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

FORM 8-K

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

Date of Report (date of earliest event reported): December 12, 2018

Communications Systems, Inc.

(Exact name of Registrant as Specified in its Charter)

Minnesota

(State Or Other Jurisdiction Of Incorporation)

001-31588

(Commission File Number)

41-0957999

(I.R.S. Employer Identification No.)

10900 Red Circle Drive
Minnetonka, MN

(Address Of Principal Executive Offices)

55343

(Zip Code)

(952) 996-1674

Registrant's Telephone Number, Including Area Code

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Changes in Communications Systems, Inc. Board Governance

On December 12, 2108, Communications Systems, Inc. (“CSI” or the “Company”) announced that Curtis A. Sampson had retired as Chairman of the Board of Directors, but would continue to serve as a Board member with the title Chairman Emeritus.

CSI’s Chief Executive Officer and Vice Chairman Roger HD Lacey has been named as the new Executive Chairman of the CSI Board of Directors. Mr. Lacey will continue to serve as Chief Executive Officer of CSI, but the Company anticipates that it will appoint a new Chief Executive Officer in 2019 to lead CSI.

In connection with these changes, CSI Board member Randall D. Sampson, Curt Sampson’s son and Chief Executive Officer of Canterbury Park Holding Corporation, has been named as the Company’s new Lead Independent Director. Randall Sampson has served as a CSI director since 1999, and currently serves as Chair of the Board’s Audit & Finance Committee.

Management Changes and 2019 Compensation

As part of the actions described below in Item 8.01, the Company is restructuring and combining its four current operating businesses into two groups.

First, the Company has appointed Scott Otis, current Transition Networks General Manager, to serve as Group President of Transition Networks and Net2Edge. Transition Networks manufactures and sells core media conversion products, Ethernet switches, and other connectivity and data transmission products while Net2Edge develops, manufactures and sells products that enable telecommunications carriers to connect legacy networks to high-speed services.

Second, the Company has named Mark D. Fandrich, the Company’s current Chief Financial Officer, to serve as Group President of the Suttle & JDL Technologies operating segments. Fandrich will also oversee the Company’s administrative function and will continue to serve as Company Chief Financial Officer. Suttle manufactures and sells connectivity infrastructure products for broadband and voice communications while JDL Technologies provides technology solutions including virtualization, managed services, wired and wireless network design and implementation, IT services, and converged infrastructure configuration and deployment.

In connection with this restructuring, and Mr. Lacey's new position as Executive Chair of the Board of Directors and Chief Executive Officer, the Company (i) reduced Mr. Lacey's base compensation from \$330,000 in 2018 to \$100,000 in 2019 and (ii) granted Mr. Lacey an option to purchase 50,000 shares of the Company's common stock.

In connection with this restructuring, former Suttle General Manager Bruce Blackwood has resigned.

2019 Director Compensation

On December 12, 2018, the Board (i) reduced 2019 cash compensation payable to non-employee directors for Board, committee and other services by 25%; (ii) eliminated any separate fee payable for serving as Chairman of the Board; and (iii) granted stock options to purchase 2,500 shares of Company common stock to each of the Board's four non-employee directors.

Item 8.01. Other Events

On December 12, 2018, CSI announced it would initiate a series of restructuring measures by 2018 year end to materially reduce expense levels in its corporate operations and in its Suttle business. The Company stated it believed these moves, which will include job eliminations, will better position the Company to compete in the rapidly changing telecommunications industry. The Company expects the restructuring will achieve approximately \$2.5 million in annual cost savings, excluding one-time costs to be largely expensed in the 2018 fourth quarter. The resulting savings will allow CSI to focus its resources on growth opportunities and better deploy its capabilities across the organization. CSI expects these actions, together with earlier measures taken over the last two years, to provide it with a cost structure that will enable it to return to profitability.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit Number	Exhibit Name
99.1	Press Release dated December 13, 2018 Announcing Retirement of Curtis A. Sampson as Chairman of the Communications Systems, Inc. Board of Directors
99.2	Press Release dated December 13, 2018 Announcing Communications Systems, Inc.'s Year End Corporate Restructuring and Reduction of Its Quarterly Dividend

SIGNATURES

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

COMMUNICATIONS SYSTEMS, INC.

