

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to §240.14a-12

Communications Systems, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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COMMUNICATIONS SYSTEMS, INC.
10900 Red Circle Drive
Minnetonka, Minnesota 55343

NOTICE OF 2020 ANNUAL MEETING OF SHAREHOLDERS

To Be Held June 17, 2020

Dear Shareholders:

You are cordially invited to attend the 2020 Annual Meeting of Shareholders of Communications Systems, Inc. (“CSI” or the “Company”). The meeting will be held at the Company’s offices located at 10900 Red Circle Drive, Minnetonka, Minnesota, on Wednesday, June 17, 2020, beginning at 10:00 a.m., Central Daylight Time, for the following purposes:

1. To elect five directors to the Board to serve a one-year term until the next Annual Meeting of Shareholders or until their respective successors have been qualified and elected;
2. To ratify the appointment of Baker Tilly Virchow Krause, LLP as the Company’s independent registered public accounting firm for the year ended December 31, 2020; and
3. To transact any other business that may properly come before the meeting.

The Board of Directors has fixed the close of business on April 20, 2020 as the record date for determination of shareholders entitled to notice of and to vote at the meeting.

You may attend the meeting and vote in person, or you may vote by proxy. To ensure your representation at the meeting, please complete and submit your proxy, whether or not you expect to attend in person. Shareholders who attend the meeting may revoke their proxies and vote in person if they so desire.

By Order of the Board of Directors,



Roger H.D. Lacey, Chairman

Minnetonka, Minnesota

April 28, 2019

IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS:
Copies of this Notice, the Proxy Statement following this Notice and the Annual Report to Shareholders are available at www.proxyvote.com

Note to shareholders. We currently intend to hold our Annual Meeting in person, but shareholders will also be able to attend the Annual Meeting remotely by linking to www.virtualshareholdermeeting.com/JCS2020.

We are closely monitoring statements by the United States Centers for Disease Control on the coronavirus (COVID-19). We are sensitive to the public health and travel concerns that shareholders may have and the protocols that federal, state and local governments may impose. If it is not possible to hold the Annual Meeting in person, we will announce alternative arrangements for the meeting as soon as possible, which may include holding the meeting solely by means of remote communications. We intend to announce any changes as soon as possible, but not later than 10 days prior to the meeting by a press release and an SEC filing. Please monitor our Company website at www.commsystems.com or written communications by us for updated information. If you were planning to attend our meeting, please check the website one week prior to the meeting date. As always, we encourage you to vote your shares prior to the annual meeting.

**COMMUNICATIONS SYSTEMS, INC.
PROXY STATEMENT**

QUESTIONS AND ANSWERS ABOUT THE MEETING

Information Regarding the Annual Meeting

This Proxy Statement is furnished to the shareholders of Communications Systems, Inc. (“CSI” or the “Company”) beginning April 29 2020 in connection with the solicitation of proxies by the Board of Directors of the Company to be voted at the Annual Meeting of Shareholders that will be held at the Company’s offices at 10900 Red Circle Drive, Minnetonka, Minnesota, on Wednesday, June 17, 2020, beginning at 10:00 a.m., Central Daylight Time, or at any adjournment or adjournments thereof.

What is the purpose of the meeting?

At our annual meeting, shareholders will act upon the matters disclosed in the Notice of 2020 Annual Meeting of Shareholders that accompanies this Proxy Statement. These include:

- Elect five directors; and
- Ratify the appointment of Baker Tilly Virchow Krause, LLP (“Baker Tilly”) as our independent registered public accounting firm for the year ending December 31, 2020.

We will also consider any other business that may properly be presented at the meeting, and management will report on CSI’s performance during the last fiscal year and respond to questions from shareholders.

How does the Board recommend that I vote?

The Board of Directors named in this proxy statement recommends a vote:

- “FOR” the election of the five individuals recommended by the Board of Directors; and
- “FOR” the ratification of the appointment of Baker Tilly.

Who is entitled to vote at the meeting?

If you were a shareholder of record at the close of business on April 20, 2020 (the “record date”), you are entitled to vote at the meeting. As of the record date, 9,346,967 of common stock were outstanding and eligible to vote.

What is the difference between a shareholder of record and a street name holder?

If your shares are registered directly in your name, you are the “shareholder of record.” If your shares are held in a stock brokerage account or by a bank or other nominee, you are the beneficial owner of those shares, and your shares are held in street name. If you are a “street name holder,” you will receive a voting instruction card that appears very similar to a proxy card. Please complete that card as directed to ensure your shares are voted at the meeting.

What are the voting rights of the shareholders?

Holders of common stock are entitled to one vote per share. Therefore, a total of 9,346,967 votes are entitled to be cast at the meeting. There is no cumulative voting for the election of directors.

How many shares must be present to hold the meeting?

A quorum is necessary to hold the meeting and conduct business. The presence of shareholders who can direct the voting of at least a majority of the outstanding shares of common stock as of the record date is considered a quorum. A shareholder is counted as present at the meeting if the shareholder is present and votes in person at the meeting or the shareholder has properly submitted a proxy by mail, telephone or Internet.

How do I vote my shares?

If you are a shareholder of record, you may give a proxy to be voted at the meeting either:

- electronically, by following the instructions provided in the Notice of Internet Availability of Proxy Materials or proxy card; or
- if you received printed proxy materials, you may also vote by mail or telephone as instructed on the proxy card.

If you hold shares beneficially in street name, you may also vote by proxy over the Internet by following the instructions in the Notice of Internet Availability of Proxy Materials or, if you received printed proxy materials, you may also vote by mail or telephone by following the instructions in the voting instruction card provided to you by your broker, bank, trustee or nominee. The telephone and Internet voting procedures have been set up for your convenience. The procedures have been designed to authenticate your identity, to allow you to give voting instructions, and to confirm that those instructions have been recorded properly. If you choose not to vote over the Internet or by completing a Proxy card, you may also vote in person at the meeting as described in “May I vote my shares in person at the meeting?” below.

What does it mean if I receive more than one Notice of Internet Availability of Proxy Materials, proxy card or voting instruction card?

It means you hold shares of CSI stock in more than one account. To ensure that all of your shares are voted, sign and return each proxy card or voting instruction card or, if you vote by telephone or via the Internet, vote once for each proxy card, voting instruction card or Notice of Internet Availability of Proxy Materials you receive.

May I vote my shares in person at the meeting?

Yes. If you are a shareholder of record, you may vote your shares at the meeting by completing a ballot at the meeting. Even if you currently plan to attend the meeting, however, we recommend that you submit your proxy ahead of time so that your vote will be counted if, for whatever reason, you later decide to not attend the meeting. If you hold your shares in street name, you may vote your shares in person at the meeting only if you obtain a signed proxy from your broker, bank, trustee or other nominee giving you the right to vote these shares at the meeting.

What vote is required for the proposals to be approved?

- Election of Directors. The five directors that receive the most votes will be elected to serve on the Board of Directors until the 2020 Annual Meeting of Shareholders.
- Ratification of the appointment of Baker Tilly as our independent registered public accounting firm. The affirmative vote of a majority of the shares of common stock represented and entitled to vote on the proposal, if those shares represent more than 25% of the shares outstanding on the record date, is sufficient to approve this proposal. How are votes counted?

Shareholders may either vote FOR or WITHHOLD authority to vote on the election of directors. Shareholders may vote FOR, AGAINST or ABSTAIN on Proposal No. 2.

If you vote ABSTAIN or WITHHOLD, your shares will be counted as present at the meeting for the purposes of determining a quorum. If you ABSTAIN from voting on a proposal, your abstention has the same effect as a vote against that proposal. If you WITHHOLD authority to vote for one or more of the nominees for director, this will have no effect on the election of any director from whom votes are withheld.

If you hold your shares in street name and do not provide voting instructions to your broker or nominee, your shares will be considered to be “broker non-votes” and will not be voted on any proposal on which your broker or nominee does not have discretionary authority to vote under the rules of the New York Stock Exchange. Shares that constitute broker non-votes will be present at the meeting for the purpose of determining a quorum, but are not considered entitled to vote on the proposal in question. Your broker or nominee has discretionary authority to vote your shares on the ratification of Baker Tilly as our independent registered public accounting firm even if your broker or nominee does not receive voting instructions from you, but may not vote your shares on any other matters without instructions from you.

May I change my vote?

Yes. If you are a shareholder of record, you may change your vote and revoke your proxy at any time before it is voted at the meeting in any of the following ways:

- by sending a written notice of revocation to our Corporate Secretary;
- by submitting another properly signed proxy card at a later date to our Corporate Secretary;
- by submitting another proxy by telephone or via the Internet at a later date; or
- by voting in person at the meeting.

If you are a street name holder, please consult your broker, bank, trustee or nominee for instructions on how to change your vote.

Who pays for the cost of proxy preparation and solicitation?

We pay for the cost of proxy preparation and solicitation, including the charges and expenses of brokerage firms or other nominees to forward proxy materials to beneficial owners of shares held in street name. Proxies may be solicited by telephone or facsimile, or personally by our directors, officers and regular employees. These individuals will receive no compensation (other than their regular salaries) for these services.

Why did I receive a notice in the mail regarding the Internet availability of proxy materials instead of a full set of paper copies?

