28,907	12,413	10,947
Total Costs and Expenses	94,293	111,787	106,187	63,012	63,631
Income From Operations	812	7,933	11,338	8,558	12,483
Other Income, Net	225	339	296	1,259	1,654
Income Before Income Taxes	1,037	8,272	11,634	9,817	14,137
Income Tax Expense	325	1,600	2,620	1,950	3,200
Net Income	$ 712	$ 6,672	$ 9,014	$ 7,867	$ 10,937
Basic Net Income Per Share	$ .09	$ .76	$ 1.04	$ .87	$ 1.18
Diluted Net Income Per Share	$ .09	$ .75	$ 1.03	$ .87	$ 1.17
Cash Dividends Per Share	$ .30	$ .40	$ .40	$ .38	$ .34
Average Common and Potential Common Shares Outstanding	8,365	8,865	8,727	9,084	9,325
Selected Balance Sheet Data					
Total Assets	$ 88,012	$ 93,198	$ 91,476	$ 83,900	$ 77,518
Property, Plant and Equipment, Net	8,137	10,106	10,960	11,379	9,675
Working Capital	51,149	45,486	34,787	37,245	48,514

Stockholders' Equity	67,308	71,267	66,422	63,454	69,264

</TABLE>

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

2001 Compared to 2000

Consolidated sales in 2001 decreased 21% to $95,105,000 in 2001 as compared to consolidated sales of $119,720,000 in 2000. Consolidated gross margins decreased by 4% in 2001 compared to 2000. Consolidated selling, general and administrative expenses increased 1% to 26% of gross revenue. Consolidated operating income decreased 90% to $812,000. Consolidated net income decreased 89% to$712,000 in 2001 or $.09 per diluted share compared to $.75 in 2000.

Overall, operating results of all business segments were adversely affected by the overall slowdown in economic conditions resulting in decreased capital spending and reduced equipment purchases by telecommunications service providers. Pricing pressures and excess manufacturing capacity also resulted in the Company experiencing decreases in gross margins. The Company's media conversion segment Transition Networks was not impacted as severely by the weak market conditions, which resulted in improved profitability as compared to the previous year. In 2001, the Company's manufacturing operations were downsized to match existing and anticipated volumes. Employment levels were reduced 30% in 2001 and in addition, two of three manufacturing facilities in Puerto Rico were closed to streamline overhead cost structures. The Company is pursuing new opportunities with significant long-term growth potential in residential and small business markets. Media conversion and wireless bandwidth solutions are also expected to significantly contribute to the Company's growth.

Suttle's sales decreased 27% to $39,992,000 in 2001 as compared to $55,111,000 in 2000. Sales to customers in the United States (U.S.) decreased 26% to $38,980,000 from $53,000,000 in 2000. Sales to the RBOC's (Regional Bell Operating Companies) decreased 35% to $19,626,000 from $24,713,000 in 2000. Sales to these customers represent 48% and 56% of Suttle's U.S. customer sales in 2001 and 2000, respectively. Sales to distributors, original equipment manufacturers (OEMs), and electrical contractors decreased to $15,632,000 or 20% from prior year. Sales to retail customers decreased 32% to $1,651,000 from $2,413,000 in 2000. Suttle's international sales decreased by 52% to $1,010,000 in 2001.

The sales decreases were reflected in most product lines with the exception of fiber-optic products and DSL (Digital Subscriber Lines) filters. CorroShield (standard voice jack for most telephone applications) product sales fell 34% to $15,465,000 in 2001 from $23,412,000 in 2000. Sales of fiber-optic connector products increased 13% to $2,283,000 from $2,023,000 in 2000. Sales of data products decreased 43% in 2001 to $5,056,000 from $8,863,000 in 2000. DSL filters (introduced in 2000) sales were $4,209,000 or 10% of Suttle's sales in 2001 versus $2,271,000 or 4% of sales in 2000.

Suttle's gross margins declined 53% to $8,219,000 with the gross margin percentage declining to 20.6% in 2001 from 31.6% in 2000. The gross margin decline is due primarily to lower business volumes, excess overhead costs and pricing reductions due to competitive pressures. Selling, general and administrative expenses decreased $700,000 or 9%. Operating income declined by $8,500,000 or 89%.

Austin Taylor's sales decreased by 5% to $9,620,000 in 2001. The sales decrease was due to below plan sales to several key United Kingdom (U.K.) accounts. Gross margin decreased by $565,000 or 44% from prior year and as a percentage of sales decreased 5.2% in 2001. The gross margin decline is due to excess overhead costs, pricing reductions and payment of severance costs associated with the resizing of the operations in the third and fourth quarters of 2001. Selling, general and administrative expenses increased $67,000. Operating income declined $632,000.

Transition Network sales decreased $4,327,000 or 11% to $35,246,000. Operating income increased by $1,413,000 or 146% to $2,118,000. Sales to distributors were $18,640,000 in 2001 or 53% of total sales compared to $21,760,000 or 55% of total sales in 2000. The balance of sales in both years was made to system integrators and resellers, to OEMs and through catalog sales. Sales to international customers were $13,112,000 and were 37% of total sales in 2001 compared to $14,237,000 or 36% in 2000. Gross margin dollars decreased by $2,198,000 and as a percentage of sales decreased by 1.5%. Selling, general and administrative expenses decreased by $3,611,000 and 6% as a percentage of sales.

JDL Technologies sales decreased 31% to $10,247,000 in 2001 compared to $14,887,000 in 2000. The sales decrease was due to lower sales of computer and network hardware in 2001 compared to 2000. Operating income increased by

$564,000 or 78% compared to 2000. Computer and network hardware sales represented $5,664,000 or 55% of total JDL revenues in 2001 compared to 83% of total revenue in 2000. Consulting, training and support was $4,535,000 or 45% of total sales compared to 17% of total sales in 2000. Gross margin in 2001 was $3,657,000 or 36% compared to $3,556,000 or 24% in 2000. The higher gross margin in 2001 is consistent with increased revenues in consulting, training, and design services as compared to 2000. Selling, general and administrative expenses decreased to $3,816,000 in 2001 from $4,278,000 in 2000 but as a percentage of net sales increased 8% to 37%.

Consolidated investment income, net of interest expense, decreased by $114,000 due to decreased earnings on invested funds. Income from continuing operations before income taxes decreased 90% to $812,000. The Company's effective income tax rate was 31.3% in 2001 as compared to 19.3% in 2000. The increase in the tax rate was attributable to higher U.S. and U.K. earnings as a percentage of total earnings, which are subject to higher tax rates than Puerto Rico earnings.

2000 Compared to 1999

Consolidated sales increased 2% to $119,720,000 in 2000. Consolidated selling, general and administrative expenses remained at approximately 25% of gross revenues. Consolidated operating income decreased 30% to $7,933,000. . Consolidated net income decreased 26% to $6,672,000 or $.75 per diluted share compared to $1.03 in 1999. The consolidated net income decrease was due primarily to a consolidated 3% decline in gross margin. Overall, CSI was adversely affected by the slowdown in purchasing by telecommunications service providers due to general weakening economic conditions and continuing consolidation within the telecom industry.

Suttle's sales decreased 6% to $55,111,000 in 2000. Sales to customers in the United States (U.S.) decreased 6% to $53,000,000. Sales to the RBOC's (Regional Bell Operating Companies) decreased 16% to $29,713,000. Sales to these customers represent 56% of Suttle's U.S. customer sales. Sales to distributors, original equipment manufacturers (OEMs), and electrical contractors increased to $19,626,000 or 20% from prior year. Sales to retail customers decreased 18% to $2,413,000. Suttle's international sales decreased by 9% to $2,121,000 in 2000.

The sales decreases were reflected in most product lines with the exception of data connector products and DSL (Digital Subscriber Lines) filters. CorroShield (standard voice jack for most telephone applications) product sales fell 13% to $23,412,000 in 2000. Sales of fiber-optic connector products decreased 13% to $2,027,000. Sales of data products increased 56% in 2000 to $8,883,000. DSL filters (introduced in 2000) sales were $2,226,000 or 4% of Suttle's sales.

Suttle's gross margins declined 16% to $17,419,000 with the gross margin percentage declining to 31.6% in 2000 from 35.7% in 1999. The gross margin decline is due primarily to lower business volumes and pricing reductions due to competitive pressures. Selling, general and administrative expenses decreased $216,000 or 3%. Operating income declined by $3,224,000 or 25%.