By: /s/ Mark D. Fandrich
Mark D. Fandrich

Date: December 18, 2018

Communications Systems, Inc. Announces Retirement of Curtis Sampson as Chairman of the Board

Communications Systems, Inc. (NASDAQ: JCS) (“CSI” or the “Company”) a global provider of connectivity infrastructure and services for deployments of broadband networks, today announced that Curtis A. (“Curt”) Sampson has retired as the Company’s Chairman of the Board, but that he will continue as a member of the Board with the title, “Chairman Emeritus.” Mr. Sampson founded CSI in 1969, took the Company public in 1981, and then led it to become a national force in telecommunications components and systems. Under Curt Sampson’s leadership, CSI also spun off two other public companies operating cable television systems and rural telephone companies. Mr. Sampson is very well known in the local business community, where he has been a powerful entrepreneurial force in many successful ventures over the years. In 2012, he was inducted into the “Minnesota Business Hall of Fame.” In his new capacity as Chairman Emeritus, Mr. Sampson’s advice and good counsel will continue to be available to the Board. The other members of the CSI Board and all of CSI’s employees wish to thank him for his leadership and service for almost 50 years and look forward to his continuing contributions. Please visit Curt’s Hall of Fame induction for more information.

The Company also announced today that Roger Lacey, CSI’s Chief Executive Officer and Vice Chairman, has been named as the Executive Chairman of the CSI Board of Directors. Mr. Lacey will continue to serve as CEO of CSI, but the Company anticipates that in 2019 a new CEO will be appointed to lead CSI. The Company also announced that, in connection with the changes in the Chairman position, Randall D. Sampson, Curt Sampson’s son and CEO of Canterbury Park Holding Corporation (NASDAQ: CPHC), has been named as the Company’s Governance Lead Independent Director. Randall Sampson has been a CSI director since 1999, and currently serves as Chair of the Board’s Audit & Finance Committee.

About Communications Systems

Communications Systems, Inc. provides connectivity infrastructure and services for global deployments of broadband networks. Focusing on innovative, cost-effective solutions, CSI provides customers the ability to deliver, manage, and optimize their broadband network services and architecture. From the integration of fiber optics in any application and environment to efficient home voice and data deployments to optimization of data and application access, CSI provides tools for maximum utilization of the network from the edge to the user. With partners and customers in over 50 countries, CSI has built a reputation as a reliable global innovator focusing on quality and customer service.

Forward-Looking Statements

This press release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding future financial performance, and future growth. These statements are based on Communications Systems’ current expectations or beliefs and are subject to uncertainty and changes in circumstances. Actual results may vary materially from those expressed or implied by these statements due to changes in economic, business, competitive or regulatory factors, and other risks and uncertainties affecting the operation of Communications Systems’ business. These risks, uncertainties and contingencies are presented in the Company’s Annual Report on Form 10-K and, from time to time, in the Company’s other filings with the Securities and Exchange Commission. The information set forth in this press release should be read in light of these risks. Further, investors should keep in mind that the Company’s financial results in any particular period may not be indicative of future results. Communications Systems is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise.

Contacts:**Communications Systems, Inc.**

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Roger H. D. Lacey
Chief Executive Officer
952-996-1674

Communications Systems Inc. Announces Year End Corporate Restructuring and Reduction of Its Quarterly Dividend

Communications Systems, Inc. (NASDAQ: JCS) (“CSI” or the “Company”) a global provider of connectivity infrastructure and services for deployments of broadband networks, today announced it will initiate a series of restructuring measures by year end that will materially reduce expense levels in its corporate operations and in its Suttle business. These moves, which will include job eliminations, will better position the Company to compete in the rapidly changing telecommunications industry. The restructuring is expected to achieve approximately \$2.5 million in annual cost savings, excluding one-time costs to be largely expensed in the 2018 fourth quarter. The resulting savings will allow CSI to focus its resources on growth opportunities and better utilize its capabilities across the organization. These moves, together with earlier measures taken over the last two years, are expected to provide CSI with a cost structure that will enable it to return to profitability.

CEO Roger Lacey commented: “While adjustments of this type are always very difficult, especially amongst long service and loyal personnel, they are essential to support the drive to returning CSI to robust financial health. The sales declines we have seen, largely driven by market forces, appear to have stabilized, and we are optimistic that these moves, coupled with the success of some of our newer technology and service programs, will provide us with a solid platform for growth and profitability in 2019.

Mr. Lacey continued: “The Special Committee of the Board, assisted by Northland Capital, continues its strategic review of portfolio options. Further moves emanating from this effort will be announced as appropriate.”

CSI also today announced that its Board of Directors has declared a cash dividend of \$0.02 per common share. The dividend is payable on January 14, 2019, to shareholders of record as of December 26, 2018. The quarterly dividend announced today, which is the Company’s 65th consecutive quarterly dividend, represents a reduction of \$0.02 per share from the dividend of \$0.04 last paid on October 1, 2018, and reflects the Company’s desire to conserve capital for growth projects, an approach to dividend policy that we believe is more in line with other similar technology companies.

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