

**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): **March 27, 2007**

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 2, 4-7 are not applicable and therefore omitted.

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

The Board of Directors of Communications Systems, Inc. (the "Company") by action taken in writing effective March 30, 2007 amended Article V, Section 4 of the Company's Stock Option Plan for Non-Employee Directors to eliminate a provision providing for the early termination of options granted under the plan in the event a director would cease to be a director after the option grant and before the otherwise applicable expiration of the option (typically ten years after the date of grant). A copy of the amended Stock Option Plan for Non-Employee Directors is attached as Exhibit 99.1

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

See Item 8.01 below for information regarding subsequent developments to information regarding a failure to satisfy a continued listing rule originally presented in the Company's Report on Form 8-K for May 25, 2006 under Item 3.01.

ITEM 8.01 OTHER EVENTS

The following information supplements information provided in the Company's Reports on Form 8-K for May 22, 2007, May 25, 2006, July 7, 2006, October 16, 2006, January 10, 2007 and March 5, 2007.

As previously reported in press releases and disclosed in Reports on Form 8-K, the Company has not filed its Quarterly Reports on Form 10-Q due for the three month period ended March 31, 2006, the three and six month periods ended June 30, 2006, and for the quarter and nine months ended September 30, 2006 (collectively, the 2006 Form 10-Q Reports) due to, along with other factors, risks and uncertainties arising from a civil investigation of the Company's JDL Technologies subsidiary initiated by the U.S. Department of Justice (DOJ) and the Company's continued assessment of uncollected receivables related to work performed for the U.S. Virgin Islands Department of Education (VIDOE). Because the 2006 Form 10-Q Reports have not been filed, the Company is out of compliance with continued listing standards of the American Stock Exchange (AMEX) and, due to such compliance, the Company's shares are subject to being de-listed. However, as previously reported and disclosed in several Reports on Form 8-K beginning on July 7, 2006, the Company's common stock has continued to trade on AMEX under extensions granted by AMEX staff. At March 1, 2007 an extension granted by AMEX to provide additional time to achieve compliance with AMEX's listing standards expired, and on March 5, 2007, the Company submitted a written request to AMEX requesting additional time in which to file the 2006 Form 10-Q Reports, which request was publicly disclosed by press release on March 6, 2007.

On March 21, 2007, the Company received notification from AMEX that the Company's revised plan of compliance and supporting documentation included in its March 5 submission, as supplemented by a further written submission on March 7, 2007 (together the "Revised Plan"), made a reasonable demonstration of the Company's ability to regain compliance with AMEX's continued listing standards. Based upon the Revised Plan, AMEX staff, subject to certain

conditions, granted the Company an extension until May 15, 2007 to file the 2006 Form 10-Q Reports, as well as its Annual Report on Form 10-K for the fiscal year ended December 31, 2006. In its letter, AMEX stated it expected the Company to be in compliance with the continued listing standards of AMEX by May 15, 2007 and that failure to achieve compliance by that date would “likely result” in the initiation of delisting proceedings by AMEX staff. Finally, in its letter AMEX advised that its staff would review the Company’s compliance with the Revised Plan and that, notwithstanding the terms of the extension, AMEX staff was authorized to commence delisting proceedings prior to May 15, 2007 if the Company did not show progress consistent with the Revised Plan or, otherwise, as appropriate in the public interest. A copy of the March 21, 2007 letter from AMEX to the Company is attached hereto as Exhibit 99.2.

On March 27, 2007 the Company issued a press release reporting the substance of the March 21, 2007 letter from AMEX that granted the Company an extension until May 15, 2007 to file the 2006 Form 10-Q Reports and its 2006 Form 10-K Report. A copy of the Press Release issued on March 27, 2007 is attached hereto as Exhibit 99.3.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

The following is filed as an exhibit to this Current Report:

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
99.1	Stock Option Plan for Non-Employee Directors, as amended through March 30, 2007
99.2	Letter from American Stock Exchange dated March 21, 2007
99.3	Press Release issued March 27, 2007

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: March 30, 2007

STOCK OPTION PLAN FOR NONEMPLOYEE DIRECTORS AS AMENDED THROUGH MARCH 30, 2007

COMMUNICATIONS SYSTEMS, INC.