Austin Taylor's sales decreased by 16% to $10,148,000 in 2000. The sales decrease was due to below plan sales to several key United Kingdom (U.K.) accounts. Gross margin decreased by $743,000 or 37% from prior year and as a percentage of sales decreased 4.2% in 2000. The gross margin decline is due to lower business volumes and pricing reductions. Selling, general and administrative expenses increased $205,000. Operating income declined $948,000.

Transition Network's sales increased $4,211,000 or 11% to $39,574,000. The sales increase was due to increased volumes and related market share of the Company's media conversion technology products. Operating income increased by $878,000 to $705,000. Sales to distributors were $21,760,000 or 55% of total sales in 2000. Sales to system integrators and resellers represented 22% and 16% of total Transition sales respectively. The balance of sales by Transition Networks was made to OEMs and through catalog sales and represented 7% of total sales. Sales to international customers were $14,237,000 and were 36% of total sales in 2000 compared to $10,297,000 or 30% in 1999. New product sales accounted for 1% of sales in 2000. Gross margin increased by $894,000 but as a percentage of sales decreased by 2%. Selling, general and administrative expenses decreased by $141,000 and 5% as a percentage of sales.

JDL Technologies sales increased by $3,746,000 or 34% in 2000. The sales increase was due to higher sales of computer and network hardware in 2000 compared to 1999. Operating income decreased by $438,500 compared to 1999. Computer and network hardware represented $12,285,000 or 83% of total JDL revenues in 2000 compared to 77% in 1999. Consulting, training and support was $2,595,000 or 17% of total sales compared to 23% of total sales in 1999. Gross margin in 2000 was $3,556,000 or 24% in 2000 compared to $3,147,000 or 28% in 1999. Selling, general and administrative expenses increased to $4,278,000 in 2000 from $2,986,000 in 1999 but as a percentage of sales decreased 1% to 26%.

Consolidated investment income, net of interest expense, increased by $43,000

due to increased earnings on invested funds. Income from continuing operations before income taxes decreased 30% to $3,404,000. The Company's effective income tax rate was 19.3% in 2000 as compared to 22.5% in 1999. The decrease in the tax rate was attributable to lower U.S. and U.K. earnings, which are subject to higher tax rates than Puerto Rico earnings

Acquisitions and Dispositions

Effective April 7, 1999, the Company acquired LANart Corporation, a manufacturer of application specific integrated circuits (ASIC chips) located in Needham, Massachusetts, for approximately $4,800,000. The operations were subsequently merged with the Company's Transition Networks, Inc. subsidiary.

The acquisitions the Company has made over the past several years have served to expand the Company's product offerings and customer base in both U.S. and international markets. The Company is a growth-oriented manufacturer of telecommunications connecting and networking devices. The Company is continuing to search for acquisition candidates with products that will enable the Company to better serve its target markets.

Effects of Inflation

Inflation has not had a significant effect on operations. The Company does not have long-term production or procurement contracts and has historically been able to adjust pricing and purchasing decisions to respond to inflationary pressures.

European Currency

In January 1999, the European Monetary Union (EMU) entered into a three-year transition phase during which a common currency called the Euro was introduced in participating countries. Initially, this new currency is being used for financial transactions. It will eventually replace the national currencies of participating nations, which will be withdrawn by July 2002.

The Company does not believe introduction of the Euro has had any material effect on its business at this time. The United Kingdom, where Austin Taylor is located, is not among the countries converting to the Euro. The Company does not do significant amounts of business in other participating European nations, nor does it hold assets valued in other European currencies. The Company will continue to monitor the European currency situation and take action as required.

Liquidity and Capital Resources

At December 31, 2001, the Company had approximately $22,240,000 of cash and cash equivalents compared to $11,321,000 of cash and cash equivalents at December 31, 2000. The Company had working capital of approximately $51,149,000 and a current ratio of 3.5 to 1 compared to working capital of $45,486,000 and a current ratio of 3.0 to 1 at the end of 2000. The increase in working capital was primarily due to an increase in cash due primarily to redemption of mortgage backed securities, collection of receivables, reduction of inventories and adjustments to business plans to conserve cash.

Cash flow provided by operations was approximately $11,634,000 in 2001 compared to $162,000 provided by operations in 2000. The increase was primarily due to the Company's decreased inventory and accounts receivable levels and non-cash charges for depreciation and amortization.

Investing activities provided $5,092,000 of cash in 2001. Cash investments in new plant and equipment totaled $984,000 in 2001. The Company expects to invest $2,000,000 on capital additions in 2002. The Company invested approximately $5,825,000 in the purchase of debt securities in 1999 and redeemed them in the second quarter of 2001. Cash investments in new subsidiaries in 1999 was $3,956,000.

Net cash used in financing activities was $5,797,000. Dividends paid on common stock were $2,554,000. Proceeds from common stock issuances, principally exercises of key employee stock options, totaled $83,000 in 2001 and $3,656,000 in 2000. The Company purchased and retired 395,252 and 286,729 shares of its stock in open market transactions during 2001 and 2000 respectively. Board authorizations are outstanding to purchase 228,433 additional shares. The Company may purchase and retire additional shares in 2002 if warranted by market conditions and the Company's financial position.

The bulk of Suttle's operations were located in Puerto Rico until December 2001 The Company's earnings in Puerto Rico are sheltered from U.S. income tax by the possessions tax credit (Internal Revenue Code Section 936). The amount of the

possessions tax credit is limited to a percentage of the Company's Puerto Rico payroll and depreciation. U.S. income tax expense on the Company's earnings in Puerto Rico, after full utilization of the available tax credits, was $0, $82,000 and $827,000 in 2001, 2000 and 1999, respectively.

Under provisions of the Small Business Job Protection Act of 1996, the possessions tax credit was repealed for years after 1995. However, companies like CSI which currently qualify for the credit, may continue to claim the credit until 2005, subject to certain limitations. As of July 1, 1996, the credit no longer applies to investment income earned in Puerto Rico. The credit continued to apply to business income earned in Puerto Rico through 2001. For the years 2002 to 2005, the amount of Puerto Rico business income eligible for the credit will be limited to an inflation-adjusted amount based on Puerto Rico business income earned from 1990 to 1994. The possessions tax credit has a materially favorable effect on the Company's income tax expense. Had the Company incurred income tax expense on Puerto Rico operations at the full U.S. rate, income tax expense would have increased by $564,000, $1,908,000 and $2,023,000 in 2001, 2000 and 1999, respectively.

In December 2001 the Company reduced its operations in Puerto Rico in order to match anticipated business volume requirements. By reducing its Puerto Rico operations the Company substantially reduced the amount of possessions tax credit available to shelter earnings from U.S. income tax. As a result, the Company expects its corporate income tax rate on future earnings will more closely match normal U.S. income tax rates.

At December 31, 2001 approximately $28,458,000, $5,350,000 and $1,575,000 of assets were invested in the Company's subsidiaries in Puerto Rico, the United Kingdom and Costa Rica, respectively. The Company expects to maintain these investments as needed to support the continued operation of the subsidiaries. The Company uses the U.S. dollar as its functional currency in Costa Rica. The United Kingdom is a politically and economically stable country. Accordingly, the Company believes its risk of material loss due to adjustments in foreign currency markets to be small.

At December 31, 2001, the Company's outstanding obligations for notes payable totaled $9,000,000. The Company expects to repay or refinance this credit line in 2002. The unused portion of the Company's credit line ($1,000,000 at December 31, 2001) is available for use. In the opinion of management, based on the Company's current financial and operating position and projected future expenditures, sufficient funds are available to meet the Company's anticipated operating and capital expenditure needs.

Subsequent Event

Effective March 25, 2002, the Company acquired substantially all the assets of MiLAN Technology Corporation for approximately $8,300,000 of cash. MiLAN is a manufacturer of media and rate conversion products, which permit telecommunications networks to move information between copper-wired equipment and fiber-optic cable.

Critical Accounting Policies

Management's discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. We review the accounting policies we use in reporting our financial results on a regular basis. The preparation of these financial statements requires us to make estimates and judgements that affect the reported amounts of asset, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to reserves for inventory obsolence, uncollectable receivables and sales returns. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the result of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Results may differ from these estimates due to actual outcomes being different from those on which we based our assumptions. These estimates and judgements are reviewed by management on an ongoing basis and by the Audit Committee at the end of each quarter prior to the public release of our financial results.