Under rules of the Securities and Exchange Commission (the "SEC"), we may furnish proxy materials to our shareholders by providing access to these documents on the Internet instead of mailing printed copies. In general, you will not receive printed copies of the materials unless you request them. Instead, we mailed you the Notice of Internet Availability of Proxy Materials (unless you have previously consented to electronic delivery or already requested to receive paper copies), which instructs you as to how you may access and review all of the proxy materials on the Internet. The Notice of Internet Availability of Proxy Materials explains how to submit your proxy over the Internet. If you would like to receive a paper copy or e-mail copy of the proxy materials, please follow the instructions provided in the Notice of Internet Availability of Proxy Materials.

How can a shareholder present a proposal at the 2021 Annual Meeting?

The Company intends to hold its 2021 Annual Meeting of Shareholders on or about May 19, 2021, and will make its Proxy Statement materials available to shareholders on or about April 9, 2021. For a shareholder proposal to be considered for inclusion in our Proxy Statement for the 2021 Annual Meeting, the written proposal must be received at our principal executive offices by the close of business on December 10, 2020. The proposal must comply with SEC regulations regarding the inclusion of shareholder proposals in company-sponsored proxy materials.

If a shareholder wishes to present a proposal at the 2021 Annual Meeting that would not be included in our Proxy Statement for that meeting, the shareholder must provide notice to us no later than February 23, 2021. Please contact the Corporate Secretary for a description of the steps to be taken to present a proposal.

How can a shareholder get a copy of the Company's 2019 Report on Form 10-K?

Our 2019 Annual Report, including our Annual Report on Form 10-K for the year ended December 31, 2019, is available electronically with this Proxy Statement. If you were mailed a paper copy of this Proxy Statement, the 2019 Annual Report was included. The 2019 Annual Report, including our Form 10-K, is also available in the Investor Relations page of our website <http://commsystems.com>. Upon request, we will provide you copies of any exhibits to the Form 10-K upon payment of a fee covering our reasonable expenses in furnishing these exhibits. You can request exhibits to the Form 10-K by writing to the Corporate Secretary, Communications Systems, Inc., 10900 Red Circle Drive, Minnetonka, Minnesota 55343.

What if I do not specify a choice for a matter when returning a proxy?

Unless you indicate otherwise, the persons named as proxies on the proxy card will vote your shares

- For the election of each nominee to the Board of Directors set forth in Proposal No. 1; and
- For the ratification of Baker Tilly as our independent registered public accounting firm set forth in Proposal No. 2.

If any other matters come up for a vote at the meeting, the proxy holders will vote the shares they are entitled to vote, according to the recommendations of the Board of Directors or, if there is no recommendation, at their own discretion.

PROPOSAL NO. 1 – ELECTION OF DIRECTORS

Our Board of Directors presently consists of five directors, each serving a one-year term. The Board of Directors has nominated and recommends that the Company's shareholders elect Roger H.D. Lacey, Richard A. Primuth, Randall D. Sampson, Steven C. Webster and Michael R. Zapata. All but Mr. Zapata currently serve as directors. The Board of Directors believes that each nominee will be able to serve as a director. The Board has determined that each nominee, with the exception of Roger H.D. Lacey, is independent.

Absent from the slate of nominees is Company founder and most recently Chairman Emeritus Curtis A. Sampson whose term will end at the 2020 Annual Meeting of Shareholders, and he will then retire from CSI's Board of Directors. Mr. Sampson founded CSI in 1969 and took the Company public in 1981. As Chairman of CSI's Board of Directors from the onset, he played a pivotal role in guiding the Company from a start-up into an established provider of telecommunications components, network systems devices, and IT services. In 2018, he was named Chairman Emeritus. Over the course of his five-decade career with CSI, Mr. Sampson has been a powerful entrepreneurial force, a builder of businesses, and a passionate voice in the local business community. In 2012, Curt was inducted into the "Minnesota Business Hall of Fame."

Each nominee has indicated his willingness to serve if elected, but if any nominee is unable or unwilling to serve, proxies may be voted for a substitute nominee designated by the Board. The Company did not receive any shareholder nominations for director other than the communications with respect to Mr. Zapata from the GAMCO Entities described below under the section "Selecting Nominees for Election to the Board."

Proxies cannot be voted for more than the number of nominees named in this Proxy Statement.

BOARD OF DIRECTORS

The following table sets forth information regarding the director and nominees named above, including information regarding their principal occupations currently and for the preceding five years.

Roger H.D. Lacey (69)	ROGER H.D. LACEY has served as the Company's Chief Executive Officer since February 2015 and has served as the Executive Chairman of the Company's Board of Directors since December 2018. He has been a Company director since 2008, served as Board Vice Chair from September 2013 until December 2018 and interim Chief Executive Officer from June 2014 until February 2015. Mr. Lacey was Senior Vice President of Strategy and Corporate Development at The 3M Company from 2009 to his retirement in 2013. He was the 3M Company's Chief Strategy Officer and head of Global Mergers and Acquisitions from 2000 to 2013. Mr. Lacey's career with 3M began in 1975; from 1989 to 2000 he held various senior positions including serving as Division Vice President of 3M Telecom Division. In addition, Mr. Lacey served as a member of the corporate venture capital board for internal and external new venture investments from 2009 to 2013. In addition, he is a Board member of Johnsonville Sausage Corporation, a leading US food company, and also a Senior Partner in CGMR Capital, a private equity firm. He is a member of the Board of Governors for Opus Business School, University of St. Thomas; a visiting Professor of Strategy and Corporate Development, Huddersfield University; a founding member of the Innovation Lab at MIT; and is a former Vice Chair of Abbott Northwestern Hospital Foundation. Mr. Lacey brings a unique perspective that combines familiarity with key telecommunication and data markets around the world combined with deep experience in strategic planning and business development.
Richard A. Primuth (74)	RICHARD A. PRIMUTH was elected as a director in October 2013 and currently serves as Chair of the Compensation Committee and as a member of the Audit & Finance Committee. Beginning January 1, 2018, Mr. Primuth began providing legal and business consulting services as an independent contractor. Prior thereto, for over 44 years, Mr. Primuth served as an attorney with the Minneapolis law firm of Lindquist & Vennum LLP, specializing in business law. He was a partner in this firm from 1977 until December 2011 when he became Of Counsel to the firm. Mr. Primuth's business law practice was heavily focused on representing public and private corporations, securities offerings, mergers and acquisitions, and other complex business transactions.

He served as the Company's primary outside legal counsel from 1983 until he was elected to the Board in 2013. Upon being elected to the Board, he ceased providing any legal services to the Company. On December 31, 2017, Mr. Primuth retired from and ceased having any further association with Lindquist & Vennum LLP when it merged with and into Ballard Spahr LLP. The Board of Directors believes that Mr. Primuth's significant experience in corporate governance, public offerings and other financings, capital markets, SEC compliance and reporting, mergers and acquisitions, spin offs, complex contract negotiations, and other business law areas, as well as his deep understanding of the Company, its history, markets and products, make him a significant resource as a Company director.

Randall D. Sampson (60)

RANDALL D. SAMPSON has been a director since 1999 and the Lead Independent Director since December 2018. He currently serves as Chair of the Audit & Finance Committee, and also is a member of the Compensation Committee. Mr. R.D. Sampson is the son of C.A. Sampson. Mr. R.D. Sampson is the President, Chief Executive Officer, and a Board member of Canterbury Park Holding Corporation ("CPHC"), positions he has held since 1994. CPHC is a public company based in Shakopee Minnesota that, led by R.D. Sampson, re-launched a failed pari-mutuel race track and stimulated the revival of Minnesota's horse breeding and training industries. Under his leadership, the Canterbury Park Racetrack has become a unique, family-friendly venue for live horse races and other entertainment, as well as pari-mutuel and card club wagering. Before becoming one of the three co-founders of CPHC in 1994, and after graduating from college with a degree in accounting, Mr. Sampson worked for five years in the audit department of a large public accounting firm where he earned his CPA certification, subsequently gained experience as a controller of a private company, served as a chief financial officer of a public company and managed Sampson family interests in horse breeding and training. The challenging nature of Canterbury Park's business has demanded from its CEO an entrepreneurial mindset, attention to expense control, continuous innovation in marketing, and attention to the needs of customers, which, along with other qualities, Mr. R.D. Sampson uniquely brings to the governance responsibilities of the CSI Board.

Steven C. Webster (63)

STEVEN C. WEBSTER has served as a director since 2017. Since July 2013, Mr. Webster has served as Senior Fellow and Spencer Chair in Technology Management at the University of Minnesota. In this capacity, he teaches graduate classes in innovation for mid-career professionals and in business basics for graduate students in science and technology. From May 2005 to October 2012, Mr. Webster was Vice President of Research and Technology Commercialization for 3M Company's Display and Graphics Business. In that role, he had responsibility for about 1,000 technical professionals worldwide, setting technology strategy and guiding key programs for a \$4 billion global business. He directly led laboratories in Saint Paul, Minnesota; Austin, Texas; and Singapore. Over his 31-year career with 3M, Mr. Webster also held the executive position leading the global deployment of 3M Six Sigma; held R&D leadership roles in display technology, optical films, telecommunications, data storage and optical recording; and had business responsibility for fiber optics and test systems products in the 3M Telecom Systems Division. Prior to joining 3M, Mr. Webster was a Member of Technical Staff at Bell Laboratories in Holmdel New Jersey, from 1979 to 1981, where he worked on the first commercial fiber optics transmission system. Mr. Webster received a Master of Science in electrical engineering and computer science and a Bachelor of Science in electrical engineering from MIT in 1979. Mr. Webster currently serves on the Board of Directors and Executive Committee of the Guthrie Theater, and on the MIT Undergraduate Practice Opportunities Program Advisory Board. Mr. Webster brings deep experience in new product development, an understanding of telecommunications technology and business dynamics, expertise in the application of Six Sigma to improve business processes and significant executive level management skill, all qualities that will strengthen the Board's oversight of the Company's businesses.

