

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): October 29, 2020

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

Securities Registered Pursuant to Section 12(b) of the Act

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value, \$.05 per share	JCS	Nasdaq

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 a Material Definitive Agreement

On October 29, 2020, Communications Systems, Inc. (the “Company”) entered into a First Amendment to the Credit Agreement governing its \$5.0 million credit facility with Wells Fargo Bank, National Association. Under Credit Agreement, as amended, the Company has the ability to obtain one or more letters of credit in an aggregate amount up to \$2.0 million, subject to the general terms of the Credit Agreement. A copy of the First Amendment is filed as Exhibit 10.1.

Item 2.02 Results of Operations and Financial Condition

On October 30, 2020, the Company issued a press release announcing the results of its third quarter ended September 30, 2020. A copy of that press release is furnished as Exhibit 99.1.

Item 8.01 Other Events

On November 4, 2020, the Company issued a press release announcing that its JDL Technologies, Inc. subsidiary had acquired the operating assets of privately held IVDesk. The transaction was structured as an asset purchase under which the Company paid \$950,000 cash at closing with up to an additional \$550,000 payment contingent on an earn-out tied to customer retention. The Company provided the seller a \$550,000 letter of credit to secure its obligation to pay the earn-out under the asset purchase agreement. The press release is filed as Exhibit 99.2.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit Number	Exhibit Name
<u>10.1</u>	<u>First Amendment dated October 29, 2020 to Credit Agreement dated August 28, 2020 between Communications Systems, Inc. and Wells Fargo Bank, National Association</u>
<u>99.1</u>	<u>Third Quarter 2020 Press Release dated October 30, 2020</u>
<u>99.2</u>	<u>Press Release dated November 4, 2020, announcing purchase of IVDesk operating assets</u>

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, Chief Financial Officer

Date: November 5, 2020

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS AMENDMENT TO CREDIT AGREEMENT (this "Amendment") dated October 29, 2020, is entered into by and between COMMUNICATIONS SYSTEMS, INC., a Minnesota corporation ("Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank").

RECITALS

WHEREAS, Borrower is currently indebted to Bank pursuant to the terms and conditions of that certain Credit Agreement between Borrower and Bank dated August 28, 2020, as amended from time to time ("Credit Agreement").

WHEREAS, Bank and Borrower have agreed to certain changes in the terms and conditions set forth in the Credit Agreement and have agreed to amend the Credit Agreement to reflect said changes.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that the Credit Agreement shall be amended as follows:

1. Section 1.1(d) is hereby amended by deleting "\$500,000" as the limitation on the aggregate undrawn amount of all outstanding Subfeature Letters of Credit, and by substituting for said amount "\$2,000,000."
 2. The effective date of this Amendment shall be the date that all of the following conditions set forth in this Section have been satisfied, as determined by Bank and evidenced by Bank's system of record. Notwithstanding the occurrence of the effective date of this Amendment, Bank shall not be obligated to extend credit under this Amendment or any other Loan Document until all conditions to each extension of credit set forth in the Credit Agreement have been fulfilled to Bank's satisfaction.
 - (a) Approval of Bank Counsel. All legal matters incidental to the effectiveness of this Amendment shall be satisfactory to Bank's counsel.
 - (b) Documentation. Bank shall have received, in form and substance satisfactory to Bank, each of the following, duly executed by all parties:
 - (i) This Amendment and each promissory note or other instrument or document required hereby.
 - (ii) Such other documents as Bank may require under any other Section of this Amendment.
 - (c) Regulatory and Compliance Requirements. All regulatory and compliance requirements, standards and processes shall be completed to the satisfaction of Bank.
 3. Except as specifically provided herein, all terms and conditions of the Credit Agreement remain in full force and effect, without waiver or modification. All terms defined in the Credit Agreement shall have the same meaning when used in this Amendment. This Amendment and the Credit Agreement shall be read together, as one document.
 4. Borrower hereby remakes all representations and warranties contained in the Credit Agreement and reaffirms all covenants set forth therein. Borrower further certifies that as of the date of this Amendment there exists no Event of Default as defined in the Credit Agreement, nor any condition, act or event which with the giving of notice or the passage of time or both would constitute any such Event of Default.
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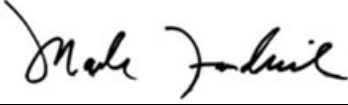
5. Borrower hereby covenants that Borrower shall provide to Bank from time to time such other information as Bank may request for the purpose of enabling Bank to fulfill its regulatory and compliance requirements, standards and processes. Borrower hereby represents and warrants to Bank that all information provided from time to time by Borrower or any Third Party Obligor to Bank for the purpose of enabling Bank to fulfill its regulatory and compliance requirements, standards and processes was complete and correct at the time such information was provided and, except as specifically identified to Bank in a subsequent writing, remains complete and correct today, and shall be complete and correct at each time Borrower is required to reaffirm the representations and warranties set forth in the Credit Agreement.


