
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): April 5, 2019

Communications Systems, Inc.

(Exact name of Registrant as Specified in its Charter)

Minnesota

(State Or Other Jurisdiction Of Incorporation)

001-31588

(Commission File Number)

41-0957999

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

10900 Red Circle Drive

Minnetonka, MN

(Address of Principal Executive Offices)

55343

(Zip Code)

952- 996-1674

Registrant's Telephone Number, Including Area Code

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

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

Item 1.01 Entry into Definitive Material Agreement

On April 5, 2019, Communications Systems, Inc. ("CSI") 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. Suttle retained the accounts receivable associated with the FutureLink™ Fiber business line and retained the remaining Suttle component and solutions business, comprised principally of the MediaMAX™ product line that supports key Tier 1 clients.

The transaction was structured as an Asset Purchase Agreement with a simultaneous signing and closing on April 5, 2019. Concurrent with the closing of the Asset Purchase Agreement, Suttle and PPC entered into a Transition Services Agreement under which Suttle agreed to continue to manufacture products related to the FutureLink™ Fiber business line, and provide certain related services, for PPC for a period of six months following the closing.

Under the Asset Purchase Agreement, Suttle agreed to indemnify PPC for any breaches of representations, warranties, covenants or agreements contained in the Asset Purchase Agreement, as well as any liabilities arising out of the pre-closing operation of the business. The sale price was \$5.0 million cash, of which \$4.5 million was paid to Suttle at closing, with \$500,000 placed in an escrow account for 18 months to support Suttle's indemnification obligations under the Asset Purchase Agreement. Suttle's 2018 revenue from the FutureLink™ Fiber business line was \$4.9 million. Suttle intends to use the proceeds of the sale of the FutureLink™ Fiber business line for general corporate purposes.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit number	Exhibit Name
99.1	Press Release dated April 5, 2019, announcing Suttle, Inc sale of FutureLink™ Fiber business line to PPC Broadband Inc.

SIGNATURES

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

COMMUNICATIONS SYSTEMS, INC.

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

Date: April 10, 2019



Communications Systems, Inc., Subsidiary Suttle, Inc. Sells its FutureLink™ Fiber Business Line to PPC Broadband

Transaction Supports CSI's Organizational Transformation Process

Minnetonka, MN – April 5, 2019 --- Communications Systems, Inc. (NASDAQ: JCS) (“CSI” or the “Company”), a global provider of enterprise network infrastructure, voice and data communication products and services for deployments and management of IT networks, today announced that its wholly-owned subsidiary Suttle, Inc. (“Suttle”) has 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.

“As previously announced, we are shifting CSI’s corporate focus towards solutions for IoT and network edge management,” said Roger H.D. Lacey, CSI’s Chief Executive Officer. “We believe that the sale of Suttle’s FutureLink™ product line advances us towards that goal and signals our commitment to an organizational transformation designed to allow CSI to return to operating profitability in 2019.”

The transaction was structured as an Asset Purchase Agreement with a simultaneous signing and closing on April 5, 2019. The sale price was \$5.0 million cash and the proceeds will be used for general corporate purposes. Concurrent with the closing of the transaction, Suttle and PPC entered into a Transition Services Agreement under which Suttle will continue to manufacture products related to the FutureLink™ Fiber business line until September 30, 2019, to ensure seamless supply to the customer base. Suttle and PPC intend to work with Suttle’s existing suppliers and customers to ensure continued delivery and support of all FutureLink™ Fiber products.

“The FutureLink™ suite of fiber solutions are proven dependable, flexible and reliable,” continued Mr. Lacey. “However, these products are no longer strategically significant to our business model. The balance of Suttle’s component and solutions business, comprised principally of the MediaMAX™ product line, will continue to support key Tier 1 clients.”

Mr. Lacey noted that CSI continues to evaluate several proposals associated with the ongoing enterprise-wide restructuring process, including the previously announced contemplated sale of its corporate headquarters, new product development, and targeted product rationalization. Results from these initiatives will be disclosed as they become material.

CSI's efforts are supported by a balance sheet at December 31, 2018, which included cash, cash equivalents, and investments of \$11.1 million, working capital of \$30.7 million, zero debt, and shareholders' equity of \$41.7 million.

Advisors

Northland Capital Markets served as financial advisor to Suttle and CSI in connection with the transaction. Ballard Spahr LLP served acted as legal counsel to Suttle, Inc. and Communications Systems, Inc. Lewis Rice LLC served as legal counsel to PPC.

Additional Information

Communications Systems, Inc. will provide additional information about Suttle's sale of the FutureLink™ Fiber business in a Form 8-K that will be filed with the Securities and Exchange Commission on or before April 11, 2019.

About Communications Systems

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

Forward Looking Statement

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

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