
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

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

Date of Report (date of earliest event reported): **July 7, 2006**

COMMUNICATIONS SYSTEMS, INC.

(Exact name of Registrant as specified in its charter)

Minnesota
(State or other jurisdiction of
incorporation)

001-31588
(Commission File Number)

41-0957999
(I.R.S. Employer Identification
No.)

213 South Main Street
Hector, MN
(Address of principal executive offices)

55342
(Zip Code)

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-2)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Sections 1, 2, 4-8 are not applicable and therefore omitted.

ITEM 3.01 NOTICE OF DELISTING OR FAILURE TO SATISFY A CONTINUED LISTING RULE OR STANDARD; TRANSFER OF LISTING

On May 22 2006, Communications Systems, Inc. (the "Company") publicly reported that management of the Company and its Audit Committee determined to defer filing the Company's Quarterly Report on Form 10-Q for its first quarter ended March 31, 2006 until information related to a government investigation and related reviews publicly disclosed on May 15, 2006 could be gathered and assessed and the Company's independent registered public accounting firm completed its review of the Form 10-Q as required by Rule 10-01 of Regulation S-X under the Securities Exchange Act of 1934. The Company's public announcement also discussed that the failure to file the Form 10-Q was a deficiency under the rules of the American Stock Exchange (AMEX) where the Company's common stock is traded.

On May 25, 2006 the Company received a letter from AMEX advising the Company that because it had not filed its Form 10-Q report for the quarter ended March 31, 2006 it was not in compliance with fulfilled a condition for continued listing of its securities as required by Sections 134 and 1101 of the AMEX Company Guide. Along with other information in its May 25, 2006 letter AMEX staff offered the Company the opportunity to submit a plan by June 8, 2006 demonstrating how it would be able to regain compliance with the Exchange's continued listing standards by July 6, 2006.

On June 8, 2006 the Company submitted a plan to AMEX regarding achieving compliance with its continued listing standards by July 6, 2006. Thereafter, during the remainder of June until early July, 2006 management continued its internal investigation and continued its cooperation with the U.S. Department of Justice, the agency conducting the civil investigation of JDL's compliance with the E-Rate program related to its work in the U.S Virgin Islands.

On July 6, 2006, the Company submitted an amended plan to AMEX staff with regard to achieving compliance with AMEX's continued listing standards. In its amended plan, the Company reported that it was unable to finalize its First Quarter 2006 10-Q by the original July 6 deadline for two reasons: first, management's heightened concern regarding the Company's ability to collect receivables related to work performed by its JDL subsidiary that totaled approximately \$3 million at both December 31, 2005 and March 31, 2006; and, second, the need to further assess issues raised by the Department of Justice civil investigation and the implications of such issues for its previously issued financial statements and its future financial reporting. Finally, the Company explained in its amended plan how it intended to address these matters so that it could file its First Quarter 2006 10-Q by September 6, 2006 and requested an extension to such date to bring the Company into compliance with AMEX's listing standards.

By letter dated July 7, 2006 the Company received notification from AMEX that the Company's amended plan made a reasonable demonstration of the Company's ability to regain compliance with AMEX's continued listing standards by September 6, 2006 and that AMEX was willing to continue the listing of the Company's common stock until such date, subject to certain conditions. These conditions related to public disclosure of AMEX's decision and related

information, continued updates of AMEX staff with regard to the initiatives described in the amended plan and continued oversight and assessment by AMEX staff. In its letter AMEX also stated it expected the Company to be in compliance with the continued listing standards by September 6, 2006 and that failure to achieve compliance by such date would "likely result" in the initiation of delisting proceeds by AMEX staff.

A copy of the letter from AMEX is attached hereto as Exhibit 99.1 and a copy of the Company's press release announcing the AMEX action is attached as Exhibit 99.2.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

The following are filed as exhibits to this Current Report:

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
99.1	Letter from the American Stock Exchange (AMEX) dated July 7, 2006
99.2	Press Release issued July 13, 2006 reporting receipt of letter from AMEX

SIGNATURES

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

COMMUNICATIONS SYSTEMS, INC.