1990 STOCK OPTION PLAN FOR NONEMPLOYEE DIRECTORS

**ARTICLE I
PURPOSE**

The purposes of the 1990 Communications Systems, Inc. Stock Option Plan for Nonemployee Directors (the "Plan") are to attract and retain the services of experienced and knowledgeable nonemployee Directors of Communications Systems, Inc. (the "Corporation") and to provide an incentive for such Directors to increase their proprietary interest in the Corporation's long-term success and progress.

**ARTICLE II
SHARES SUBJECT TO THE PLAN**

The total number of shares of Common Stock, par value \$.05 (the "Shares"), of the Corporation for which options may be granted under the Plan is 300,000, subject to adjustment in accordance with Article VI hereof. Such Shares shall be authorized and unissued shares and shall include shares representing the unexercised portion of any option granted under the Plan which expires or terminates without being exercised in full.

**ARTICLE III
ADMINISTRATION OF THE PLAN**

The Plan shall be administered by the Board of Directors of the Corporation (the "Board"), or, in the event the Board shall appoint and/or authorize a Compensation Committee to administer this Plan, by such committee. Subject to the terms of the Plan, the Board shall have the power to construe the provisions of the Plan, to determine all questions arising thereunder and to adopt and amend such rules and regulations for the administration of the Plan as it may deem desirable.

**ARTICLE IV
PARTICIPATION IN THE PLAN**

Each Director of the Corporation who is not otherwise an employee of the Corporation or any subsidiary ("Director") shall receive annually an option to acquire 3,000 Shares under the Plan subject to adjustment in accordance with Article VI hereof, concurrent with the annual meeting of the stockholders of the corporation (whether or not such Director is up for election), commencing with the 1990 election.

**ARTICLE V
OPTION TERMS**

Each option granted to a Director under the Plan and the issuance of Shares thereunder shall be subject to the following terms.

1. **Option Agreement.** Each option granted under the Plan shall be evidenced by an option agreement (the "Agreement") duly executed on behalf of the Corporation and by the Director to whom

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such options is granted. Each Agreement shall comply with and be subject to the terms and conditions of the Plan and shall conclusively evidence by the optionee's signature thereon that it is the intent of the optionee to serve as a director of the Corporation for the remainder of the calendar year in which the option was granted. Any Agreement may contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Board. No option shall be granted within the meaning of the Plan and no purported grant of any option shall be effective until such an option agreement shall have been duly executed on behalf of the Corporation and the Director to whom the option is to be granted.

2. **Option Exercise Price.** The option exercise price for an option granted under the Plan shall be the fair market value of the Shares covered by the option at the time the option is granted. For purposes of the Plan, "fair market value" may mean the closing price or the mean between the high and low sale prices quoted on the day of grant on the National Association of Securities Dealers Automatic Quotation System, whichever is less.

3. **Time and Manner of Exercise of Option.** Options are exercisable immediately after their grant and may be exercised in full at one time or in part from time to time. Any option may be exercised by giving written notice, signed by the person exercising the option, to the corporation stating the number of Shares with respect to which the option is being exercised, accompanied by payment in full for such Shares, which payment may be in whole or in part in Shares of the Common Stock of the Corporation already owned by the person or persons exercising the option, valued at fair market value at the time of such exercise.

4. **Term of Options.** Each option shall expire ten (10) years from the date of the granting thereof, but shall be subject to earlier termination as provided in the following sentence. In the event of the death of an optionee during the period in which he or she is a Director of the Corporation, or within the period between when the optionee ceases to be a director and the date on which the option would otherwise expire by its terms, the option granted to such optionee may be exercised only within one (1) year after the date of death of such optionee or prior to the date on which the option expires by its terms, whichever is earlier, by the estate of such optionee, or by any person or persons whom the optionee shall have designated in writing on forms prescribed by and filed with the Corporation or, if no such designation has been made by the person or persons to whom the optionee's rights have passed, by will or the laws of descent and distribution.