New Accounting Standards

In July 2001, the Financial Accounting Standards Board issued Statement on Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets. This statement applies to intangibles and goodwill acquired after June 30, 2001,

as well as goodwill and intangibles previously acquired. Under this statement goodwill as well as other intangibles determined to have an infinite life will no longer be amortized; however, these assets will be reviewed for impairment on a periodic basis. Statement No. 142 also includes provisions for the reclassification of certain existing recognized intangibles as goodwill, reclassification of certain intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill. The Statement is effective for the Company on January 1, 2002. The Company is currently assessing but has not yet determined the impact of the Statement on its financial position and results of operations. As of December 31, 2001 and 2000 the Company had net goodwill of $4,638,000 and $6,729,000, respectively. Amortization expense recorded during the twelve months ended December 31, 2001 and 2000 was $2,092,000 for each year.

On January 1, 2001, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that all derivatives, including those embedded in other contracts, be recognized as either assets or liabilities and that those financial instruments be measured at fair value. The accounting for changes in the fair value of derivatives depends on their intended use and designation. Management has reviewed the requirements of SFAS No. 133 and has determined that they have no freestanding or embedded derivatives. All contracts that contain provisions meeting the definition of a derivative also meet the requirements of, and have been designated as, normal purchases or sales. The Company's policy is to not use freestanding derivatives and to not enter into contracts with terms that cannot be designated as normal purchases or sales.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB 101), which among other guidance, clarified the Staff's views on various revenue recognition and reporting matters. The Company adopted the provisions of SAB 101 in the fourth quarter of fiscal 2000. The adoption of SAB 101 did not have a material impact to the results of operations for the year ended December 31, 2001 or 2000.

During the year ended December 31, 2000, the Company adopted the provisions of Emerging Issues Task Force (EITF) 00-10, Accounting for Shipping and Handling Fees and Costs. EITF 00-10 specifies classification guidelines for shipping and handling fees and costs incurred by sellers. Upon application of EITF 00-10, prior period amounts related to shipping and handling fees and costs were reclassified, which had no effect on previously reported net income.

ITEM 7a. Market Risk Disclosures

The Company has no freestanding or embedded derivatives. All contracts that contain provisions meeting the definition of a derivative also meet the requirements of, and have been designated as normal purchases or sales. The Company's policy is to not use freestanding derivatives and to not enter into contracts with terms that cannot be designated as normal purchases or sales.

The vast majority of our transactions are denominated in U.S. dollars; as such, fluctuations in foreign currency exchange rates have historically not been material to the Company. At December 31, 2001 our bank line of credit carried a variable interest rate based on our bank's average certificate of deposit rate plus 1.5%. The Company's investments are money market type of investments that earn interest at prevailing market rates and as such do not have material risk exposure.

Based on the Company's operations, in the opinion of management, no material future losses or exposure exist relative to market risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

(a) FINANCIAL STATEMENTS

REPORT OF MANAGEMENT

The management of Communications Systems, Inc. and its subsidiary companies is responsible for the integrity and objectivity of the financial statements and other financial information contained in the annual report. The financial statements and related information were prepared in accordance with generally accepted accounting principles and include amounts that are based on management's informed judgments and estimates.

In fulfilling its responsibilities for the integrity of financial information, management maintains accounting systems and related controls. These controls provide reasonable assurance, at appropriate costs, that assets are safeguarded against losses and that financial records are reliable for use in preparing

financial statements. Management recognizes its responsibility for conducting the Company's affairs according to the highest standards of personal and corporate conduct.

The Audit Committee of the Board of Directors, comprised solely of outside directors, meets with the independent auditors and management periodically to review accounting, auditing, financial reporting and internal control matters. The independent auditors have free access to this committee, without management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

/s/ Curtis A. Sampson	/s/ Paul N. Hanson
Curtis A. Sampson	Paul N. Hanson
Chairman and Chief Executive Officer	Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

Shareholders and Board of Directors
Communications Systems, Inc.

We have audited the accompanying consolidated balance sheets of Communications Systems, Inc. and subsidiaries (the Company) as of December 31, 2001 and 2000 and the related consolidated statements of income and comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. Our audits also include the financial statement schedule listed in the Index at Item 14. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP
Deloitte & Touche LLP
February 28, 2002
(March 25, 2002 as to Note 9)
Minneapolis, Minnesota

COMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31	
	2001	2000
CURRENT ASSETS:		
Cash and cash equivalents	$ 22,239,883	$ 11,321,374
Trade accounts receivable, less allowance for doubtful accounts of $1,064,000 and $913,000, respectively	19,182,828	23,189,409
Inventories (Note 2)	24,931,739	27,479,839
Note receivable (Note 1)	2,765,390	2,965,390
Other current assets	556,906	626,139
Deferred income taxes (Note 7)	2,176,405	1,834,745
TOTAL CURRENT ASSETS	71,853,151	67,416,896
PROPERTY, PLANT AND EQUIPMENT,net (Notes 1 and 3)	8,136,673	10,106,044

OTHER ASSETS:		
Excess of cost over net assets acquired (Note 1)	4,638,068	6,728,995
Investments (Note 1)	60,019	5,916,507
Deferred income taxes (Note 7)	3,070,027	2,735,811
Other assets	253,865	293,801
TOTAL OTHER ASSETS	8,021,979	15,675,114
TOTAL ASSETS	$ 88,011,803	$ 93,198,054

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Notes payable (Note 1)	$ 9,000,000	$ 9,101,438
Accounts payable	5,567,390	5,866,627
Accrued expenses	3,890,113	4,579,202
Dividends payable		880,391
Income taxes payable	2,246,299	1,503,468
TOTAL CURRENT LIABILITIES	20,703,802	21,931,126
COMMITMENTS AND CONTINGENCIES (Note 5)		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $1.00 per share; 3,000,000 shares authorized; none issued		
Common stock, par value $.05 per share; 30,000,000 shares authorized; 8,262,314 and 8,616,909 shares issued and outstanding, respectively (Notes 1 and 6)	413,116	430,846
Additional paid-in capital	27,855,529	28,877,135
Retained earnings	39,463,137	42,309,918
Cumulative other comprehensive loss	(423,781)	(350,971)
TOTAL STOCKHOLDERS' EQUITY	67,308,001	71,266,928
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 88,011,803	$ 93,198,054

See notes to consolidated financial statements.

<TABLE>
<CAPTION>

COMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Year Ended December 31		
	2001	2000	1999
<S>	<C>	<C>	<C>
REVENUES (Note 9):	$ 95,105,438	$119,720,115	$117,524,617
COSTS AND EXPENSES:			
Cost of sales	69,602,302	82,354,384	77,279,741
Selling, general and administrative expenses	24,690,686	29,432,373	28,907,288
TOTAL COSTS AND EXPENSES	94,292,988	111,786,757	106,187,029
OPERATING INCOME	812,450	7,933,358	11,337,588
OTHER INCOME (EXPENSE):			
Investment income	785,323	1,028,681	986,263
Interest expense	(560,524)	(689,867)	(690,129)
OTHER INCOME, net	224,799	338,814	296,134
INCOME BEFORE INCOME TAXES	1,037,249	8,272,172	11,633,722
INCOME TAX EXPENSE (Note 7)	325,000	1,600,000	2,620,000

NET INCOME	712,249	6,672,172	9,013,722
OTHER COMPREHENSIVE (LOSS)			
Foreign currency translation adjustment	(72,810)	(382,435)	(153,981)
Unrealized holding gain (loss) on debt securities		73,800	(79,087)
OTHER COMPREHENSIVE INCOME (LOSS) BEFORE INCOME TAXES	(72,810)	(308,635)	(233,068)
Income tax expense (benefit) related to unrealized gains and losses on debt securities		25,614	(27,411)
	(72,810)	(334,249)	(205,657)
COMPREHENSIVE INCOME	$ 639,439	$ 6,337,923	$ 8,808,065
BASIC NET INCOME PER COMMON SHARE (Note 1)	$ .09	$ .76	$ 1.04
DILUTED NET INCOME PER COMMON SHARE (Note 1)	$ .09	$ .75	$ 1.03
AVERAGE BASIC SHARES OUTSTANDING	8,363,046	8,750,279	8,644,217
AVERAGE DILUTED SHARES OUTSTANDING	8,364,553	8,865,466	8,727,140