Michael R. Zapata (41)

MICHAEL R. ZAPATA is a director nominee. Mr. Zapata currently has served as Executive Chairman and President of Schmitt Industries, Inc. since December 2018, and as Chief Executive Officer of that company since July 2019. Mr. Zapata is the founder and Managing Member of Sententia Capital Management, LLC, a value investing focused investment management firm (“Sententia”). Since its inception in 2012, Sententia has invested in deep value public equities in a concentrated portfolio. The firm employs a rigorous research process and attempts to engage constructively with management when appropriate. Prior to Sententia, Mr. Zapata served nearly 10 years in the U.S. Navy. During his service from 2001 to 2010, he held various leadership roles during the Global War on Terror. Deploying to locations including Iraq, Afghanistan, Africa, the Middle East and the Arabian Peninsula, he brings valuable insight and expertise in intelligence fusion, operational execution, strategic planning and risk mitigation. He received his B.S. from Texas A&M University, where he was recognized as a Dougherty Award Recipient. He received his M.B.A. from Columbia University as a student in the Heilbrunn Center for Value Investing. He is a director of Intermap Technologies, a geospatial industry leader that provides location-based solutions with its powerful suite of software applications. He also serves as a director of Tip of the Spear Foundation, a non-profit dedicated to supporting Elite Operators and their families during times of need. Mr. Zapata’s background in, and knowledge of, operational execution, strategic planning and software applications will be helpful as the Company continues its transition from the manufacture and sale of legacy products into providing connectivity infrastructure and services for global deployments of broadband networks.

Vote Required

Directors are elected by a plurality of the votes cast. Therefore, the five nominees who receive the highest number of votes will be elected as directors.

Board Voting Recommendation

**The Board of Directors unanimously recommends that shareholders vote “FOR”
the election of each of the nominees named above as a director.**

**PROPOSAL NO. 2 – RATIFICATION OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

The Audit & Finance Committee has selected Baker Tilly Virchow Krause, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2020. While the Audit & Finance Committee retains the sole authority to retain, compensate, oversee and terminate the independent registered public accounting firm, the Audit & Finance Committee is submitting the appointment of Baker Tilly Virchow Krause, LLP as our independent registered public accountants for ratification. In the event the shareholders do not ratify the appointment of Baker Tilly Virchow Krause, LLP, the Audit & Finance Committee will reconsider the selection.

Vote Required

Approval of this Proposal 2 requires the affirmative vote of the holders of a majority of the shares present, in person or by proxy, and entitled to vote on Proposal 2.

Board Voting Recommendation

**The Board of Directors unanimously recommends shareholders Vote “FOR”
Proposal 2: Ratification of the Appointment of Baker Tilly Virchow Krause, LLP**

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES AND SERVICES

The following is a summary of the fees billed to the Company by Baker Tilly Virchow Krause, LLP for professional service for the year ended December 31, 2019 and 2018.

Fee Category	2019	2018
Audit Fees	\$ 218,560	\$ 231,470
Audit-Related Fees	0	0
Tax Fees	0	0
All Other Fees	0	0
Total Fees	\$ 218,560	\$ 231,470

Audit Fees. This category consists of fees billed for professional services rendered for the audit of the Company’s annual financial statements and review of financial statements included in our quarterly reports.

Audit-Related Fees. This category consists of fees billed for assurance and related services, such as the Company’s employee benefit plan audits that are reasonably related to the performance of the audit or review of the Company’s financial statements and are not otherwise reported under “Audit Fees.”

Tax Fees. This category consists of fees billed for professional services for tax compliance, tax advice and tax planning. Assistance regarding federal and state tax compliance and acquisitions are provided to the Company by RSM US LLP.

All Other Fees. All other fees are fees for products and services other than those listed above.

Audit & Finance Committee Pre-approval Policies and Procedures

In addition to approving the engagement of the independent registered public accounting firm to audit the Company’s consolidated financial statements, the policy of the Audit & Finance Committee is to approve all use of the Company’s independent registered public accounting firm for non-audit services prior to any such engagement. To minimize relationships that could appear to impair the objectivity of the independent registered public accounting firm, the policy of the Committee is to restrict the non-audit services that may be provided to the Company by the

Company's independent registered public accounting firm primarily to tax services, merger and acquisition due diligence and integration services, and any other services that can clearly be designated as "non-audit" services.

Audit & Finance Committee Report

The Audit & Finance Committee is responsible for independent, objective oversight of the Company's financial accounting and reporting by overseeing the system of internal controls established by management and monitoring the participation of management and the independent registered public accounting firm in the financial reporting process.

The Audit & Finance Committee held five meetings in 2019. The meetings were designed to facilitate and encourage private communication between the Committee and Baker Tilly Virchow Krause, LLP.

During the meetings, the Committee reviewed and discussed the Company's financial statements with management and Baker Tilly Virchow Krause, LLP. Management represented to the Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit & Finance Committee has reviewed and discussed the consolidated financial statements with management and the independent accountants. The discussions with Baker Tilly Virchow Krause, LLP also included the matters required by Statement on Auditing Standards ("SAS") No. 61 (Communication with Audit Committees), as amended by SAS 89 and 90 (Audit Committee Communications).

Baker Tilly Virchow Krause, LLP provided to the Committee the written disclosures and the letter regarding its independence as required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and this information was discussed with Baker Tilly Virchow Krause, LLP.

Based on the discussions with management and Baker Tilly Virchow Krause, LLP, the Committee's review of the representations of management and the report of the Baker Tilly Virchow Krause, LLP, the Audit & Finance Committee recommended to the Board that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission.

Submitted by the Audit & Finance Committee of the Company's Board of Directors

Randall D. Sampson (Chair) Steven C. Webster Richard A. Primuth

CORPORATE GOVERNANCE AND BOARD MATTERS

General Information

Our Board is committed to sound and effective corporate governance practices. Our governance policies are consistent with applicable provisions of the rules of the SEC and the listing standards of the Nasdaq Capital Market (“Nasdaq”). We also periodically review our governance policies and practices in comparison to those suggested by authorities in corporate governance and the practices of other public companies.

You can access our corporate governance charters and other related materials by following links on the “Corporate Governance” page of our website <http://commsystems.com>.

The Board, Board Committees and Meetings

Meeting Attendance. Our Board meets regularly during the year to review matters affecting our Company and to act on matters requiring Board approval. Each of our directors is expected to make a reasonable effort to attend all meetings of the Board, applicable committee meetings and our annual meeting of shareholders. During 2019, the Board met five times. Each director attended at least 80% of the meetings of the Board and committees on which he served, and all directors attended the 2019 Annual Meeting of Shareholders.

Board Committees. Our Board has established two standing committees: Audit & Finance and Compensation. Only members of the Board serve on these committees. Following is information about each committee:

Audit & Finance Committee. The Audit & Finance Committee is responsible for the engagement, retention and replacement of the independent registered public accounting firm, approval of transactions between the Company and a director or executive officer unrelated to service as a director or officer, approval of non-audit services provided by the Company’s independent registered public accounting firm, oversight of the Company’s internal controls and the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters. The Company’s independent registered public accounting firm, reports directly to the Audit & Finance Committee. The Audit & Finance Committee operates under a formal charter that is reviewed annually and was most recently revised amended on November 3, 2016. The current members of the Audit & Finance Committee are Richard A. Primuth, Randall D. Sampson (Chair) and Steven C. Webster. Mr. Primuth, Mr. Sampson and Mr. Webster are each independent under SEC Rules and NASDAQ listing standards. In addition, the Board has determined that Randall D. Sampson qualifies as the Committee’s financial expert. The Audit & Finance Committee met five times during 2019.

Compensation Committee. The Compensation Committee is responsible for the overall compensation strategy and policies of the Company; reviews and approves the compensation and other terms of employment of the Company’s chief executive officer and other executive officers, subject to final Board approval; oversees the establishment of performance goals and objectives for the Company’s executive officers; administers the Company’s incentive compensation plans, including the Company Employee Stock Purchase Plan; considers the adoption of other or additional compensation plans; and provides oversight and final determinations with respect to the Company’s 401(k) plan, employee stock ownership plan and other similar employee benefit plans. The Committee operates under a Board-approved charter that is reviewed annually and was most recently amended on March 7, 2014. The current members of the Compensation Committee are Richard A. Primuth (Chair), Randall D. Sampson, and Steven C. Webster. Each Compensation Committee member is independent under Nasdaq standards. The Committee met four times in 2019.

Special Committee to Explore Strategic Options On May 23, 2018, the Board of Directors of the Company announced the formation of a Special Committee consisting of independent directors Richard Primuth, Randall D. Sampson and Steven Webster to explore its strategic options.