5. **Transferability.** The right of any optionee to exercise an option granted to him or her under the Plan shall not be assignable or transferable by such optionee otherwise than by will or the laws of descent and distribution, and any such option shall be exercisable during the lifetime of such optionee only by such optionee.

6. **Participant's or Successor's Rights as Stockholder.** Neither the recipient of an option under the Plan nor his or her successor(s) in interest shall have any rights as a stockholder of the Corporation with respect to any Shares subject to an option granted to such person until such person becomes a holder of record of such Shares.

7. **Regulatory Approval and Compliance.** The Corporation shall not be required to issue any certificate or certificates for Shares of its stock upon the exercise of an option granted under the Plan or record as a holder of record of such Shares the name of the individual exercising an option under the Plan, without obtaining to the complete satisfaction of the Board the approval of all regulatory bodies deemed necessary by the Board, and without complying, to the Board's complete satisfaction, with all rules and regulations, under federal, state or local law deemed applicable by the Board.

**ARTICLE VI
CAPITAL ADJUSTMENTS**

The aggregate number of Shares with respect to which options may be granted under the Plan, as provided in Article II, the number of Shares for which options are to be granted annually under Article IV, the number of Shares subject to each outstanding option and the price per share specified in such options, all may be adjusted, as the Board shall determine at its sole discretion or as may be required, for any increase or decrease in the number of issued shares of Common Stock of the Corporation resulting from a subdivision or consolidation of Shares or any other similar capital adjustment, the payment of a stock dividend, or other increase or decrease in such Shares effected without receipt of consideration by, or a merger, or consolidation of, the Corporation, or the distribution of shares of another corporation as a stock dividend, or the sale of all or substantially all of the assets of, or the liquidation of, the Corporation.

**ARTICLE VII
EXPENSES OF THE PLAN**

All costs and expenses of the adoption and administration of the Plan shall be borne by the Corporation, and none of such expenses shall be charged to any optionee.

**ARTICLE VIII
APPROVAL OF STOCKHOLDERS**

The Plan shall be subject to approval by the vote of stockholders holding at least a majority of the voting stock of the Corporation, voting in person or by proxy at a duly held stockholders' meeting.

**ARTICLE IX
TERMINATION AND AMENDMENT OF THE PLAN**

The Board may amend, terminate or suspend the Plan at any time, in its sole and absolute discretion; provided, however, that without the approval of stockholders no amendment shall (1) increase the number of Shares subject to the Plan; (2) reduce the option price below 100% of the market value of the Shares, subject to adjustment under Article VI, the number of Shares for which options may be granted to each Director in a calendar year; or (4) change the timing with respect to which such options are granted.

**ARTICLE X
EFFECTIVE DATE**

The effective date of the Plan shall be the date on which the Plan is approved by its stockholders.

MARCH 21, 2006 LETTER FROM AMERICAN STOCK EXCHANGE

James P. Mollen
 Director - Listing Qualifications
 T 212 306 2391
 F 212 306 5359
 james.mollen@amex.com

Via Facsimile and Federal Express

March 21, 2007

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 periods ended March 31, 2006 (the "2006 First Quarter Report"), June 30, 2006 (the "2006 Second Quarter Report"), and September 30, 2006 (the "2006 Third Quarter Report").