See notes to consolidated financial statements.
</TABLE>

<TABLE>
<CAPTION>

COMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Stock Option Notes Receivable	Cumulative Other Comprehensive Income (Loss)	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE AT DECEMBER 31, 1998	8,791,301	$ 439,565	$25,250,914	$37,862,463	$ (288,225)	$ 188,935	$63,453,652
Net income				9,013,722			9,013,722
Issuance of common stock under Employee Stock Purchase Plan	27,431	1,372	266,766				268,138
Issuance of common stock to Employee Stock Ownership Plan	19,893	995	234,005				235,000
Issuance of stock under Employee Stock Option Plan	24,783	1,239	259,537				260,776
Stock issued as compensation	8,000	400	91,600				92,000
Stock option compensation			125,798				125,798
Tax benefit from non qualified employee stock options			13,754				13,754
Purchase of common stock	(320,136)	(16,007)	(940,068)	(2,423,746)			(3,379,821)
Shareholder dividends				(3,455,570)			(3,455,570)
Other comprehensive loss						(205,657)	(205,657)

BALANCE AT DECEMBER 31, 1999	8,551,272	427,564	25,302,306	40,996,869	(288,225)	(16,722)	66,421,792
Net income				6,672,172			6,672,172
Issuance of stock under Employee Stock Purchase Plan	30,515	1,526	316,211				317,737
Issuance of stock to Employee Stock Ownership Plan	23,692	1,184	306,812				307,996
Issuance of stock under Employee Stock Option Plan	290,159	14,508	3,323,673				3,338,181
Stock issued as compensation	8,000	400	119,600				120,000
Tax benefit from non qualified employee stock options			397,420				397,420
Purchase of common stock	(286,729)	(14,336)	(888,887)	(1,843,058)			(2,746,281)
Shareholder dividends				(3,516,065)			(3,516,065)
Collection of stock option notes receivable					288,225		288,225
Other comprehensive loss						(334,249)	(334,248)
BALANCE AT DECEMBER 31, 2000	8,616,909	430,846	28,877,135	42,309,918	-	(350,971)	71,266,928
Net income				712,249			712,249
Issuance of stock under Employee Stock Purchase Plan	15,657	783	82,363				83,146
Issuance of stock to Employee Stock Ownership Plan	25,000	1,250	219,075				220,325
Purchase of common stock	(395,252)	(19,763)	(1,323,044)	(1,885,563)			(3,228,370)
Shareholder dividends				(1,673,467)			(1,673,467)
Other comprehensive loss						(72,810)	(72,810)
BALANCE AT DECEMBER 31, 2001	8,262,314	$ 413,116	$27,855,529	$39,463,137	-	$ (423,781)	$67,308,001

See notes to consolidated financial statements.
</TABLE>

<TABLE>
<CAPTION>

COMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
<S>	<C>	<C>	<C>
Net income	$ 712,249	$ 6,672,172	$ 9,013,722
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	5,015,807	5,098,123	4,801,290
Increase in deferred taxes	(674,963)	(666,985)	(816,225)
Tax benefit from non-qualified stock options		397,420	
Changes in assets and liabilities net of effects from acquisitions:			
Decrease (increase) in accounts receivable	3,948,522	(2,222,176)	(4,744,476)
Decrease (increase) in inventory	2,491,627	(6,455,692)	693,624
Decrease (increase) in other current assets	116,531	(55,759)	(99,920)
Increase (decrease) in accounts payable	(256,841)	(2,071,389)	2,241,620
Increase (decrease) in accrued expenses	(462,842)	739,557	(581,638)
Increase (decrease) in income taxes payable	743,567	(1,272,969)	713,595

Net cash provided by operating activities	11,633,657	162,302	11,221,592
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(984,369)	(2,276,790)	(2,226,103)
Maturities of debt securities	5,856,488	214,973	1,008,607
Purchases of debt securities	(5,825,747)		
Increase in other assets	19,686	309,833	219,507
Cash receipts from sale of assets of discontinued operations	200,000	400,000	400,000
Payment for purchase of subsidiaries, net of cash acquired			(3,955,898)
Net cash provided by (used in) investing activities	5,091,805	(1,351,984)	(10,379,634)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of notes payable and long-term debt	(101,438)	(38,518)	(1,131,484)
Proceeds from notes payable		96,921	1,096,921
Collection of stock option note receivable		288,225	
Dividends paid	(2,553,858)	(3,490,761)	(3,479,613)
Proceeds from issuance of stock	83,146	3,655,918	542,668
Purchase of stock	(3,224,897)	(2,746,281)	(3,379,821)
Net cash used in financing activities	(5,797,047)	(2,234,496)	(6,351,329)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	(9,906)	(92,103)	(58,337)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,918,509	(3,516,281)	(5,567,708)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,321,374	14,837,655	20,405,363
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 22,239,883	$ 11,321,374	$ 14,837,655
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Income taxes paid	$ 342,335	$ 2,885,278	$ 1,850,564
Interest paid	507,014	682,679	714,871

See notes to consolidated financial statements.
</TABLE>

COMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2001, 2000 and 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of business: The Company is principally engaged in the manufacture and sale of modular connecting and wiring devices for voice and data communications. The Company sells these products to telephone companies, electrical contractors, interconnect companies, original equipment manufacturers and retailers. The Company also owns subsidiaries which manufacture media and rate conversion products (products that permit telecommunications networks to move information between copper wired equipment and fiber-optic cable) and offer internet network design, specification and training services to educational institutions. The Company's operations are located in the United States, United Kingdom, Puerto Rico, and Costa Rica.

Principles of consolidation: The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and accounts have been eliminated.

Use of estimates: The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's estimates consist principally of reserves for doubtful accounts and lower of cost or market inventory adjustments.

Financial instruments: The fair value of the Company's financial instruments, which consist of marketable securities, accounts receivable, notes receivable, mortgage-backed securities, accounts payable, accrued expenses and notes payable, approximate their carrying value due to their short-term nature and the variable interest rate on outstanding indebtedness.

Cash equivalents: For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Accounts receivable from Hector Communications Corporation: The Company provides services for Hector Communications Corporation ("HCC"), a former subsidiary of the Company. Several of the Company's officers and directors work in similar capacities for HCC. Outstanding receivable balances from HCC were $154,000 and $172,000 at December 31, 2001 and 2000, respectively. Accounts with HCC are handled on an open account basis.

Property, plant and equipment: Property, plant and equipment are recorded at cost. Depreciation is computed using principally the straight-line method. Depreciation included in costs and expenses was $2,904,629, $2,969,253 and $2,827,709 for 2001, 2000 and 1999, respectively. Maintenance and repairs are charged to operations and additions or improvements are capitalized. Items of property sold, retired or otherwise disposed of are removed from the asset and accumulated depreciation accounts and any gains or losses on disposal are reflected in operations.

Excess of cost over net assets acquired: The excess of cost over net assets of subsidiaries acquired in purchase transactions is being amortized on the straight-line method over periods of 5 to 15 years. Amortization included in costs and expenses was $2,091,928, $2,128,870 and $1,973,581 in 2001, 2000 and 1999, respectively.

Note receivable: The note receivable represents the balance due from the sale of the Company's contract manufacturing operations sold in 1996. The note bears interest at the prime rate and is secured by the assets sold. The original amount was $4,866,000 and the maturity date was November 1, 2001. The note and accrued interest was paid in full in January 2002.

Recoverability of long-lived assets: The Company reviews its long-lived assets periodically to determine potential impairment by comparing the carrying value of the assets with expected net cash flows expected to be provided by operating activities of the business or related products. Should the sum of the expected future net cash flows be less than the carrying value, the Company would determine whether an impairment loss should be recognized. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the asset based on market value that is based on the discounted cash flows expected to be generated by the asset. At December 31, 2001 and 2000, no impairment loss provision is required or recorded in the consolidated financial statements.

Investments: The Company's Puerto Rico subsidiary owns a portfolio of AAA rated mortgage-backed securities it is holding to maturity. At December 31, 2001, the amortized cost basis of the securities was $21,809, which approximates market value. In addition the Company also owns marketable securities with a cost of $34,346 and market value of $38,210.

Notes payable: The Company has a $10,000,000 line of credit from U.S. Bank. Outstanding borrowings against the line of credit at December 31, 2001 and 2000 was $9,000,000. Interest on borrowings on the credit line is at the bank's average CD rate plus 1.5% (4.0% at December 31, 2001). The credit line matures June 30, 2002 and is secured by assets of the Company.