By /s/ Paul N. Hanson
Paul N. Hanson
Its Chief Financial Officer

Dated: July 13, 2006



American Stock Exchange
86 Trinity Place
New York, NY 10006-1872

James P. Mollen

Director – Listing Qualifications
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Via Facsimile and Federal Express

July 7, 2006

Mr. Paul N. Hanson
Vice President and Chief Financial Officer
Communications Systems, Inc.
213 South Main Street
Hector, MN 55342

Dear Mr. Hanson:

As you are aware, Communications Systems, Inc. (“Communications” or the “Company”) is not in compliance with certain of the American Stock Exchange’s (the “Amex” or the “Exchange”) continued listing standards. Specifically, the Company is not in compliance with Sections 134 and 1101 of the Amex Company Guide (the “Company Guide”)(1) due to the fact that it failed to file with the Securities and Exchange Commission (the “SEC”), its Form 10-Q for the period ended March 31, 2006 (the “2006 First Quarter Report”).

By letter dated May 25, 2006, Staff notified the Company of its deficiency and offered it an opportunity to provide a business plan (the “Plan”) by June 8, 2006 demonstrating how it would be able to regain compliance with the Exchange’s continued listing standards by July 6, 2006. On June 8, 2006, the Company submitted its Plan, which it later amended by letter dated July 6, 2006 (the “Amended Plan”). The Amended Plan states, among other things, that the Company has not been able to finalize its 2006 First Quarter Report, mainly due to the Company’s inability to collect its JDL subsidiary’s accounts receivable totaling \$3,033,742. Further, in its Amended Plan, the Company requests an extension of time to bring Communications into compliance with Sections 134 and 1101 of the Company Guide by September 6, 2006 (the “Extended Plan Period”).

The Exchange has completed its review of the Company’s Amended Plan and has determined that, in accordance with Section 1009 of the Company Guide, the Amended Plan makes a reasonable demonstration of the Company’s ability to regain compliance with the continued listing standards by the end of the Extended Plan Period, or September 6, 2006. Therefore, at this time we are prepared to continue the listing of Communications subject to the following conditions:

- i. The Company must make a public announcement through the news media by July 14, 2006 disclosing the fact that it continues to be noncompliant with the continued listing standards of the Exchange and that its listing is being continued pursuant to an additional extension, as well as the reasons behind the Company’s request for an additional

(1) The Amex Company Guide may be accessed at www.amex.com.

extension. The extended targeted completion date of September 6, 2006 must also be disclosed.

- ii. The Company must continue to provide the Exchange Staff with updates in conjunction with the initiatives of the Amended Plan as appropriate or upon request.
- iii. Exchange Staff will review Communications periodically for compliance with the Amended Plan. If the Company does not show progress consistent with the Amended Plan, the Exchange Staff will review the circumstances and may immediately commence delisting proceedings. Additionally, please be advised that consistent with the Exchange’s obligations and responsibilities as a self-regulatory organization, the Exchange Staff is authorized to initiate immediate delisting proceedings as appropriate in the public interest, notwithstanding the terms of this letter.

At the end of the Extended Plan Period, September 6, 2006, Communications must be in compliance with all the continued listing standards including the issue described above. Failure to regain compliance within the timeframe outlined above will likely result in the Exchange Staff initiating delisting proceedings pursuant to Section 1009 of the Company Guide.

We appreciate your attention to this matter and we look forward to continuing to work with you through this difficult time. Towards that end, it is important during this process that you continue to communicate with the Exchange on a proactive basis regarding all corporate developments. If we may be of any assistance in this matter, please do not hesitate to contact me, or Diana Dodi, Lead Analyst, at (212) 306-2396.

Please acknowledge your acceptance of the conditions outlined in this letter by signing and returning the enclosed copy of this letter by July 14, 2006.

Very truly yours,

/s/ James F. Mollen

Acknowledged and Agreed to:

Date:

Mr. Paul N. Hanson
Vice President and Chief Financial Officer
Communications Systems, Inc.