The Special Committee, working with members of management, studied a number of initiatives in the Company. On April 5, 2019, the Company announced that its wholly-owned subsidiary Suttle, Inc. (“Suttle”) had sold its FutureLink™ Fiber business line, including inventory and customer relationships, to PPC Broadband Inc. (“PPC”), a leading provider of high quality, end-to-end signal transmission solutions for mission-critical applications for \$5.0 million cash. On March 11, 2020, the Company announced that Suttle, Inc. had sold the remainder of its business lines, including the SoHo, MediaMAX, and SpeedStar brands and inventory as well as working capital, certain capital equipment, intellectual property, and customer relationships, to Oldcastle Infrastructure, Inc., an industry leader in engineered building solutions for \$8.0 million in cash, with a net working capital adjustment 90

days after closing. The Company has included a detailed description of these two transactions and related matters in its reports with the Securities and Exchange Commission.

This Special Committee has not yet disbanded and continues to advise the full Board and management on other possible company strategic initiatives, including the acquisition of complimentary products or business lines.

In addition, at Board meetings and in separate meetings among themselves, Mr. Primuth, Mr. R. Sampson and Mr. Webster also acted as a Nominating Committee, reviewing possible candidates for addition to the Company's Board of Directors. See "Selecting Nominees for Election to the Board."

The Nominating Committee and the Board continue to assess the Board's strengths and may in the future recommend new persons for election to the Board of Directors.

Director Independence

The Board has adopted director independence guidelines that conform to the definitions of "independence" set forth in Section 301 of the Sarbanes-Oxley Act of 2002, Rule 10A-3 under the Securities Exchange Act of 1934 and listing standards of Nasdaq. In accordance with these guidelines, the Board has reviewed and considered facts and circumstances relevant to the independence of each of our directors and director nominees and has determined that each of the following incumbent directors qualifies as "independent" under Nasdaq listing standards: Richard A. Primuth, Curtis A. Sampson, Randall D. Sampson and Steven C. Webster.

Selecting Nominees for Election to the Board

In selecting nominees for election to the Board at the 2020 Annual Shareholders Meeting, a special Nominating Committee consisting of three independent directors (Messrs. Primuth, R.D. Sampson and Webster) assessed the existing composition of the Board, in part to ensure the Board reflects an appropriate balance of knowledge, experience, skills, expertise, diversity, and independence to enable the Board to meet the challenges it may confront. These directors also reviewed the Board composition to determine the qualifications and areas of expertise needed to further enhance the Board's ability to fulfill its responsibilities.

On January 28, 2020, in a Schedule 13D/A filing made by Mario J. Gabelli and various entities associated with Mr. Gabelli ("GAMCO Entities"), the GAMCO Entities stated they intended to nominate Michael R Zapata as a director of the Company. Subsequent to that 13D/A filing, members of the Nominating Committee and Board met with Mr. Zapata and decided to nominate him and recommend his election to Company's Board of Directors. On April 13, 2020, the Company filed a Form 8-K disclosing that it intended to nominate Mr. Zapata for election as a director at the Annual Meeting of Shareholders. See the table entitled "Security Ownership of Certain Beneficial Owners and Management;" for a description of the GAMCO Entities' ownership of the Company's stock.

Although the Board does not have a formal policy regarding diversity, in addition to minimum requirements of integrity, ability to make independent analytical inquiries, personal health and a willingness to devote adequate time and effort to Board responsibilities, the Board seeks individuals who reflect diversity in background, education, business experience, skills, business relationships and associations and other factors that will contribute to the Board's governance of the Company.

In making recommendations regarding nominees for election as directors, the Board will consider qualified candidates who are proposed by our shareholders. Shareholders can submit qualified candidates, together with appropriate biographical information, to the Corporate Secretary at: Communications Systems, Inc., 10900 Red Circle Drive, Minnetonka, Minnesota 55343. Any shareholder desiring to submit a director candidate for consideration at our 2021 Annual Meeting of Shareholders must ensure that the submission is received by the Company no later than December 10, 2020 to provide adequate time for the Board to properly consider the candidate.

Shareholders may directly nominate an individual for election to the Board at our shareholders meeting by following procedures in our Bylaws. A shareholder wishing to formally nominate an individual to election to the Board at future shareholder meetings should follow the procedure set forth below under the caption "Other Information – Shareholder Proposals for 2021 Annual Meeting -- Shareholder Nominations."

Board Leadership

On December 12, 2018, Communications Systems, Inc. (“CSI” or the “Company”) announced that Curtis A. Sampson had retired as Chairman of the Board of Directors, and would continue to serve as a Board member with the title Chairman Emeritus. Mr. Curtis Sampson’s term will end at the 2020 Annual Meeting of Shareholder.

In December 2018, CSI’s Chief Executive Officer and Vice Chairman Roger H.D. Lacey was named as the new Executive Chairman of the CSI Board of Directors. Mr. Lacey continues to serve as Chief Executive Officer of 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, was 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.

Mr. Richard Primuth, in addition to his other director responsibilities, served as Board Secretary until April 2020. In this capacity, he was responsible for keeping minutes of the Board and committee meetings, developing and maintaining an annual calendar of Board and Committee meetings and responsibilities, facilitating the flow of information regarding business operations and results to the Board, assisting the Executive Chairman and CEO in developing agendas for Board meetings, and providing company officers with Board level input on pending legal matters, material contracts, corporate developments and other developments in the Company’s business.

Board’s Role in Managing Risk

In general, management is responsible for the day-to-day management of the risks the Company faces, while the Board, acting as a whole and through the Audit & Finance Committee, has oversight responsibility for risk management. In its risk oversight role, the Board has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. Members of senior management attend the regular meetings of the Board and are available to address questions and concerns raised by the Board related to risk management. In addition, the Board regularly discusses with management, the Company’s independent registered public accounting firm and the internal auditor, identified major risk exposures, their potential financial impact on the Company, and steps that could be taken to manage these risks.

The Audit & Finance Committee assists the Board in fulfilling its risk management oversight responsibilities in the areas of financial reporting, internal controls and compliance with legal and regulatory requirements. The Audit & Finance Committee reviews the Company’s financial statements and meets with the Company’s independent registered public accounting firm and internal auditor at least four times each year to review their respective reports on the adequacy and effectiveness of our internal audit and internal control systems, and to discuss policies with respect to risk assessment and risk management.

Director Compensation

Compensation information paid to non-employee directors of the Company in 2019 is set forth under the caption “Director Compensation.”

Code of Ethics and Business Conduct

We have adopted a Code of Ethics and Business Conduct (the “Code”) applicable to all of the Company’s officers, directors, employees, and consultants that establish guidelines for professional and ethical conduct in the workplace. The Code also contains a special set of guidelines applicable to the Company’s senior financial officers, including the chief executive officer, principal financial officer, principal accounting officer, and others involved in the preparation of the Company’s financial reports.

These guidelines are intended to promote the ethical handling of conflicts of interest, full and fair disclosure in periodic reports filed by the Company, and compliance with laws, rules and regulations concerning this periodic reporting. A copy of the Code is available by following links on the “Corporate Governance” page of our website at <http://commsystems.com>, and is also available, without charge, by writing to the Company’s Corporate Secretary at: Communications Systems, Inc., 10900 Red Circle Drive, Minnetonka, Minnesota 55343.

Contacting the Board of Directors

Any shareholder who desires to contact our Board of Directors may do so by writing to the Board of Directors, generally, or to an individual director at Communications Systems, Inc., 10900 Red Circle Drive, Minnetonka, Minnesota 55343. Communications received electronically or in writing are distributed to the full Board of Directors, a committee or an individual director, as appropriate, depending on the facts and circumstances described in the communication received. By way of example, a complaint regarding accounting, internal accounting controls or auditing matters would be forwarded to the Chair of the Audit & Finance Committee for review. Complaints and other communications may be submitted on a confidential or anonymous basis.

Summary Ownership Table

The following table sets forth ownership of the Company's common stock by (i) each person known by the Company to own of record or beneficially 5% or more of the Company's common stock, (ii) each director and nominee for director, (iii) each current Named Executive Officer (as defined below in the "Summary Compensation Table") and (iv) all officers and directors of the Company as a group, in each case based upon information available as of April 20, 2020 (unless otherwise noted). As indicated by footnote, the table includes (i) shares subject to options that may be exercised within 60 days of April 20, 2020; (ii) restricted stock units ("RSUs") that will be settled in shares within 60 days of April 20, 2020, and (iii) shares allotted to an individual's account under the Communications Systems, Inc. Employee Stock Ownership Plan ("ESOP shares") as of December 31, 2019.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Curtis A. Sampson † 10900 Red Circle Drive Minnetonka, MN 55343	1,253,963 ⁽¹⁾	13.3%
GAMCO One Corporate Center Rye, NY 10580	1,470,138 ⁽²⁾	15.7%
Renaissance Technologies Holdings Corp 800 Third Avenue New York, NY 10022	713,811 ⁽³⁾	7.6%
Communications Systems, Inc. Employee Stock Ownership Plan 10900 Red Circle Drive Minnetonka, MN 55343	738,107 ⁽⁴⁾	7.9%
Roger H.D. Lacey †	361,199 ⁽⁵⁾	3.8%
Mark Fandrich †	67,945 ⁽⁶⁾	*
Scott Fluegge †	91,092 ⁽⁷⁾	1.0%
Richard A. Primuth †	125,392 ⁽⁸⁾	1.3%
Randall D. Sampson †	162,743 ⁽⁹⁾	1.7%
Steven C. Webster †	40,000 ⁽¹⁰⁾	*
Michael R. Zapata		
All directors and executive officers as a group (7 persons)	2,146,423 ⁽¹¹⁾	21.4%

* Indicates less than one percent ownership.