Foreign currency translation: Assets and liabilities denominated in foreign currencies were translated into U.S. dollars at year-end exchange rates. Revenue and expense transactions were translated using average exchange rates. The cumulative foreign currency translation balance is $424,000 and $347,000 at December 31, 2001 and 2000, respectively.

Revenue recognition: The Company recognizes revenue for all domestic and international sales at the shipping point. Shipping terms are FOB shipping point. The Company sells the majority of products directly to its customers. The balance of sales is through distributors. Generally, risk of loss transfers at the point of shipment and the Company has no further obligation for performance after such time. The Company establishes an allowance for sales returns based on historical experience. Payment terms for distributors are consistent with the terms of the Company's direct customers.

Net income per share: Basic net income per common share is based on the weighted average number of common shares outstanding during each year. Diluted net income per common share takes into effect the dilutive effect of potential common shares outstanding. The Company's only potential common shares outstanding are stock options, which resulted in a dilutive effect of 1,507 shares, 115,187 shares, and 82,923 shares in 2001, 2000 and 1999, respectively. The Company calculates the dilutive effect of outstanding options using the treasury stock method. Options to purchase 1,076,304 shares of common stock at a range of $8.00 to $18.91 were outstanding during 2001 but were not included in the computation of diluted earnings per share because the options' price was greater than the average market price of common stock.

New accounting principles: On January 1, 2001, the Company adopted Statement of

Financial Accounting Standard (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that all derivatives, including those embedded in other contracts, be recognized as either assets or liabilities and that those financial instruments be measured at fair value. The accounting for changes in the fair value of derivatives depends on their intended use and designation. Management has reviewed the requirements of SFAS No. 133 and has determined that they have no free-standing or embedded derivatives. All contracts that contain provisions meeting the definition of a derivative also meet the requirements of, and have been designated as, normal purchases or sales. The Company's policy is to not use free-standing derivatives and to not enter into contracts with terms that cannot be designated as normal purchases or sales. Adoption of SFAS No. 133 had no effect on the Company's financial statements.

In July 2001, the Financial Accounting Standards Board issued Statement on Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". This statement applies to intangibles and goodwill acquired after June 30, 2001, as well as goodwill and intangibles previously acquired. Under this statement goodwill as well as other intangibles determined to have an infinite life will no longer be amortized; however, these assets will be reviewed for impairment on a periodic basis. Statement No. 142 also includes provisions for the reclassification of certain existing recognized intangibles as goodwill, reclassification of certain intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill. The Statement is effective for the Company on January 1, 2002. The Company is currently assessing but has not yet determined the impact of the Statement on its financial position and results of operations. As of December 31, 2001 and 2000 the Company had net goodwill of $4,638,000 and $6,729,000, respectively. Amortization expense recorded during the twelve months ended December 31, 2001 and 2000 was $2,092,000.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB 101), which among other guidance, clarified the Staff's views on various revenue recognition and reporting matters. The Company adopted the provisions of SAB 101 in the fourth quarter of fiscal 2000. The adoption of SAB 101 did not have a material impact to the results of operations for the years ended December 31, 2001 and 2000.

During the year ended December 31, 2000, the Company adopted the provisions of Emerging Issues Task Force (EITF) 00-10, Accounting for Shipping and Handling Fees and Costs. EITF 00-10 specifies classification guidelines for shipping and handling fees and costs incurred by sellers. Upon application of EITF 00-10, prior period amounts related to shipping and handling fees and costs were reclassified, which had no effect on previously reported net income.

Basis of presentation: Certain amounts in the 2000 and 1999 financial statements have been reclassified to conform to the 2001 financial statement presentation. These reclassifications had no effect on net income or stockholders' equity as previously reported.

NOTE 2 - INVENTORIES

Inventories are carried at the lower of cost (first-in, first out method) or market and consist of:

	December 31	
	2001	2000
Finished goods	$ 15,821,487	$ 10,876,529
Raw and processed materials	9,110,252	16,603,310
	$ 24,931,739	$ 27,479,839

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and the estimated useful lives are as follows:

	Estimated useful life	December 31 2001	2000
Land		$ 290,939	$ 293,299
Buildings	7-30 years	3,116,949	3,077,470
Machinery and equipment	3-15 years	26,545,446	26,746,398
Furniture and fixtures	5-10 years	3,001,702	3,349,101
		32,955,036	33,466,268

Less accumulated depreciation	24,818,363	23,360,224
	$ 8,136,673	$ 10,106,044

NOTE 4 - EMPLOYEE BENEFIT PLANS

The Company has an Employee Savings Plan (401(k)) and matches a percentage of employee contributions up to six percent of compensation. Contributions to the plan in 2001, 2000 and 1999 were $263,000, $347,000, and $275,000, respectively.

The Company does not provide post retirement benefits to its employees.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

The Company leases land, buildings and equipment under operating leases with original terms from one to ten years. Certain of these leases contain renewal and purchase options. Rent expense charged to operations was $1,078,000, $901,000 and $885,000 in 2001, 2000 and 1999 respectively. At December 31, 2001, the Company was obligated under noncancellable operating leases to make minimum annual future lease payments as follows:

Year Ending December 31:	
2002	$ 560,265
2003	570,922
2004	542,938
2005	262,794
2006	245,317
	$ 2,182,236

In the ordinary course of business, the Company is exposed to legal actions and incurs costs to pursue and defend legal claims. Company management is not aware of any outstanding or pending legal actions that would materially affect the Company's financial position or results of operations.

NOTE 6 - COMMON STOCK AND STOCK OPTIONS

Common shares are reserved in connection with the Company's 1992 stock plan under which 1,900,000 shares of common stock may be issued pursuant to stock options, stock appreciation rights, restricted stock or deferred stock granted to officers and key employees. Exercise prices of stock options under the plan cannot be less than fair market value of the stock on the date of grant. Rules and conditions governing awards of stock options, stock appreciation rights and restricted or deferred stock are determined by the Compensation Committee of the Board of Directors, subject to certain limitations incorporated into the plan. At December 31, 2001, 272,568 shares remained available to be issued under the plan. Options expire five years from date of grant with one-third of the options vesting after six months and the remaining two-thirds vesting equally over the next two years.

Common shares are also reserved for issuance in connection with a nonqualified stock option plan under which up to 200,000 shares may be issued to nonemployee directors. The plan provides for the automatic grant of nonqualified options for 3,000 shares of common stock annually to each nonemployee director concurrent with the annual stockholders' meeting. Exercise price will be the fair market value of the stock at the date of grant. Options granted under this plan vest when issued and expire ten years from date of grant. At December 31, 2001, 96,000 shares are available to be issued under the plan.

The Company issued 8,000 common shares of stock to JDL Technologies employees as compensation for services during 2000 and 1999. No shares were issued in 2001 to JDL employees as compensation. Compensation expense recorded was $0 in 2001, $120,000 in 2000 and $92,000 in 1999.

The Company awarded 240,000 incentive stock options to employees of Transition Networks, Inc. in March 1999. For 1999 these options were based on the attainment of TNI's annual revenue and operating income targets. On the measurement date of December 31, 1999, 44,736 incentive stock options were vested in the accounts of eligible employees. The Company recorded compensation expense of $125,798 in 1999 in connection with these options. Compensation expense was based on the difference between the exercise price and the market price at the measurement date. During the years 2000 to 2004, the balance of the options vest at the rate of 20% per year. Compensation expense was not recognized in 2001 or 2000 as the Company converted the original variable plan to a fixed plan effective December 31, 1999. The impact in 2001 and 2000 of the conversion to the fixed plan was not material. Also in 2000, two of the five individuals representing 120,000 shares or 50% of the original 240,000 options left the Company.