July 13, 2006

Contact: Curtis A. Sampson, Chairman, President and Chief Executive Officer
 Jeffrey K. Berg, President and Chief Operating Officer
 Paul N. Hanson, Vice President-Finance

COMMUNICATIONS SYSTEMS, INC. REPORTS ON RECENT DEVELOPMENTS RELATED TO RESOLVING ACCOUNTING ISSUES AND ACHIEVING COMPLIANCE WITH AMEX CONTINUED LISTING STANDARDS

(Hector, Minnesota) — July 13, 2006 — Communications Systems, Inc. (AMEX: JCS) reported today on developments since May 31, 2006 regarding its efforts to resolve previously reported accounting issues and to regain compliance with the continued listing standards of the American Stock Exchange (AMEX).

On May 15, 2006, the Company announced that its wholly owned subsidiary, JDL Technologies (JDL) was the subject of a civil investigation related to alleged false claims for payment for work performed in the U.S. Virgin Islands under the FCC's E-Rate program. On May 22, 2006, the Company reported that based upon the issues resulting from the investigation and related accounting reviews by management and its Audit Committee, the Company was deferring the filing the Company's Form 10-Q Report for its quarter ending March 31, 2006 (the "First Quarter 2006 10-Q") until additional information could be gathered and assessed. On May 31, 2006 the Company reported notification by AMEX that it was not in compliance with AMEX's continued listing standards because the First Quarter 2006 10-Q had not been filed, but that AMEX staff had given the Company the opportunity to submit a plan by June 8, 2006 regarding how the Company would undertake to regain compliance with AMEX's continued listing standards by July 6, 2006.

On June 8, 2006 the Company submitted a plan to AMEX regarding achieving compliance with its continued listing standards by July 6, 2006. Thereafter, during the remainder of June until early July, 2006 management continued its internal investigation and continued its cooperation with the U.S. Department of Justice, the agency conducting the civil investigation of JDL's compliance with the E-Rate program related to its work in the U.S Virgin Islands.

On July 6, 2006, the Company submitted an amended plan to AMEX staff with regard to achieving compliance with AMEX's continued listing standards. In its amended plan, the Company reported that it was unable to finalize its First Quarter 2006 10-Q by the original July 6 deadline for two reasons: first, management's heightened concern regarding the Company's ability to collect receivables related to work performed by its JDL subsidiary that totaled approximately \$3 million at both December 31, 2005 and March 31, 2006; and, second, the need

to further assess issues raised by the Department of Justice civil investigation and the implications of such issues for its previously issued financial statements and its future financial reporting. Finally, the Company explained in its amended plan how it intended to address these matters so that it could file its First Quarter 2006 10-Q by September 6, 2006 and requested an extension to such date to bring the Company into compliance with AMEX's listing standards.

By letter dated July 7, 2006 the Company received notification from AMEX that the Company's amended plan made a reasonable demonstration of the Company's ability to regain compliance with AMEX's continued listing standards by September 6, 2006 and that AMEX was willing to continue the listing of the Company's common stock until such date, subject to certain conditions. These conditions related to public disclosure of AMEX's decision and related information, continued updates of AMEX staff with regard to the initiatives described in the amended plan and continued oversight and assessment by AMEX staff. In its letter AMEX also stated it expected the Company to be in compliance with the continued listing standards by September 6, 2006 and that failure to achieve compliance by such date would "likely result" in the initiation of delisting proceeds by AMEX staff.

Communications Systems, Inc. provides physical connectivity infrastructure and services for cost-effective broadband solutions and is a leading supplier of voice-grade connecting devices and wiring systems. CSI serves the broadband network market as the world's leading supplier of media conversion technology, which permits networks to deploy fiber optic technology, while retaining the copper-based infrastructure already embedded in the network. In addition, CSI supplies copper wire and fiber optic structured wiring systems for broadband networks, as well as line filters for digital subscriber line service. CSI also provides network design, training and management services.

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

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