† A Director or a Named Executive Officer of the Company.

(1) Includes 682,399 shares owned by Mr. Curtis A. Sampson directly, 430,000 shares held indirectly in irrevocable trusts for the benefit of Mr. Sampson's children and grandchildren, of which Mr. Sampson is a trustee and as to which he disclaims beneficial interest, 26,114 shares owned by his spouse, as to which beneficial ownership is disclaimed, 77,923 shares subject to options, and 37,527 ESOP shares.

(2) The aggregate number of shares includes 307,000 shares owned by Gabelli Funds, LLC; 712,138 shares owned by GAMCO Asset Management, Inc.; 432,000 shares owned by Teton Advisors, Inc.; 9,000 shares owned by MJG Associates, Inc.; and 10,000 shares owned by the Gabelli Foundation, Inc. according to a Schedule 13D/A filed with the SEC on April 1, 2020.

(3) According to a Schedule 13G filed with the SEC on February 14, 2020.

(4) Messrs. Roger H.D. Lacey, Randall D. Sampson and Mark Fandrich serve as Trustees of the CSI ESOP, and disclaim beneficial ownership of the shares held by the CSI ESOP, except for shares allocated to their respective accounts.

- (5) Includes 82,891 shares owned by Mr. Lacey directly, 270,768 shares subject to options and 7,540 ESOP shares.
- (6) Includes 15,861 shares owned by Mr. Fandrich directly, 46,015 shares subject to options and 6,069 ESOP shares.
- (7) Includes 17,526 shares owned by Mr. Fluegge directly, 64,241 shares subject to options, and 9,325 ESOP shares.
- (8) Includes 26,129 shares owned by Mr. Primuth directly and 99,263 shares subject to options
- (9) Includes 66,168 shares owned by Mr. Sampson directly, 34,200 shares owned by his spouse and children, and 62,375 shares subject to options.
- (10) Includes 5,000 shares owned by Mr. Webster directly and 35,000 shares subject to options.
- (11) Includes 906,519 shares owned by officers and directors as a group directly, 681,239 shares subject to options, 60,314 shares held by their respective spouses and children, 430,000 shares held in trusts and 68,350 ESOP shares.

EXECUTIVE COMPENSATION

The Company is a global provider of connectivity infrastructure and services for deployments of broadband networks. During 2019, our operations were conducted primarily through our Suttle, Inc. (“Suttle”), Transition Networks, Inc. (“TN”) and JDL Technologies, Inc. (“JDL”) business units.

This section discusses our executive compensation objectives and policies, forms of compensation, and compensation related to services in 2019 paid or potentially payable to the Named Executive Officers identified below under the Summary Compensation Table (“NEOs”), as well as other senior executives (collectively, with the NEOs, the “Senior Executives”).

Compensation Philosophy and Objectives

The Company’s approach to executive compensation of the Company’s Senior Executives is based on the following objectives:

- To align compensation with shareholder interests;
- To reward both annual and long-term financial performance;
- To provide pay opportunities comparable to opportunities at companies with which the Company competes for management talent; and
- To maintain internally fair and equitable compensation levels and practices.

The Company has generally structured its annual and long-term incentive compensation to be “performance-based.” In addition, when determining how much performance-based compensation should be paid in cash versus granting stock options or other awards payable in stock (collectively “Equity Awards”), the Committee has generally emphasized paying long-term compensation through Equity Awards.

Role of the Compensation Committee and Information Used to Determine Compensation

One of the Compensation Committee’s primary responsibilities is to review and approve, or recommend for Board approval, compensation paid to the Company’s Chief Executive Officer, the NEOs, and other Senior Executives. The Compensation Committee (“Committee”) carries out this responsibility pursuant to a Board-approved written charter. The Committee is subject to Board oversight, and other Board members frequently participate in deliberations related to executive compensation. Additional information regarding the primary responsibilities of the Committee and its current members is provided above under the caption “Corporate Governance and Board Matters – the Board, Board Committees and Meetings.”

Under its charter, the Committee has the authority to select, retain, and compensate executive compensation consultants and other experts that it deems necessary to carry out its responsibilities. Since November 2015, the Committee has, from time to time, engaged Total Rewards Group (“TRG”), a compensation consulting firm, to study and make recommendations regarding our compensation program. This included an evaluation of our base compensation for Senior Executives to determine whether we were paying “competitive” compensation and whether our approach to compensation was generally in line with “best practices” for public companies. The Committee selected TRG without a recommendation by management and TRG reported directly to the Committee.

The Committee also uses industry surveys to evaluate base compensation and total compensation paid to our Senior Executives. In some years, the Committee has relied on studies prepared by Company employees based on surveys of manufacturing companies of similar size. In other years, this information has been supplied by our compensation consultant. In addition, the Committee periodically compares compensation it pays to Senior Executives to compensation paid by a limited number of specific companies in similar industries, and of similar size and scope (“comparator group”) so that it has comparative data for assessing the Company’s market position in compensation levels and practices.

Base Salaries

Base salaries of the Company's executive officers are established by reference to average base salaries paid to executives in similar positions with similar responsibilities using information supplied by compensation consultants and other sources. Base salaries are generally reviewed annually in December of each year and adjustments are made effective as of January 1 of the following year. From time to time, however, promotions and other events require adjustments at other points in the year. While emphasis is placed on measurable financial factors, when it determines base salaries, the Committee also considers factors such as development and execution of strategic plans, changes in areas of responsibility, potential for assuming greater responsibility and the development and management of employees. The Committee does not, however, assign specific weights to these various quantitative and qualitative factors in reaching its decisions.

The following table shows the base salary paid to each NEO in 2019.

Named Executive Officer	Position	Annual Rate of Base Salary (\$)
Roger H. D. Lacey	Chief Executive Officer	100,000
Mark Fandrich	Group Business President, Treasurer, Chief Operating Officer, and Chief Financial Officer	253,200
Scott Fluegge	President and General Manager, JDL Technologies, Inc.	218,799

Annual Bonus Plan

Bonuses are paid under the Company's Annual Bonus Plan ("Bonus Plan") to NEOs and other Senior Executives during the course of and following the end of each fiscal year based on achievement in relation to objective financial goals set at the beginning of the fiscal year. These bonuses are intended to provide Senior Executives with an opportunity to receive additional cash compensation upon attainment of pre-established performance goals.

At the beginning of each fiscal year, the Committee determines what objective performance measures it will use to assess performance by the Company overall and by each business unit. In addition, the Committee assigns a percentage weight to the various measures that are applied when determining the total bonus to be paid to each executive. The Committee concurrently determines specific goals for each of these performance measures. Most performance measures for business unit performance have three goals to which achievement is compared, defined as "threshold," "target" and "maximum," with "target" goals generally being equal to the Company's budget for that performance measure.

Given the continuing uncertainty about effect the COVID-19 coronavirus will have on the Company's 2020 operations, the Company has not yet adopted a 2020 Bonus Plan, but is focusing its effort on retaining key employees and looking for strategic opportunities that may present themselves.

Bonus Compensation of Named Executive Officers

The potential bonuses for the Chief Executive Officer and Chief Financial Officer were based on overall Company consolidated performance. Each Business Unit Leader is typically paid a bonus based on the performance of the business unit he manages. Whether and to what extent bonus compensation is paid to him is determined following the end the annual period. A comparison of achievement to performance goals is made after twelve months. With respect to these measures, we compare annual results to goals, and a bonus is paid if achievement is at least 80% of the target goal for that performance measure.

Concurrent with determining and assigning weight to the various performance measures, and the goals against which achievement is measured, the Committee determines a "target" bonus opportunity and a "maximum" bonus opportunity that may be earned by each executive as a percentage of his base salary if actual performance exceeds applicable threshold performance goals. In 2019, the "target" annual bonus opportunity for the Senior Executives ranged from 40% to 231% of their respective base salaries, and their respective "maximum" bonus opportunities were approximately 60% to 347% of their respective target bonus opportunities if actual achievement equaled or

exceeded maximum performance goals. The target annual bonus for the CEO and CFO were based on consolidated targets for revenue, operating income, sales per employee and SG&A as a percentage of sales.

The following table presents for 2019: (i) the performance measures for the CSI and JDL business units; (ii) the relative weight assigned to each of the performance measures in determining overall performance of the business units; (iii) target achievement levels for each performance measure selected; and (iv) actual 2019 achievement as a percentage of the target goal.

Performance Measure	% Weight	Annual Target Goal (\$)	% of Target Performance Achieved
JDL			
Total Revenue	50%	10,749,371	44%
Total Operating Income	25%	2,192,238	0%
Commercial Operating Income	25%	100,425	55%
CSI			
Consolidated Revenue	40%	52,664,000	97%
Consolidated Operating Income	40%	2,041,000	72%
Sales per Employee	10%	344,120	99%
SG&A as a % of Sales	10%	35%	0%

Bonuses Paid Pursuant to the 2019 Annual Bonus Plan

The table below presents the bonus opportunity under the Annual Bonus Plan for the three NEOs as a percentage of their respective base salaries upon achievement of “target” goals for each performance measure (weighted as indicated above), the dollar value of the opportunity at target achievement, and the actual amount paid in cash to the NEOs based on actual achievement in relation to goals for performance measures under the Company’s 2019 Annual Bonus Plan.