Changes in outstanding employee and director stock options during the three

years ended December 31, 2001 were as follows:

	Number of shares	Weighted average exercise price per share
Outstanding at December 31, 1998	659,188	$ 14.89
Granted	622,204	10.27
Exercised	(24,783)	10.52
Canceled	(99,617)	12.98
Outstanding at December 31, 1999	1,156,992	12.66
Granted	363,100	16.79
Exercised	(290,159)	12.98
Canceled	(146,537)	11.81
Outstanding at December 31, 2000	1,083,396	14.17
Granted	269,520	8.03
Exercised	(8,000)	5.48
Canceled	(267,105)	12.98
Outstanding at December 31, 2001	1,077,811	13.01

At December 31, 2001, 769,201 stock options are currently exercisable at a weighted average price of $13.22. The following table summarizes the status of Communications Systems, Inc. stock options outstanding at December 31, 2001:

Range of Exercise Prices	Shares	Weighted Average Remaining Option Life	Weighted Average Exercise Price
$ 5.31 to $ 9.99	265,665	4.5 years	$ 8.06
$10.00 to $12.00	253,396	2.8 years	10.22
$12.01 to $14.99	133,200	3.3 years	13.82
$15.00 to $18.91	425,550	2.8 years	17.15

On October 29, 1999 the Board of Directors adopted a shareholders' rights plan. Under this plan, the Board of Directors declared a distribution of one right per share of common stock. Each right entitles the holder to purchase 1/100th of a share of a new series of Junior Participating Preferred Stock of the Company at an initial exercise price of $65. The rights expire on October 26, 2009. The rights will become exercisable only following the acquisition by a person or group, without the prior consent of the Board of Directors, of 15% or more of the Company's voting stock, or following the announcement of a tender offer or exchange offer to acquire an interest of 15% or more. If the rights become exercisable, each rightholder will be entitled to purchase, at the exercise price, common stock with a market value equal to twice the exercise price. Should the Company be acquired, each right would entitle the holder to purchase, at the exercise price, common stock of the acquiring company with a market value equal to twice the exercise price. Any rights owned by the acquiring person or group would become void.

PRO FORMA FINANCIAL INFORMATION

The Company has adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," but applies APB Opinion No. 25, "Accounting for Stock Issued to Employees" for measurement and recognition of stock-based transactions with its employees. If the Company had elected to recognize compensation cost for its stock based transactions using the method prescribed by SFAS No. 123, pro forma net income and net income per share would have been as follows:

	Year Ended December 31		
	2001	2000	1999
Net Income (Loss)	$ (117,855)	$ 5,323,456	$ 8,035,603
Basic Net Income Per Share	$ (.01)	$ .61	$ .93
Diluted Net Income Per Share	$ (.01)	$ .60	$ .92

The fair value of the Company's stock options and Employee Stock Purchase Plan transactions used to compute pro forma net income and net income per share disclosures is the estimated present value at grant date using the Black-Scholes option-pricing model. The following table displays the assumptions used in the model.

Year Ended December 31		
2001	2000	1999

Expected volatility	33%	34%	27%
Risk free interest rate	4.7%	6.1%	5.2%
Expected holding period - employees	4 years	4 years	4 years
Expected holding period - directors	7 years	7 years	7 years
Dividend yield	3.6%	2.4%	3.9%

Pro forma stock-based compensation cost was $830,000, $1,349,000 and $978,000 in 2001, 2000 and 1999, respectively. The fair value of all options issued in 2001, 2000 and 1999 was $527,000, $1,860,000 and $1,402,000, respectively.

EMPLOYEE STOCK PURCHASE PLAN

The Company maintains an Employee Stock Purchase Plan for which 300,000 common shares have been reserved. Under the terms of the plan, employees may acquire shares of common stock, subject to limitations, through payroll deductions at 85% of the lower of fair market value for such shares on one of two specified dates in each plan year. Shares issued to employees under the plan were 15,657, 30,515 and 27,431 for the plan years ended August 31, 2001, 2000 and 1999, respectively. At December 31, 2001 employees had subscribed to purchase an additional 33,600 shares in the current plan year ending August 31, 2002.

EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

All eligible employees of the Company participate in the ESOP after completing one year of service. Contributions are allocated to each participant based on compensation and vest 30% after three years of service and incrementally thereafter, with full vesting after seven years. At December 31, 2001, the ESOP held 290,460 shares of the Company's common stock, all of which has been allocated to the accounts of eligible employees. Contributions to the plan are determined by the Board of Directors and can be made in cash or shares of the Company's stock. The Company's 2001 ESOP contribution was $188,500 for which the Company issued 25,000 shares of common stock to the ESOP in February 2002. The 2000 ESOP contribution was $220,325 for which the Company issued 25,000 shares in February 2001. The 1999 ESOP contribution was $308,000 for which the Company issued 25,000 shares in February 2000.

PURCHASES OF COMMUNICATIONS SYSTEMS, INC. COMMON STOCK

The Company's Board of Directors has authorized the purchase and retirement, from time to time, of shares of the Company's stock on the open market, or in private transactions consistent with overall market and financial conditions. In 2001, the Company purchased and retired 395,252 shares at a cost of $3,228,000. In 2000, the Company purchased and retired 286,729 shares at a cost of $2,746,000. At December 31, 2001, 228,433 shares could be repurchased under outstanding Board authorizations.

NOTE 7 - INCOME TAXES

Income tax expense from continuing operations consists of the following:

	Year Ended December 31		
	2001	2000	1999
Currently payable income taxes (benefit):			
Federal	$ 746,000	$ 1,109,000	$ 2,058,000
State	101,000	131,000	217,000
Puerto Rico	163,000	573,000	844,000
Foreign	(10,000)	57,000	305,000
	1,000,000	1,870,000	3,424,000
Tax effect of disqualified employee incentive stock options	0	397,000	14,000
Deferred income taxes (benefit)	(675,000)	(667,000)	(818,000)
	$ 325,000	$ 1,600,000	$ 2,620,000

A subsidiary, Suttle Caribe, Inc., operates in Puerto Rico, and is qualified under Internal Revenue Service Code section 936 for credit against U.S. income taxes. Under provisions of the Omnibus Budget Reconciliation Act of 1993, Congress set limits on the section 936 credit that went into effect for the 1994-tax year. As a result of the tax credit limitation, the Company incurred $0, $82,000 and $827,000 of U.S. federal income tax expense on earnings in Puerto Rico for 2001, 2000 and 1999, respectively.

Earnings of Suttle Caribe, Inc. are subject to Puerto Rico income taxes at a 4% flat rate through 2016, subject to satisfaction of the employment and investment requirements of the tax exemption grant received by the Company. Distributions by Suttle Caribe, Inc. to the parent company from income earned prior to December 31, 2000 are subject to a tollgate tax at rates which, depending on various factors, range from 3.5% to 10%. The Company has provided for and prepaid tollgate taxes at a 1.75% rate on its Puerto Rico earnings for each year since 1993. The Company has recognized tollgate tax expense at the 3.5% rate on earnings from years prior to 1993 only to the extent distributions were received from Suttle Caribe, Inc. The cumulative amount of undistributed prior earnings on which no tollgate tax has been recognized was approximately $10,004,000 at December 31, 2001.

Austin Taylor Communications, Ltd. operates in the U.K. and is subject to U.K. rather than U.S. income taxes. U.K. pretax income (loss) was ($706,000), ($74,000), and $878,000 in 2001, 2000 and 1999, respectively. Suttle Costa Rica, S.A. operates in Costa Rica and is currently exempt from Costa Rica income taxes. Accumulated earnings in Costa Rica on which no U.S. income tax has been accrued was $2,582,000 at December 31, 2001. It is the Company's intention to reinvest the remaining undistributed earnings of its Puerto Rico, U.K. and Costa Rica subsidiaries to support the continued operation of those subsidiaries. The provision for income taxes varied from the federal statutory tax rate as follows:

	Year Ended December 31		
	2001	2000	1999
Tax at U.S. statutory rate	35.0%	35.0%	35.0%
Surtax exemption	(1.0)	(1.0)	(.9)
U.S. taxes not provided on Puerto Rico operations	(54.4)	(23.1)	(17.4)
State income taxes, net of federal benefit	6.4	1.8	1.8
Nondeductible goodwill amortization	41.4	5.2	3.2
Other	3.9	1.4	.8
Effective tax rate	31.3%	19.3%	22.5%

Deferred tax assets and liabilities as of December 31 related to the following:

	2001	2000
Current assets:		
Bad debts	$ 299,462	$ 253,000
Inventory	1,354,724	934,000
Accrued expenses	522,219	647,745
	$ 2,176,405	$ 1,834,745
Long term assets and (liabilities):		
Depreciation	$ (292,130)	$ (333,189)
Net operating loss carryforward	954,752	1,032,000
Loss reserves on notes receivable	148,000	148,000
Excess of cost over net assets	565,620	382,000
Other	(500)	(3,000)
Alternative minimum tax credits	1,694,285	1,510,000
	$ 3,070,027	$ 2,735,811

As part of the LANart acquisition, the Company purchased net operating loss carryforwards in the amount of $3,416,000. At December 31, 2001, the Company has $2,808,000 available net operating loss carryforwards for income tax purposes, which expire 2014. The Company also has alternative minimum tax carryforwards of approximately $1,694,000 at December 31, 2001, which are available to reduce future regular income taxes over an indefinite period.