Signature page follows

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Amendment to be effective as of the effective date set forth above.

COMMUNICATIONS SYSTEMS, INC.

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: 
Name: Mark D. Fandrich
Title: Chief Financial Officer

By: 
Name: Kael Peterson
Title: Senior Vice President

Signature Page to First Amendment to Credit Agreement



FOR IMMEDIATE RELEASE

COMMUNICATIONS SYSTEMS, INC. REPORTS THIRD QUARTER 2020 FINANCIAL RESULTS

Third quarter 2020 results substantially improved from second quarter 2020 although still impacted by the COVID-19 pandemic; Company reports consolidated third quarter 2020 sales from continuing operations of \$12.1 million, gross profit of \$5.2 million and operating income of \$0.3 million

Strong balance sheet with cash, cash equivalents, and liquid investments of \$21.0 million and working capital of \$28.5 million at September 30, 2020

Growth strategy focuses on investments in intelligent edge solutions and services, new partnerships and acquisitions

Minnetonka, MN – October 30, 2020 – Communications Systems, Inc. (NASDAQ: JCS) (“CSI” or the “Company”) , a global IoT intelligent edge products and services company, today announced financial results for the third quarter (“Q3”) ended September 30, 2020, including a discussion of results of operations by our new segments or product types.

CSI's Chief Executive Officer Roger H.D. Lacey noted, "Since the beginning of the year we made significant progress towards our goal of becoming a growing and profitable intelligent edge product solutions and services company. Specifically, we:

- **Made several organizational changes** across our segments to align internal resources and processes with our products and services by creating synergies between these segments.
- **Invested in new technologies** aiming to develop easy-to-use / easy-to-integrate applications and services that address demand from critical infrastructure initiatives, including security and surveillance, intelligent transportation, smart buildings, and smart cities.
- **Acquired Ecessa**, a company that designs and distributes SD-WAN (software-defined wide area networking) solutions for businesses; this acquisition created greater sales opportunities to expand our services platform and offers cost synergies by complementing our existing portfolio of products and services.
- **Completed a minority investment in Quortus**, a UK based company that creates agile and feature-rich private wireless networks for enterprises across a wide variety of vertical sectors including healthcare, retail and utilities. Through this investment, coupled with prior investments in cryptographic capabilities with Spyrus and an ongoing initiative to expand our efforts into Artificial Intelligence ("AI") opportunities, we are now able to provide our clients a wider range of innovative solutions.

Our goal is to (1) make services an increasing proportion of revenue that would be recurring, highly predictable and higher margin and (2) expand our client base both by building an ecosystem of strategic partnerships and through additional acquisitions that could substantially increase CSI's market share, geographic footprint, and client base or that offer niche products and services and could be tucked-in to CSI's existing business segments. **Following the completion of our two-year transformation phase, we are now ready to embark on a Company-wide re-branding phase.**"

Mr. Lacey continued, "Our overall sales performance in Q3 2020 was affected by lower North America sales due to the COVID-19 pandemic. Unused commercial space and reduced retail activity has temporarily slowed growth in building automation, security and parking management applications. This decline was partially offset by strong Federal sales, higher international sales in areas where our clients experienced initial recovery from the pandemic and a restart of projects at our large Services & Support segment education customer."

Mr. Lacey added, "While we continue to be adversely impacted by the COVID-19 pandemic, we have taken proactive steps to manage, respond and quickly adjust to this challenging new operating and economic environment. While part of our workforce continues to operate remotely and our on-site employees are working in an appropriate socially distant environment, the safety of our employees remains our priority. At the end of Q2 2020, in light of the uncertainty due to the effects of the continuing COVID-19 pandemic, we implemented cost-reduction measures, including short-term furloughs, that will result in more than \$500,000 cost reductions for the second half of 2020. Because of strong customer orders, those employees furloughed during Q3 have returned to work.