Named Executive Officer	Bonus Opportunity as % of 2019 Base Salary at Target Achievement	Dollar Value of Bonus Opportunity at Target Achievement	Annual Bonus Paid Based on Actual Achievement
Roger H. D. Lacey	231%	\$ 231,000	\$ 165,893
Mark Fandrich	55%	\$ 139,260	\$ 100,010
Scott Fluegge	40%	\$ 87,520	\$ 16,975

Discretionary Bonuses

The Committee and the Board believe the most appropriate approach to paying annual bonus compensation is one in which executives are measured against predetermined objective performance measures and performance goals. However, from time to time, in limited and extraordinary circumstances, the Committee and the Board also believe, it is in the best interest of the Company and its shareholders to pay discretionary bonuses. Following the conclusion of fiscal 2019, the Committee determined it was desirable and in the best interest of the Company to pay discretionary bonuses to certain employees based on the Committee’s judgment that those individuals made important contributions to the Company or a business unit that should be rewarded apart from achievement in comparison to goals under performance measures. This included discretionary bonuses paid to the following Named Executive Officers: Mr. Lacey, \$120,000 and Mr. Fandrich, \$50,000.

Overview of Long-Term Incentive Compensation

Our Senior Executives have been given, over the last several years, the opportunity to earn long-term, incentive compensation by means of the following forms of incentive awards:

- Long Term Incentive Awards (“LTI Awards”). LTI Awards provide the opportunity to earn a payout in Company stock or cash after the end of three-year performance periods, to the extent earned by actual performance compared to performance goals.
- Stock Options. Stock Options are granted on an annual basis, vest over four years beginning one year after the award is made, and only provide value to the executive if the Company’s stock price increases over the option exercise price.

Long-term incentive compensation opportunities for our NEOs and other Senior Executives are determined under a two-step process. First, the Committee determines the total “target” opportunity (expressed as a percentage of base compensation) for each Senior Executive to earn long-term incentive compensation (the “Total Target LTI Opportunity”). Over the last several years this percentage has ranged from 20% to 100% of the Senior Executive’s base compensation. Second, an allocation of the Total Target LTI Opportunity is then made to LTI Awards and Stock Options.

LTI Awards

LTI Awards may be “Performance Share Units” or “Performance Cash Units.” LTI Awards that are performance-based and payable in stock following the end of the three-year period are defined as “Performance Share Units” or “PSUs” under our incentive compensation plan. The number of PSUs awarded to each NEO is determined by dividing the dollar value of the NEO’s LTI Award by the average price of the Company’s stock over a 20-business-day period beginning on or about March 1 of each year. Each PSU represents the potential issuance of one share of common stock; the number of PSUs actually issued as shares of stock depends on actual achievement in relation to performance goals for the three-year period.

LTI Awards that are performance-based and payable in cash following the end of a three-year period are defined as “Performance Cash Units” or “PCUs” under our incentive compensation plan. Each PCU represents the potential to be paid \$1.00, and the number of PCUs that are paid in dollars depends on actual achievement in relation to performance goals for the three-year period.

Stock Options

The number of shares covered by Stock Options granted to each NEO is determined by dividing the dollar value of the Total Target LTI Opportunity allocated to Stock Options by a value for an option to purchase one share of our stock as determined by the Committee. Typically, the Committee has used the Black Scholes methodology to determine the value of one option based on a share price of the Company’s stock as of a specific date during the second half of March in each year; the share exercise price of Stock Options is fair market value on the date of grant.

2019 Long term Incentive Compensation Awards

On March 26, 2019, pursuant to the Company’s Long Term Incentive Compensation Plan (the “LTI Plan”) the Committee determined, and the Company’s Board ratified and approved, the overall design and other features of the Company’s LTI Plan for 2019 as applied to the NEOs.

As noted above under the section “Special Committee to Explore Strategic Options, on May 23, 2018, the Board of Directors of the Company announced the formation of a Special Committee to explore Company strategic options. As a result of the initiative, the Company sold substantially all the operational assets of the Company’s wholly owned subsidiary Suttle in two separate transactions that closed on April 5, 2019 and March 11, 2020. The Company has included a detailed description of these two transactions and related matters in its reports with the Securities and Exchange Commission. In light of the April 2019 Suttle transaction and uncertainty and continuing strategic opportunities for the remainder of the Suttle business, in granting the 2019 LTI awards for NEOs and other members of Senior Management, the Compensation Committee and Board of Directors decided on a combination of RSUs, stock options and cash, rather than the PSUs based primarily on the operating results of the Company’s Suttle, Transition Networks and JDL subsidiaries.

The Committee first determined that the following NEOs would be awarded the total opportunities for long term executive compensation as a percentage of their respective base compensation as follows:

	Long Term Opportunity in Dollars ⁽¹⁾			Value of LTI Opportunity Allocated to Restricted Stock Units	Allocation of Long Term Opportunity in Dollars to Restricted Stock Units and Stock Options			
	2019 Base Salary	% Base Salary	Grant Date Dollar Value		Shares Covered by Restricted Stock Units ⁽²⁾	Value of LTI Opportunity Allocated to Stock Options	Shares Covered by Option Grant ⁽³⁾	Value of LTI Opportunity Allocated to Cash
Mr. Lacey	\$ 100,000	75%	\$ 75,000	\$ 37,500	13,736	\$ 18,750	7,500	\$ 18,750
Mr. Fandrich	\$ 253,200	50%	\$ 126,600	\$ 63,300	23,187	\$ 31,650	12,660	\$ 31,650
Mr. Fluegge	\$ 218,799	40%	\$ 87,520	\$ 43,760	16,029	\$ 21,880	8,752	\$ 21,880

(1) Allocated 75% to LTI Awards and 25% to Stock Options as presented, respectively, in the last five columns.

(2) The number of RSUs was determined by dividing the dollar value of the LTI Opportunity Allocated to Restricted Stock Units by the 20 business day average price of the Company's stock beginning March 1, 2019 of \$2.73. These vest over a three-year period.

(3) We determined the number of shares covered by Stock Options granted to each Senior Executive in 2019 by dividing of the dollar value of the LTI Opportunity Allocated to Stock Options for each executive as discussed above by an assumed option value of \$2.50. The exercise price of each option is \$2.64 (the closing market price on March 28, 2019); and, each option vests 25% each year beginning March 28, 2020 and expires March 21, 2026.

Other Compensation

In addition to participating in Company-wide plans providing health, dental and life insurance on the same basis as all of our other U.S.-based employees, our Senior Executives receive other compensation in various forms, primarily the following:

- An annual contribution to the Company's Employee Stock Ownership Plan and Trust ("ESOP").
- An annual matching contribution of up to 50% of each executive's personal contribution to the Company's 401(k) Plan up to the first 6% of the personal contribution.
- A car allowance or company car.
- In individual, unique circumstances, additional compensation to support an overseas assignment or travel to a residence away from the Company's offices.

The amount of this other compensation for our Named Executive Officers is presented in the column titled "All Other Compensation" under the "Summary of Executive Compensation Table" and the "Other Compensation Table."

Employment Agreements

None of our NEOs have a written employment agreement.

Stock Ownership Guidelines

The Company has adopted guidelines for stock ownership by our Senior Executives. For our Chief Executive Officer, the guideline is beneficial ownership of shares valued at three times base salary; for our Chief Financial Officer the guideline is beneficial ownership of shares valued at two times base salary; and, for all other Senior Executives, guideline beneficial ownership of shares having a value equal to one times base salary. Stock ownership includes shares held directly and shares beneficially held in the Company's ESOP, but does not include unexercised stock options or shares potentially payable under Incentive Awards. The Company annually reviews each executive's progress towards achieving ownership equal to the ownership guidelines.

Consideration of Risk in Compensation

The Company believes placing substantial emphasis on long-term incentive compensation encourages executives to direct their efforts to promote the creation of long-term shareholder value and that promoting the creation of long-term value discourages behavior that leads to excessive risk. The Committee believes that the following features of our compensation programs provide incentives for the creation of long-term shareholder value and encourage high achievement by our executive officers without encouraging inappropriate or unnecessary risk taking:

- We balance rewards for short and long-term decision making by providing both annual bonus compensation and long-term incentive compensation.
- Our long-term incentives in the form of stock options become exercisable over a four-year period and remain exercisable for up to seven years from the date of grant.
- Our long-term incentive compensation awards become payable only if, after completion of a multi-year period, actual performance over the period compared to pre-established performance goals justifies a payment.

Because of our stock ownership guidelines, officers and key employees require all executives to make progress towards owning stock equal to at least one times their base compensation, we believe our NEOs are less likely to expose the Company to inappropriate or unnecessary risks.

The financial metrics used in our incentive compensation programs are measures the Committee believes drive long-term shareholder value. Moreover, the Committee attempts to set ranges for these measures that encourage success without encouraging excessive risk taking to achieve short term results. In addition, all forms of incentive compensation specify a maximum amount that cannot exceed two times the target amount, no matter how much financial performance exceeds the ranges established at the beginning of the year.