NOTE 8 - ACQUISITIONS

Effective April 7, 1999, the Company purchased all the capital stock of LANart Corporation a designer and manufacturer of application specific integrated circuits (ASIC chips) located in Needham, Massachusetts, for $3,956,000, net of cash acquired. The operations of LANart Corporation, which were not material to the Company's financial statements, have been included in consolidated operations as of the purchase date. The fair value of assets acquired in the transaction was $4,764,000 (including excess of cost over net assets acquired of $2,361,000) and liabilities of $2,805,000 were assumed as follows:

Property, plant and equipment	$ 242,192
Excess of cost over net assets acquired	2,361,179
Accounts receivable	1,801,359
Inventory	1,075,871
Deferred tax benefits	1,161,408
Cash	808,265
Accounts payable	(1,285,761)
Accrued expenses	(1,519,296)
Other assets and liabilities	118,946
Total purchase price	4,764,163
Less cash acquired	(808,265)
Payment for purchase of LANart, Inc., net of cash acquired	$ 3,955,898

NOTE 9 - SUBSEQUENT EVENT

Effective March 25, 2002, the Company acquired substantially all the assets of MiLAN Technology Corporation for approximately $8,300,000 in cash. MiLAN is a manufacturer of media and rate conversion products, which permit telecommunications networks to move information between copper-wired equipment and fiber-optic cable.

NOTE 10- INFORMATION CONCERNING INDUSTRY SEGMENTS AND MAJOR CUSTOMERS

The Company classifies its businesses into four segments: Suttle, which manufactures U.S. standard modular connecting and wiring devices for voice and data communications; Austin Taylor, which manufactures British standard line jacks, patch panels, wiring harness assemblies, metal boxes, distribution cabinets and distribution and central office frames; Transition Networks, which designs and markets data transmission and computer network products and other operations; JDL Technologies, Inc. (JDL) that provides telecommunications network design, specification and training services to educational institutions.

Suttle products are sold principally to United States (U.S.) customers. Suttle operates manufacturing facilities in the U.S. (including Puerto Rico) and Costa Rica. Austin Taylor operates in the United Kingdom (U.K.). Transition Networks manufactures its products in the United States and makes sales in both the U.S. and U.K. markets. JDL Technologies operates in the U.S. and makes sales in the U.S. and Latin America. Consolidated sales to U.S. customers were approximately 75%, 78% and 76% of total consolidated revenues in 2001, 2000 and 1999 respectively. At December 31, 2001, foreign earnings in excess of amounts received in the United States were approximately $5,800,000.

In 2001, 2000 and 1999, no customer accounted for more than 10% of consolidated sales.

The Company's station apparatus products are manufactured using plastic parts, wire sub-assemblies, fasteners, brackets, electronic circuit boards and other components, most of which are fabricated by the Company. There are multiple sources of supply for the materials and parts required and the Company is not dependent upon any single supplier, except that the Company's corrosion resistant products utilize a moisture-resistant gel-filled fig available only from Tyco Electronics. The unavailability of the gel-filled figs from Tyco Electronics could have a material adverse effect on the Company. The Company has not generally experienced significant problems in obtaining its required supplies, although from time to time spot shortages are experienced.

<TABLE>
<CAPTION>

	Suttle	Austin Taylor	Transition Networks	JDL Technologies	Corporate	Consolidated
Year Ended December 31, 2001:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues	$ 39,992,065	$ 9,619,676	$ 35,246,495	$ 10,247,202	$ -	$ 95,105,438
Cost of sales	31,773,239	8,907,386	22,331,941	6,589,736		69,602,302
Gross profit	8,218,826	712,290	12,914,554	3,657,466		25,503,136
Selling, general and administrative expenses	6,839,035	1,450,668	9,515,050	3,370,997	3,514,936	

	Suttle	Austin Taylor	Transition Networks	JDL Technologies	Corporate	Consolidated
						24,690,686
Goodwill amortization	287,047	58,338	1,281,549	444,554	(2,071,488)	0
Operating income (loss)	$ 1,092,744	$ (796,716)	$ 2,117,955	$ (158,085)	$ (1,443,448)	$ 812,450
Depreciation and amortization	$ 2,064,281	$ 595,815	$ 1,638,446	$ 599,352	$ 113,913	$ 5,015,807
Assets	$ 48,183,054	$ 5,359,069	$ 18,472,817	$ 7,020,893	$ 8,975,970	$ 88,011,803
Capital expenditures	$ 681,841	$ 22,719	$ 117,126	$ 92,665	$ 70,018	$ 984,369
Year Ended December 31, 2000:						
Revenues	$ 55,111,481	$ 10,148,260	$ 39,573,541	$ 14,886,833	$ -	$119,720,115
Cost of sales	37,692,631	8,870,492	24,460,842	11,330,419		82,354,384
Gross profit	17,418,850	1,277,768	15,112,699	3,556,414		37,365,731
Selling, general and administrative expenses	7,539,489	1,383,796	13,126,188	3,833,823	3,549,077	29,432,373
Goodwill amortization	287,047	58,338	1,281,549	444,554	(2,071,488)	0
Operating income (loss)	$ 9,592,314	$ (164,366)	$ 704,962	$ (721,963)	$ (1,477,589)	$ 7,933,358
Depreciation and amortization	$ 2,085,318	$ 676,609	$ 1,631,879	$ 558,607	$ 145,710	$ 5,098,123
Assets	$ 47,739,407	$ 6,503,926	$ 20,925,554	$ 9,691,659	$ 8,337,508	$ 93,198,054
Capital expenditures	$ 1,478,871	$ 233,405	$ 223,434	$ 306,107	$ 34,973	$ 2,276,790

</TABLE>

<TABLE>
<CAPTION>

	Suttle	Austin Taylor	Transition Networks	JDL Technologies	Corporate	Consolidated
Year Ended December 31, 1999:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues	$ 58,670,315	$ 12,031,318	$ 35,682,403	$ 11,140,581	$ -	$117,524,617
Cost of sales	37,811,488	10,010,373	21,464,186	7,993,694		77,279,741
Gross profit	20,858,827	2,020,945	14,218,217	3,146,887		40,244,876
Selling, general and administrative expenses	7,755,117	1,178,784	13,267,495	2,985,772	3,720,120	28,907,288

Goodwill amortization	287,047	58,338	1,124,137	444,555	(1,914,077)	0
Operating income (loss)	$ 12,816,663	$ 783,823	$ (173,415)	$ (283,440)	$ (1,806,043)	$ 11,337,588
Depreciation and amortization	$ i2,068,839	$ 709,992	$ 1,367,536	$ 494,023	$ 160,900	$ 4,801,290
Assets	$ 51,004,622	$ 7,751,465	$ 17,511,819	$ 6,639,227	$ 8,568,920	$ 91,476,053
Capital expenditures	$ 1,345,535	$ 675,074	$ 48,293	$ 95,890	$ 61,311	$ 2,226,103

</TABLE>

(b) SUPPLEMENTAL FINANCIAL INFORMATION

Unaudited Quarterly Operating Results
(in thousands except per share amounts)

	Quarter Ended			
	March 31	June 30	Sept 30	Dec 31
2001				
Revenues	$ 23,094	$ 25,682	$ 23,073	$ 23,256
Gross Margins	6,642	6,948	5,610	6,303
Operating income	202	379	(491)	722
Net Income	185	314	(196)	409
Basic Net Income per Share	$ .02	$ .04	$ (.02)	$ .05
Diluted Net Income per Share	$ .02	$ .04	$ (.02)	$ .05
2000				
Revenues	$ 30,864	$ 32,074	$ 29,654	$ 27,128
Gross Margins	10,473	9,452	9,039	8,401
Operating income	2,883	1,730	1,852	1,468
Net Income	2,314	1,587	1,508	1,264
Basic Net Income per Share	$ .27	$ .18	$ .17	$ .14
Diluted Net Income per Share	$ .26	$ .18	$ .17	$ .14