"We ended Q3 2020 in a strong financial position, with working capital of \$28.5 million, no debt and a cash, cash equivalents, and liquid investments balance of \$21.0 million; this strong financial position gave us the flexibility to quickly and successfully handle challenges related to the COVID-19 pandemic, but most importantly we are well capitalized to take advantage of opportunities that might arise from growing demand for critical infrastructure services and products such as security and surveillance, data protection and intelligent transportation and execute our mid- and long-term growth strategy."

Q3 2020 Financial and Operational Highlights *

(in 000s)	Three Months		Change	Nine Months		Change
	Ended September 30	2019		2020	Ended September 30	
CONSOLIDATED SALES FROM CONTINUING OPERATIONS	\$ 12,110	\$ 13,622	(\$1,512)	\$ 30,900	\$ 35,543	(\$4,643)
Electronics & Software	8,755	13,035	(4,280)	25,579	32,262	(6,683)
Services & Support	3,530	783	2,747	5,882	3,942	1,940
Intersegment elimination	(175)	(196)	21	(561)	(661)	100
GROSS PROFIT	\$ 5,182	\$ 6,285	(\$1,103)	\$ 12,399	\$ 15,152	(\$2,753)
Electronics & Software	4,009	6,282	(2,273)	10,834	14,370	(3,536)
Services & Support	1,340	180	1,160	2,090	1,299	791
Intersegment elimination	(167)	(177)	10	(525)	(517)	(8)
OPERATING INCOME (LOSS)	\$ 306	\$ 772	(\$466)	(\$2,564)	(\$1,179)	(\$1,385)
NET INCOME (LOSS)	\$ 262	\$ 1,738	(\$1,476)	(\$168)	\$ 4,751	(\$4,919)

* All operating results for 2019 and 2020 only reflect the Company's continuing operations and exclude the discontinued operations of the Company's former Suttle business. Operating results for the 2019 periods have been reclassified to reflect the Company's new segment reporting which we started in Q2 2020.

- Q3 2020 consolidated sales from continuing operations of \$12.1 million decreased by 11% as compared to Q3 2019 mainly due to lower sales from the Electronic & Software segment, partially offset by higher sales at Services & Support segment due to the restart of education projects and the addition of the Ecessa SD-WAN product portfolio. Of note, our Q3 2020 consolidated sales from continuing operations increased by \$2.5 million as compared to consolidated sales from continuing operations reported for Q2 2020. This was primarily due to higher Services & Support revenue with the restart of education projects.
- Q3 2020 consolidated gross profit decreased by 18% to \$5.2 million as compared to the same period of 2019. Gross margin declined to 42.8% in Q3 2020 due to lower margins in Electronics & Software segment driven by product mix, while construction and installation projects in Q3 2019 constituted a higher percent of sales.
- Q3 2020 consolidated operating income from continuing operations was \$306,000 compared to \$772,000 in Q3 2019.
- Q3 2020 net income was \$262,000 compared to \$1.7 million in Q3 2019.

Q3 2020 Segment Financial Overview by Segment

Electronics & Software Segment

(in 000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Sales	\$ 8,755	\$ 13,035	\$ 25,579	\$ 32,262
Gross profit	4,009	6,282	10,834	14,370
Operating income	728	1,863	18	1,254

Electronics & Software sales decreased by 33% to \$8,755,000 in Q3 2020 compared to \$13,035,000 in the same period of 2019.

Q3 2020 sales in North America decreased by \$3,807,000, or 33%, from Q3 2019, primarily due to delayed project spending by customers due to the COVID-19 pandemic in addition to \$2.8 million of sales for a major metropolitan smart city IoT project recorded in Q3 2019, that did not reoccur in the current year. In addition, delayed spending from a major Canadian telecommunications provider on traditional media converters and optical devices coupled with an international sales decline, particularly in Western Europe, reduced revenue by \$473,000. However, prospects for our new business direction remain strong and our CRM sales funnel suggests continuing strength. Excluding the major IoT project we delivered in 2019, sales during Q3 2020 of Intelligent edge solutions ("IES"¹) products were slightly above Q3 2019, despite the overall decline in sales driven by the COVID-19 pandemic.

Gross profit for Q3 2020 decreased to \$4,009,000 from \$6,282,000 in the same quarter of 2019. Gross margin decreased to 45.8% in Q3 2020 from 48.2% in Q3 2019 as volume and favorable margin impacts from the prior year major metropolitan smart city IoT project, did not reoccur in 2020.

Selling, general and administrative ("SG&A") expenses decreased by 26% to \$3,281,000, or 37.5% of sales, in Q3 2020 compared to \$4,419,000, or 33.9% of sales, in Q3 2019 due to reduced travel, marketing and personnel expenses, in part due to steps taken by management in response to the COVID-19 pandemic.