SUMMARY COMPENSATION TABLE

The following table presents information regarding compensation earned in 2019 and 2018 for services in all capacities by the Company's Chief Executive Officer Roger H.D. Lacey, the Company's Chief Financial Officer Mark Fandrich, and the other most highly compensated executive officers of the Company in 2019 (together referred to as the "Named Executive Officers" or "NEOs").

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) ⁽¹⁾	Options Award (\$) ⁽²⁾	Non-Equity Incentive Plan Compensation (\$) ⁽³⁾	All Other Compensation (\$) ⁽⁴⁾	Total (\$)
Roger H.D. Lacey	2019	100,000	120,000	36,263	4,644	165,893	45,394	472,194
President and Chief Executive Officer	2018	300,000	--	93,600	69,265	174,311	17,862	685,038
Mark Fandrich	2019	253,200	50,000	61,214	14,357	100,010	23,711	502,491
Group Business President and Chief Financial Officer	2018	233,200	--	44,098	18,759	96,784	21,038	413,879
Scott Fluegge	2019	218,799	--	42,317	9,925	16,975	21,681	309,696
President & General Manager JDL Technologies, Inc.	2018	218,799	--	33,097	14,081	13,208	21,721	300,906

(1) Represents stock earned under the Company's Annual Bonus Plan and Long-Term Incentive Plan ("LTI Plan"). The values expressed represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 and Item 402(r)(2)(iv) of Regulation S-K, using the assumptions discussed in Note 10, "Stock Compensation" in the notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019.

(2) The values expressed represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 and Item 402(r)(2)(iv) of Regulation S-K, using the assumptions discussed in Note 10, "Stock Compensation," in the notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019.

(3) Represents amounts earned under the Company's Short-term Incentive plan. See "Non-Equity Incentive Plan Compensation Table" below.

(4) See "Other Compensation Table" below.

Non-Equity Incentive Plan Compensation Table

The following table provides a breakdown of information under the column "Non-Equity Incentive Plan Compensation" in the preceding Summary Compensation Table.

Name	Year	Short-Term Plans (\$)	Long-Term Plans (\$)
Mr. Lacey	2019	165,893	—
	2018	174,311	—
Mr. Fandrich	2019	100,010	—
	2018	96,784	—
Mr. Fluegge	2019	16,975	—
	2018	95,650	—

Other Compensation Table

The following table provides a breakdown of information under the column "Other Compensation" above.

	Year	Contributions to Defined Contribution Plan (\$)	Non-Elective Contributions to CSI Defined Contribution Plan (\$)	Other (\$)	Total (\$)
Mr. Lacey	2019	8,400	5,244	31,750	45,394
	2018	5,139	4,973	7,750	17,862
Mr. Fandrich	2019	8,400	7,561	7,750	23,711
	2018	7,012	6,276	7,750	21,038
Mr. Fluegge	2019	6,965	6,965	7,750	21,681
	2018	7,039	6,932	7,750	21,721

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information concerning outstanding equity awards held by Named Executive Officers as of December 31, 2019.

Name	Number of Securities Underlying Unexercised Options		Option Exercise Price (\$)	Option Expiration Date	Shares or Units of Stock that have not Vested		Equity Incentive Plan Awards: Unearned Shares, Units or Other Rights that have not Vested	
	Exercisable (#)	Unexercisable (#)			Number (#)	Market Value (\$)	Number of (#)	Market or Payout Value of (\$)
Mr. Lacey	12,195		11.70	6/4/2021				
	22,655	--	11.65	3/17/2022				
	24,950	--	11.09	4/3/2022				
	25,050	--	11.05	5/21/2022				
	16,667	--	7.34	1/25/2023				
	30,938	10,312(1)	6.85	3/15/2023				
	28,125	28,125(2)	4.40	3/31/2024				
	15,469	46,406(3)	3.61	3/9/2025				
	50,000	--	2.55	12/12/2025				
--	7,500(4)	2.64	3/28/2026					
					13,736	36,263(6)	39,438(5)	140,399
Mr. Fandrich	15,000	5,000(7)	5.72	8/29/2023				
	13,250	13,250(2)	4.40	3/31/2024				
	7,288	21,862(3)	3.61	3/9/2025				
	--	12,660(4)	2.64	3/28/2026				
					23,187	61,214(8)	18,581(5)	66,148
Mr. Fluegge	12,211	--	10.10	3/15/2020				
	15,073	--	12.97	3/21/2021				
	15,732	--	11.65	3/17/2022				
	15,468	5,156(1)	6.85	3/15/2023				
	7,500	2,500(8)	6.55	5/25/2023				
	10,622	10,621(2)	4.40	3/31/2024				
	5,470	16,410(3)	3.61	3/9/2025				
	--	8,752(4)	2.64	3/28/2026				
					16,029	42,317(6)	13,946(5)	49,648

(1) Vesting one-fourth on each of March 15, 2017, 2018, 2019 and 2020.

(2) Vesting one-fourth on each of March 31, 2018, 2019, 2020 and 2021.

(3) Vesting one-fourth on each of March 9, 2019, 2020, 2021 and 2022.

(4) Vesting one-fourth on each of March 28, 2020, 2021, 2022 and 2023.

(5) Vesting on December 31, 2020, subject to attaining performance goals under the 2018 - 2020 LTI Plan.

(6) Vesting one-third on each of March 28, 2020, 2021 and 2022.

(7) Vesting one-fourth on each of August 29, 2017, 2018, 2019 and 2020.

(8) Vesting one-fourth on each of May 25, 2017, 2018, 2019 and 2020.

2019 Options Exercised and Stock Vested

The following table shows the option exercised in 2019 by Named Executive Officers. There were no Named Executive Officer restricted stock grants that vested in 2019.

Name	Option Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)
Mr. Lacey	None	-
Mr. Fandrich	6,600	10,098
Scott Fluegge	16,092	34,413

POTENTIAL PAYMENTS UNDER CHANGE OF CONTROL

The Company has entered into Change of Control Agreements (“CIC Agreements”) with each Named Executive Officer. CIC Agreements provide for payment of severance compensation if (A) there is a change in control of the Company and (B) within 24 months following this change of control, there is either (i) an involuntary termination of employment other than for cause, death, disability or retirement or (ii) a voluntary termination of employment for Good Reason (each a “Triggering Event”). Under the CIC Agreements, “Good Reason” includes a material diminution in the person’s base salary, duties or authority, or those of his immediate superior, or a material diminution in the budget over which the person has authority or a change in geographic location of the person’s job. The CIC Agreements include provisions requiring each executive to maintain confidentiality of information acquired during the period of employment, to refrain for a period of one year from competing with the Company or soliciting other Company employees to leave their employment with the Company and to provide a release of all claims against the Company in exchange for the benefit paid pursuant to the CIC agreement. In the event of a change in control, the Company’s LTI Plan provides for partial vesting and payment of unvested Incentive Awards and the Company’s Stock Option Plan provides for vesting of unvested stock options, in each case irrespective of whether or not a Triggering Event has occurred.

Assuming a change of control occurred on January 1, 2020, the following table presents amounts potentially payable to each of the Named Executive Officers, without and with a corresponding Triggering Event.

Name	Reason for Payment	Cash Severance (\$) ⁽¹⁾	Partial Vesting of Incentive Awards (\$) ⁽²⁾	Vesting of Unvested Options ⁽³⁾	Total (\$)
Mr. Lacey	Change of Control without a Triggering Event	—	—	—	—
	Change of Control with Triggering Event	352,451	117,883	195,056	665,390
Mr. Fandrich	Change of Control without a Triggering Event	—	—	—	—
	Change of Control with Triggering Event	302,266	99,668	126,359	528,293
Mr. Fluegge	Change of Control without a Triggering Event	—	—	—	—
	Change of Control with Triggering Event	263,016	71,179	91,703	425,898

(1) The amounts in this column reflect the amount of cash severance the Company would be obligated to pay these individuals in the form of a single lump-sum cash payment pursuant to their CIC Agreements.

(2) The amounts in this column reflect the estimated value of unvested Incentive Awards under the Company’s

LTI Plan at December 31, 2019 that would become payable upon the occurrence of a change in control.

- (3) The amount in this column represents in-the-money value of options assuming vesting upon a change in control at January 1, 2020. As of the immediately preceding business day, the exercise price of unvested options granted to these NEOs was greater than the closing market price of our common stock.

DIRECTOR COMPENSATION

The 2019 compensation of non-employee directors was as follows: (i) each director was paid an annual cash retainer of \$15,000; (ii) each director was granted options to purchase 10,000 shares of common stock; (iii) the two committee chairs were each paid an additional \$5,625 in cash; (iv) each non-chair committee member was paid an additional \$3,750 in cash; (v) the non-executive Board Chair was paid an additional \$20,000 in cash; and (vi) Mr. Primuth, who in addition to his other director responsibilities, served as Board Secretary until April 2020, was paid an additional \$26,250 in cash.

The following table presents the 2019 cash and dollar value of stock options paid to each Company's non-employee Board member.

Name ⁽¹⁾	Fees Earned or Paid in Cash (\$)	Options Awards (\$) ⁽²⁾	Total (\$)
Curtis A. Sampson	15,000	8,192	23,192
Richard A. Primuth	50,625	8,192	58,817
Randall D. Sampson	24,375	8,192	32,567
Steven C. Webster	22,500	8,192	30,692

- (1) In addition to compensation as directors, the named directors serve in differing roles for which they receive separate compensation, including as a committee chair, committee member, and Board Secretary. See "The Board, Board Committees and Meetings" and "Board Leadership" above under "Corporate Governance."