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information called for by paragraphs [a], [c], [d], [e], and [f] of Item 401 under Regulation S-K, to the extent applicable, will be set forth under the caption "Election of Directors" in the Company's definitive proxy material for its May 16, 2002 Annual Meeting of Shareholders to be filed within 120 days from the end of the Registrant's fiscal year, which information is expressly incorporated by reference herein. The information called for by paragraph [b] of Item 401 is set forth under Item 1[c] herein. The information called for by Item 405 under Regulation S-K, to the extent applicable, will be set forth under the

caption "Certain Transactions" in the Company's above referenced definitive proxy material.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by Item 402 under Regulation S-K to the extent applicable, will be set forth under the caption "Executive Compensation" in the Company's definitive proxy materials for its May 16, 2002 Annual Meeting to be filed within 120 days from the end of the Registrant's fiscal year, which information is expressly incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by Item 403 under Regulation S-K will be set forth under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Election of Directors" in the Company's definitive proxy materials for its May 17, 2001 Annual Meeting to be filed within 120 days from the end of the Registrant's fiscal year, which information is expressly incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by Item 404 under Regulation S-K will be set forth under the caption "Certain Transactions" in the Company's definitive proxy materials for its May 16, 2002 Annual Meeting to be filed within 120 days from the end of the Registrant's fiscal year, which information is expressly incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) Consolidated Financial Statements

The following Consolidated Financial Statements of Communications Systems, Inc. and subsidiaries appear at pages 16 to 29 herein:

Independent Auditors' Report

Consolidated Balance Sheets as of December 31, 2001 and 2000

Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999

Notes to Consolidated Financial Statements

(a) (2) Consolidated Financial Statement Schedule	Page Herein
The following financial statement schedule is being filed as part of this Form 10-K Report:	
Independent Auditors' Report	17
Schedule II - Valuation and Qualifying Accounts and Reserves	36

All other schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

(a) (3) Exhibits

The exhibits which accompany or are incorporated by reference in this report, including all exhibits required to be filed with this report, are described on the Exhibit Index, which begins on page 37 of the sequential numbering system used in this report.

(b) REPORTS ON FORM 8-K FILED DURING THE THREE MONTHS ENDED DECEMBER 31, 2001

Not Applicable.

SIGNATURES

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

COMMUNICATIONS SYSTEMS, INC.

Dated: March 29, 2002

/s/ Curtis A.Sampson

Curtis A. Sampson, Chairman of the Board of Directors and Chief Executive Officer

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

Each person whose signature appears below constitutes and appoints CURTIS A. SAMPSON and PAUL N. HANSON as his true and lawful attorneys-in-fact and agents, each acting alone, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all said attorneys-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Signature	Title	Date
/s/Curtis A.Sampson Curtis A. Sampson	Chairman of the Board of Directors, President, and Director (Principal Executive Officer)	March 29, 2002
/s/Paul N. Hanson Paul N. Hanson	Vice President, Treasurer and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 29, 2002
Randall D. Sampson	Director	March 29, 2002
Edwin C. Freeman	Director	March 29, 2002
/s/Luella G. Goldberg Luella Gross Goldberg	Director	March 29, 2002
/s/Frederick M. Green Frederick M. Green	Director	March 29, 2002
/s/Joseph W. Parris Joseph W. Parris	Director	March 29, 2002
/s/Gerald D. Pint Gerald D. Pint	Director	March 29, 2002
/s/Wayne E. Sampson Wayne E. Sampson	Director	March 29, 2002

- --

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

OF

COMMUNICATIONS SYSTEMS, INC.

FOR

YEAR ENDED DECEMBER 31, 2001

FINANCIAL STATEMENT SCHEDULE

- --

<TABLE>
<CAPTION>

COMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES
Schedule II - Valuation and Qualifying Accounts and Reserves

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions from Reserves	Balance at End of Period
Allowance for doubtful accounts:				
Year ended:				
<S>	<C>	<C>	<C>	<C>
December 31, 2001	$ 913,000	$ 287,000	$ 136,000 (A)	$1,064,000
December 31, 2000	$ 908,000	$ 36,000	$ 31,000 (A)	$ 913,000
December 31, 1999	$ 884,000	$ 126,000	$ 102,000 (A)	$ 908,000
Reserve for assets transferred under contractual arrangements and notes receivable:				
Year Ended:				
December 31, 2001	$ 434,000	$ -	$ -	$ 434,000
December 31, 2000	$ 434,000	$ -	$ -	$ 434,000
December 31, 1999	$ 371,000	$ 63,000	$ -	$ 434,000

- --

(A) Accounts determined to be uncollectible and charged off against reserve.

</TABLE>

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

OF

COMMUNICATIONS SYSTEMS, INC.

FOR

YEAR ENDED DECEMBER 31, 2001

EXHIBITS

COMMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES
Exhibit Index To
Form 10-K for the Year Ended December 31, 2000

Regulation S-K Exhibit Table Reference	Title of Document	Location in Consecutive Numbering System as Filed With the Securities and Exchange Commission
3.1	Articles of Incorporation, as amended	Filed as Exhibit 3.1 to the Form 10-K of the Company for its year ended December 31, 1989 (the "1989 Form 10-K") and incorporated herein by reference.
3.2	Bylaws, as amended	Filed as Exhibit 3.2 to the 1989 Form 10-K and incorporated herein by reference.
10.1	1987 Stock Plan	Filed as Exhibit 10.1 to the Form 10-K Report of the Company for its year ended December 31, 1993 (the "1993 Form 10-K") and incorporated herein by reference.
10.2	Employee Savings Plan	Filed as Exhibit 10.2 to the 1993 Form 10-K and incorporated herein by reference.
10.3	Employee Stock Ownership Plan	Filed as Exhibit 10.3 to the 1993 Form 10-K and incorporated herein by reference.
10.4	Employee Stock Purchase Plan	Filed as Exhibit 10.4 to the 1993 Form 10-K and incorporated herein by reference.
10.5	Stock Option Plan for Nonemployee Directors	Filed as Exhibit 10.5 to the 1993 Form 10-K and incorporated herein by reference.
10.6	1992 Stock Plan	Filed as Exhibit 10.6 to the 1993 Form 10-K and incorporated herein by reference.
10.7	Flexible Benefit Plan	Filed as Exhibit 10.7 to the 1993

		Form 10-K and incorporated herein by reference.
10.8	Supplemental Executive Retirement Plan	Filed as Exhibit 10.8 to the 1993 Form 10-K and incorporated herein by reference.
10.9	Form of Rights Agreement, dated as of October 26, 1999 between the Company and Wells Fargo Bank Minnesota, National Association	Filed as Exhibit 1 to the Company's Form 8-A on November 8, 1999 and incorporated herein by reference.
21	Subsidiaries of the Registrant	Filed herewith at page 37.
23	Independent Auditors' Consent	Filed herewith at page 37.
24	Power of Attorney	Included in signatures at page 32.

The exhibits referred to in this Exhibit Index will be supplied to a shareholder at a charge of $.25 per page upon written request directed to CSI's Assistant Secretary at the executive offices of the Company.

SUBSIDIARIES OF COMMUNICATIONS SYSTEMS, INC.

EXHIBIT 21

Subsidiaries	Jurisdiction of Incorporation
Suttle Apparatus Corporation	Illinois
Suttle Costa Rica, S.A.	Costa Rica
Tel Products, Inc.	Minnesota
Suttle Caribe, Inc.	Minnesota
Austin Taylor Communications, Ltd.	United Kingdom
Automatic Tool & Connector Company, Inc.	New Jersey
JDL Technologies, Inc.	Minnesota
Transition Networks, Inc.	Minnesota
LANart Corporation	Massachusetts

All such subsidiaries are 100%-owned directly by Communications Systems, Inc. The financial statements of all such subsidiaries are included in the consolidated financial statements of Communications Systems, Inc.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 33-28486, 33-39862, 33-39864, 33-60930, 33-83662, 33-99564, 33-99566 and 333-92063 of Communications Systems, Inc. of our report dated February 28, 2002 on the consolidated financial statements and schedule of Communications Systems, Inc. and subsidiaries appearing in this Annual Report on Form 10-K of Communications Systems, Inc. for the year ended December 31, 2001.

/s/ Deloitte & Touche LLP

Deloitte & Touche LLP
March 29, 2002
Minneapolis, Minnesota