Electronics & Software realized operating income of \$728,000 in Q3 2020 compared to operating income of \$1,863,000 in Q3 2019, primarily due to lower sales and gross margin for the reasons discussed above.

¹ IES refers to connectivity and power solutions that provide actionable intelligence at the edge of networks through Power over Ethernet (PoE) products, software, and services.

Services & Support Segment

(in 000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Sales	\$ 3,530	\$ 783	\$ 5,882	\$ 3,942
Gross profit	1,340	180	2,090	1,299
Operating income (loss)	431	(169)	370	243

Services & Support sales increased by 351% to \$3,530,000 in Q3 2020 compared to \$783,000 in same period of 2019.

Revenues from the education sector increased \$2,249,000 or 3570% in Q3 2020 as compared to Q3 2019 primarily due to the June 2020 commencement of projects that had been previously delayed due to funding issues while the 2019 third quarter had very little project revenue in this sector. Revenue from sales to small and medium-sized commercial businesses ("SMBs"), which are primarily healthcare and financial clients, increased by \$515,000 or 98% in Q3 2020 as compared to Q3 2019 due to the acquisition of Ecessa effective May 14, 2020. Project and product revenue increased by \$2,481,000 or 1908% in Q3 2020 as compared to the same period of 2019 due primarily to the increase in the education sector. Recurring and other services revenue for Q3 2020 increased by \$266,000 or 41% as compared to the same quarter of the prior year due to new client acquisition within managed services and the Company's acquisition of Ecessa, which has service and support revenue on its SD-WAN products. Overall, Ecessa contributed \$535,000 in revenue during the quarter, of which \$48,000 was in the education sector and the balance in SMB recurring and other services revenue.

Gross profit increased by 644% to \$1,340,000 in Q3 2020 compared to \$180,000 in the same period of 2019. Gross margin increased to 38.0% in Q3 2020 compared to 23.0% in Q3 2019 due to the increase in projects in the education sector. SG&A increased by 160% in Q3 2020 to \$909,000, or 25.8% of sales, compared to \$349,000, or 44.6% of sales, in Q3 2019 due to SG&A expenses from Ecessa, which were not included in the prior year.

Services & Support segment reported operating income of \$431,000 in Q3 2020 compared to an operating loss of \$169,000 in the same period of 2019 primarily due to increased education revenue.

Discontinued Operations – Suttle

On March 11, 2020, the Company announced the sale of the remainder of its Suttle business to Oldcastle Infrastructure in a transaction structured as an asset sale that included inventory, working capital, certain capital equipment, intellectual property, and customer relationships. Gross proceeds of \$8.2 million, including a working capital adjustment, resulted in a gain of \$2.1 million as of September 30, 2020. In connection with the transaction, the Company has recorded \$958,000 of restructuring expenses in 2020, primarily consisting of severance and employee benefits. The Company retained ownership of three buildings in Hector, Minnesota, with two leased to Oldcastle Infrastructure, and also retained ownership of injection molding equipment, warehouse equipment and tools. The Company plans to sell the remaining assets in Q4 2020.

Financial Condition

CSI's balance sheet at September 30, 2020 included cash, cash equivalents, and investments of \$21.0 million, working capital of \$28.5 million, which decreased from the end of Q2 2020 as we moved cash to longer term higher-yield investments, and stockholders' equity of \$47.2 million.

Form 10-Q

For further information, please see the Company's Form 10-Q, which will be filed on or about November 13, 2020.

About Communications Systems

Communications Systems, Inc., an IoT intelligent edge products and services company, 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. CSI operates two business units: Electronics & Software (primarily Transition Networks and Net2Edge as reported in prior releases) and Services & Support (primarily JDL Technologies and Ecessa Corporation). For more information visit: commsysinc.com.

Forward-Looking Statements

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 or partnerships. 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 these risks. Further, investors should keep in mind that the Company's financial results in any particular period may not be indicative of future results. Communications Systems is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise.