- (2) Values expressed represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 and Item 402(r)(2)(iv) of Regulation S-K, using the assumptions discussed within Note 10 in the notes to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company's Board has adopted Governance Guidelines that include provisions with respect to conflicts of interest. These Guidelines describe "conflict of interest" as a situation in which a director's personal interest, including an immediate family member interest, is adverse to, or may appear to be adverse to, the interests of the Company. The Guidelines provide that any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company, must be disclosed promptly to the Chief Executive Officer, the Chairman, and the Company's primary legal counsel.

If the Company wishes to proceed with a transaction involving a potential conflict of interest, the Board would intend to seek prior approval from the Audit & Finance Committee to ensure the transaction is beneficial to the Company and the terms of the transaction are fair to the Company.

DELIQUENT SECTION 16(A) REPORTS

The Company's Officers, Directors and beneficial owners of more than ten percent of the Company's common stock are required to file reports of their beneficial ownership with the SEC. Based on the Company's review of copies of such reports received by it, or written representations from reporting persons, the Company believes that during the fiscal year ended December 31, 2019, Executive Officers and Directors of the Company filed all reports with the SEC required under Section 16(a) to report their beneficial ownership on a timely basis.

OTHER INFORMATION

Contacting the Board of Directors

Any shareholder who desires to contact our Board of Directors may do so by writing to the Board of Directors, generally, or to an individual Director at: Communications Systems, Inc., 10900 Red Circle Drive, Minnetonka, Minnesota 55343. Communications received electronically or in writing are distributed to the full Board of Directors, a committee or an individual Director, as appropriate, depending on the facts and circumstances outlined in the communication received. For example, a complaint regarding accounting, internal accounting controls or auditing matters will be forwarded to the Chair of the Audit & Finance Committee for review. Complaints and other communications may be submitted on a confidential or anonymous basis.

Shareholder Proposals for 2021 Annual Meeting

The proxy rules of the Securities and Exchange Commission permit shareholders of a company, after timely notice to the Company, to present proposals for shareholder action in the Company's proxy statement where the proposals are consistent with applicable law, pertain to matters appropriate for shareholder action and are not properly omitted by Company action in accordance with the Commission's proxy rules. The next Annual Meeting of the Shareholders of Communications Systems, Inc. is expected to be held on or about May 19, 2021, and proxy materials in connection with that meeting are expected to be made available on or about April 9, 2021. Shareholder proposals prepared in accordance with the Commission's proxy rules to be included in the Company's Proxy Statement must be received at the Company's corporate office, 10900 Red Circle Drive, Minnetonka, Minnesota 55343, Attention: President, by December 10, 2020, to be considered for inclusion in the Board of Directors' Proxy Statement and proxy card for the 2021 Annual Meeting of Shareholders. Any proposal must be in writing and signed by the shareholder. In addition, if the Company is not notified by February 25, 2021, of a matter to be brought before the 2021 Annual Meeting of Shareholders by a shareholder, the proxies held by management may provide the discretion to vote against the proposal even though it is not discussed in the proxy statement for the meeting.

The Bylaws of the Company establish an advance notice procedure with regard to (i) certain business to be brought before an annual meeting of shareholders of the Company and (ii) the nomination by shareholders of candidates for election as directors.

Properly Brought Business

The Bylaws provide that at the annual meeting only such business may be conducted as is of a nature that is appropriate for consideration at an annual meeting and has been either specified in the notice of the meeting, otherwise properly brought before the meeting by or at the direction of the Board of Directors, or otherwise properly brought before the meeting by a shareholder who has given timely written notice to the Secretary of the Company of

the shareholder's intention to bring the business before the meeting. To be timely, the notice must be given by such shareholder to the Secretary of the Company not less than 45 days or more than 75 days prior to a meeting date corresponding to the previous year's annual meeting. Notice relating to the conduct of such business at an annual meeting must contain certain information as described in Section 2.9 of the Company's Bylaws, which are available for inspection by shareholders at the Company's principal executive offices pursuant to Section 302A.461, subd. 4 of the Minnesota Statutes. Nothing in the Bylaws precludes discussion by any shareholder of any business properly brought before the annual meeting in accordance with the Company's Bylaws. Because the Company intends to hold its 2021 Annual Meeting on or about May 19, 2021, and make its proxy materials available on or about April 9, 2021, shareholders should use these dates in determining the 45 and 75 day periods set forth above for the 2021 Annual Meeting.

Shareholder Nominations

The Bylaws provide that a notice of proposed shareholder nominations for the election of directors must be timely given in writing to the Secretary of the Company prior to the meeting at which directors are to be elected. To be timely, the notice must be given by the shareholder to the Secretary of the Company not less than 45 days or more than 75 days prior to a meeting date corresponding to the previous year's annual meeting. The notice to the Company from a shareholder who intends to nominate a person at the meeting for election as a director must contain certain information as described in Section 3.7 of the Company's Bylaws, which are available for inspection by shareholders as described above. If the presiding officer of a meeting of shareholders determines that a person was not nominated in accordance with the foregoing procedure, that person will not be eligible for election as a director. Because the Company intends to hold its 2021 Annual Meeting on or about May 19, 2021, and make its proxy materials available on or about April 9, 2021, shareholders should use these dates in determining the applicable 45 and 75 day periods set forth above for the 2021 Annual Meeting.

Other Matters

Management knows of no other matters that will be presented at the meeting. If any other matters arise at the meeting, it is intended that the shares represented by the proxies in the accompanying form will be voted in accordance with the judgment of the persons named in the proxy.

By Order of the Board of Directors,



Roger H.D. Lacey, Chairman

COMMUNICATIONS SYSTEMS, INC.
SHAREOWNER SERVICES
P.O. BOX 64945
ST. PAUL, MN 55164-0945

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information. Vote by 11:59 p.m. Eastern Time on June 16, 2020 for shares held directly and by 11:59 p.m. Eastern Time on June 14, 2020 for shares held in a Plan. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions. Vote by 11:59 p.m. Eastern Time on June 16, 2020 for shares held directly and by 11:59 p.m. Eastern Time on June 14, 2020 for shares held in a Plan. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

D11269-P39743

KEEP THIS PORTION FOR YOUR RECORDS
 DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

<p>COMMUNICATIONS SYSTEMS, INC.</p> <p>The Board of Directors recommends you vote FOR the election of each of the nominees as directors.</p> <p>1. To elect the five directors nominated by the Board of Directors to serve one-year terms until the 2021 Annual Meeting of Shareholders ("Proposal No. 1").</p> <p>Nominees:</p> <p>01) Roger H.D. Lacey 02) Richard A. Primuth 03) Randall D. Sampson 04) Steven C. Webster 05) Michael R. Zapata</p> <p>The Board of Directors recommends you vote FOR Proposal No. 2.</p> <p>2. To ratify the appointment of Baker Tilly Virchow & Krause, LLP as the Company's independent registered public accounting firm for the year ending December 31, 2020.</p> <p>THIS PROXY, IF PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED BY THE UNDERSIGNED. IF NO DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES, AND FOR PROPOSAL 2. PLEASE SIGN, DATE AND RETURN THIS PROXY CARD.</p> <p>For address changes or comments, please check this box and write them on the back where indicated. <input type="checkbox"/></p> <p>Please date and sign exactly as your name(s) appear(s) hereon, indicating, where proper, official position or representative capacity in which you are signing. When signing as executor, administrator, trustee or guardian, give full title as such; when shares have been issued in names of two or more persons, all should sign.</p>	<p>For All</p> <p><input type="checkbox"/></p>	<p>Withhold All</p> <p><input type="checkbox"/></p>	<p>For All Except</p> <p><input type="checkbox"/></p>	<p>To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below.</p> <p>_____</p>
	<p>For</p> <p><input type="checkbox"/></p>	<p>Against</p> <p><input type="checkbox"/></p>	<p>Abstain</p> <p><input type="checkbox"/></p>	
<p>Signature [PLEASE SIGN WITHIN BOX]</p>				<p>Signature (Joint Owners)</p>
<p>Date</p>				<p>Date</p>

COMMUNICATIONS SYSTEMS, INC.
ANNUAL MEETING OF SHAREHOLDERS

June 17, 2020

10:00 a.m., Central Daylight Time

Communications Systems, Inc.
10900 Red Circle Drive
Minnetonka, Minnesota

Important Notice Regarding the Internet Availability of Proxy Materials for the Annual Meeting:
The Notice and Proxy Statement and Annual Report are available at www.proxyvote.com.

D11270-P39743

COMMUNICATIONS SYSTEMS, INC.

Proxy

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 17, 2020.

The undersigned hereby appoints Roger H.D. Lacey and Mark D. Fandrich, or either of them, as proxies, with full power of substitution to vote all the shares of common stock that the undersigned would be entitled to vote if personally present at the Annual Meeting of Shareholders of Communications Systems, Inc., to be held on June 17, 2020, at 10:00 a.m., Central Daylight Time, at the offices of Communications Systems, Inc., 10900 Red Circle Drive, Minnetonka, Minnesota, or at any adjournment thereof, upon any and all matters that may properly be brought before the meeting or at any adjournment thereof, hereby revoking all former proxies.

Address Changes/Comments: _____

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

(Continued and to be marked, dated and signed, on the other side)