Thank you for your submissions dated March 5, 2007 and March 8, 2007. The Exchange has completed its review of Communications' revised plan of compliance and supporting documentation (the "Revised Plan") and has determined that, in accordance with Section 1009 of the Company Guide, the Revised Plan makes a reasonable demonstration of the Company's ability to regain compliance with the continued listing standards. Based upon the information you have provided, the Exchange has determined to grant the Company an extension until May 15, 2007, for the Company to file its 2006 First Quarter Report, 2006 Second Quarter Report, 2006 Third Quarter Report and annual report on Form 10-K for the fiscal year ended December 31, 2006 (the "Extended Plan Period"). 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 March 28, 2007 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 extension. The extended targeted completion date of May 15, 2007, must also be disclosed.
- ii. The Company must continue to provide the Exchange Staff with updates in conjunction with the initiatives of the Revised Plan as appropriate or upon request.
- iii. Exchange Staff will review Communications periodically for compliance with the Revised Plan. If the Company does not show progress consistent with the Revised Plan, the Exchange Staff will review the circumstances and may immediately commence delisting proceedings. Additionally,

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

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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, May 15, 2007, 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 March 28, 2007.

Very truly yours,

/s/ James Mollen

Acknowledged and Agreed to:

Date:

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



March 27, 2007

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. RECEIVES FURTHER EXTENSION OF TIME TO COMPLY WITH AMEX CONTINUED LISTING STANDARDS

(Hector, Minnesota) – March 27, 2007 — Communications Systems, Inc. (AMEX: JCS) today reported that the American Stock Exchange (AMEX) has extended to May 15, 2007 the date by which it expects the Company to be in compliance with AMEX's continued listing standards.

As previously reported, the Company has not filed SEC Form 10-Q reports for the three months ended March 31, 2006, the three and six month periods ended June 30, 2006 and the three and nine month periods ended September 30, 2006 (together the "2006 Form 10-Q Reports"). The 2006 Form 10-Q Reports have not been filed primarily for two reasons. First, the Company has been conducting an assessment of uncollected receivables currently totaling approximately \$4.57 million arising from work performed by the Company's JDL Technologies subsidiary for the U.S. Virgin Islands Department of Education (VIDOE) under the federal E-Rate program and revenue recognition policies related to such uncollected receivables. Second, the Company has been evaluating risks and uncertainties arising from a U.S. Department of Justice (DOJ) civil investigation of JDL Technologies related to its compliance with federal law in its work for VIDOE under the E-Rate program.

Because the 2006 Form 10-Q Reports have not been filed by the Company, the Company has not been in compliance with applicable listing standards of AMEX since May 2006 and its common stock has been subject to being de-listed beginning at that time. Since July 2006 AMEX has deferred initiating de-listing proceedings and has allowed the Company's stock to continue to trade based upon information periodically submitted by the Company regarding its efforts to address unresolved issues and complete and file the 2006 Form 10-Q Reports. The Company's most recent submissions to AMEX were on March 5 and March 8, 2007 in which the Company provided AMEX with additional information and an amended plan with regard to regaining compliance with AMEX listing standards. In its March submissions, the Company explained it believed a further extension would provide sufficient time for the Company to complete management's assessment of revenue recognition issues related to VIDOE receivables and its evaluation of the pending DOJ investigation for purposes of finalizing the 2006 Form 10-Q Reports.

By letter dated March 21, the Company received notification from AMEX that the Company's revised plan to achieve compliance together with the supporting documentation provided (together the "Revised Plan") made a reasonable demonstration of the Company's ability to regain compliance with AMEX's continued listing standards. Based upon the Revised

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Plan, AMEX staff, subject to certain conditions, granted the Company an extension until May 15, 2007 to file the 2006 Form 10-Q Reports (the "Extended Plan Period"), as well as to file its Form 10-K for its fiscal year ended December 31, 2006. These conditions include public disclosure of AMEX's March 21, 2007 decision, providing continued updates to AMEX staff regarding matters described in the Revised Plan and continued oversight and assessment by AMEX staff. In its letter AMEX also stated the Company must be in compliance with the continued listing standards by May 15, 2007 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 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; loss contingencies arising from litigation and investigations and other factors discuss from time to time in the Company's filings with the Securities and Exchange Commission.

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