Contacts:

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Selected Income Statement Data

Unaudited

	Three Months Ended		Nine Months Ended	
	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Sales	\$ 12,109,529	\$ 13,622,120	\$ 30,900,223	\$ 35,542,758
Gross profit	5,181,828	6,284,917	12,399,023	15,151,671
Operating income (loss) from continuing operations	306,035	771,798	(2,563,913)	(1,178,912)
Operating income (loss) from continuing operations before income taxes	562,635	860,234	(1,617,763)	(997,817)
Income tax expense (benefit)	8,952	(26,788)	4,049	(42,629)
Net income (loss) from continuing operations	553,683	887,022	(1,621,812)	(955,188)
Net (loss) income from discontinued operations, net of tax	(291,318)	850,837	1,453,289	5,706,338
Net income (loss)	\$ 262,365	\$ 1,737,859	\$ (168,523)	\$ 4,751,150
Basic net income (loss) per share	\$ 0.03	\$ 0.19	\$ (0.02)	\$ 0.51
Diluted net income (loss) per share	\$ 0.03	\$ 0.19	\$ (0.02)	\$ 0.51
Cash dividends declared per share	\$ 0.00	\$ 0.02	\$ 0.04	\$ 0.06
Average basic shares outstanding	9,355,425	9,317,129	9,323,902	9,270,125
Average dilutive shares outstanding	9,444,986	9,368,171	9,323,902	9,278,803

Selected Balance Sheet Data

Unaudited

	<u>September 30,</u>	<u>Dec. 31,</u>
	<u>2020</u>	<u>2019</u>
Total assets	\$ 55,716,995	\$ 59,150,712
Cash, cash equivalents & investments	20,953,165	24,057,160
Working capital	28,474,560	38,051,766
Property, plant and equipment, net	7,302,577	8,238,089
Long-term liabilities	693,366	408,386
Stockholders' equity	47,242,030	47,392,282



Communications Systems, Inc. Acquires IVDesk's Operating Assets

Acquisition is immediately accretive and provides predictable, recurring DaaS revenue

Minnetonka, MN – November 4, 2020 --- Communications Systems, Inc. (NASDAQ: JCS) ("CSI" or the "Company"), an IoT intelligent edge products and services company, today announced that its JDL Technologies subsidiary has acquired the operating assets of privately held IVDesk. The transaction was structured as an asset purchase under which JDL paid \$950,000 cash at closing with up to an additional \$550,000 cash payment contingent on an earn-out tied to customer retention.

Based in Minnetonka, Minnesota, IVDesk provides time-tested, market-proven and easy-to-use private cloud services to small- and mid-size businesses (SMB), with a particular focus on the financial services industry. IVDesk currently services over 85 customers across the US with a focus on a tri-state region with Minnesota at the center. IVDesk's business model is built on monthly recurring revenue.

Roger Lacey, CEO of CSI noted, "IVDesk's Desktop-as-a-Service (DaaS) platform fits well with JDL Technologies' business operations in the Company's Services and Support segment, bringing significant resources and experience in cloud-delivered applications and vertical specialization. The acquisition of the IVDesk assets, combined with CSI's May 2020 acquisition of Ecessa and its recent minority investment in Quortus, a UK-based company that creates agile and feature-rich private wireless networks, has substantially increased the depth and quality of our services. CSI is now able to provide its clients with a wider range of innovative solutions that address their increased security sensitivities, a cloud migration path and the ability to establish the more robust and always-available network that a modern workforce requires."

Mr. Lacey added, "As we continue to expand our businesses through attractive acquisitions and partnerships, we have entered a new phase for CSI and are diligently working on launching a Company-wide re-branding strategy."

Scott Fluegge, General Manager of JDL, noted, "IVDesk has been providing a fully redundant and highly available private cloud platform to its SMB clients who often face different IT challenges due to limited internal IT resources and are struggling to keep up with constantly increasing security needs that are now common to all industries. IVDesk provides easy-to-integrate and cost-effective solutions that are designed to solve these challenges. IVDesk shares JDL's high-touch customer-centric values, which clients demand from an always-on and ever-advancing cloud solution."

Advisors

Northland Capital Markets served as financial advisor to CSI in connection with the transaction and Ballard Spahr LLP acted as legal counsel to CSI.

Additional Information

Communications Systems, Inc. will provide additional information about the IVDesk transaction in future filings with the Securities and Exchange Commission.

About Communications Systems

Communications Systems, Inc., an IoT intelligent edge products and services company, 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. CSI operates under its Electronics & Software and Services & Support operating segments. For more information visit: commsysinc.com.

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 or partnerships. 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, as well as CSI's ability to successfully and profitably integrate IVDesk's customers into CSI's operations. 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 these risks. Further, investors should keep in mind that the Company's financial results in any particular period may not be indicative of future results. Communications Systems is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise.

Contacts:**Communications Systems, Inc.**

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