

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

AMENDMENT NO. 1 TO FORM 8-K ON FORM 8-K/A

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

Date of Report (date of earliest event reported): August 1, 2021 (August 2, 2021)

**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 Stock Market                       |

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 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

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 9.01 Financial Statements and Exhibits.**

(b) Pro Forma Financial Information.

On August 2, 2021, Communications Systems, Inc. (“CSI” or the “Company”) filed a Current Report on Form 8-K dated August 1, 2021 reporting that on August 2, 2021 CSI and Lantronix, Inc. (“Lantronix”) completed the sale by CSI to Lantronix of all of the issued and outstanding stock of CSI’s wholly owned subsidiary, Transition Networks, Inc., and the entire issued share capital of its wholly owned subsidiary, Transition Networks Europe Limited, pursuant to the securities purchase agreement dated April 28, 2021 (“E&S Sale Transaction”).

The Company is filing this Amendment No. 1 to Current Report on Form 8-K/A to file the unaudited pro forma condensed consolidated financial information related to E&S Sale Transaction required by Item 2.01 and Item 9.01(b) of Form 8-K.

Attached hereto as Exhibit 99.1 is the following pro forma financial information: (i) description of pro forma presentation; (ii) unaudited pro forma condensed consolidated balance sheet as of March 31, 2021; (iii) unaudited pro forma condensed consolidated statement of operations for the three months ended March 31, 2021 and March 31, 2020 and for the years ended December 31, 2020 and 2019; and (iv) notes to unaudited pro forma condensed consolidated financial statements.

(d) Exhibits.

| <b>Exhibit No.</b>          | <b>Description of Exhibit</b>   |
|-----------------------------|---|
| <a href="#"><u>99.1</u></a> | <a href="#"><u>Communications Systems, Inc. Unaudited Pro Forma Condensed Consolidated Financial Information.</u></a> |

**SIGNATURE**

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  
Chief Financial Officer

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Date: August 6, 2021

**COMMUNICATIONS SYSTEMS, INC.**  
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

The following unaudited pro forma condensed consolidated financial statements are derived from the historical consolidated financial statements of Communications Systems, Inc. ("CSI" or the "Company") as of and for the three months ended March 31, 2021, and for the years ended December 31, 2020 and 2019. The pro forma adjustments give effect to the disposal of the Electronics & Software Segment (the "E&S Segment"), which occurred on August 2, 2021. The E&S Segment was disposed of through the sale by CSI to Lantronix, Inc. pursuant to the securities purchase agreement dated April 28, 2021 of all of the issued and outstanding stock of CSI's wholly owned subsidiary, Transition Networks, Inc., and the entire issued share capital of CSI's wholly owned subsidiary, Transition Networks Europe Limited, which is referred to as the "E&S Sale Transaction." The closing of the E&S Sale Transaction occurred on August 2, 2021. Collectively, Transition Networks, Inc., and Transition Networks Europe Limited are sometimes referred to as the "E&S Companies."

At the closing of the E&S Sale Transaction, CSI received from Lantronix \$24,160,474 in cash, which was based on the \$25,027,566 base purchase price, as adjusted by estimate closing net working capital. This amount may be further adjusted to reflect the final closing net working capital amount.

These unaudited pro forma condensed consolidated financial statements include adjustments to reflect the following:

- the sale of all of CSI's interest in Transition Networks, Inc. and Transition Networks Europe Limited, which comprised substantially all the E&S Segment's assets, liabilities, and operations;
- \$24,160,474 in cash was received by CSI at the closing of the E&S Sale Transaction; and
- an estimate of the additional transaction costs payable and severance accruals.

The pro forma financial information reflects the accounting treatment of the E&S Segment as discontinued operations within CSI's pro forma historical balance sheet and statement of operations. Furthermore, amounts reflected within discontinued operations reflect anticipated accounting treatment and, in some cases, are based on estimates of expected value.

The unaudited pro forma consolidated balance sheet as of March 31, 2021, is presented to reflect adjustments to CSI's balance sheet as if the E&S Sale Transaction were completed as of March 31, 2021.

The unaudited pro forma consolidated statements of operations for the three months ended March 31, 2021, and for the years ended December 31, 2020 and 2019 are presented as if the E&S Sale Transaction were completed at the beginning of each period. The E&S Segment column in the unaudited pro forma condensed consolidated balance sheet reflects the assets and liabilities that were sold as part of the E&S Sale Transaction. The pro forma adjustments within the unaudited pro forma consolidated statements of operations reflect the operations of the E&S Segment excluding any allocation of corporate overhead. In connection with the closing of the E&S Sale Transaction, the Company accelerated the vesting of stock-based awards on August 1, 2021 and settled these awards into shares of the Company's common stock on August 2, 2021. These stock-based awards have a total unamortized expense amount of approximately \$424,000 as of March 31, 2021. No entries have been made to the pro forma statement of operations for the additional expense incurred for the acceleration of vesting.

The following unaudited pro forma condensed consolidated financial statements should be read in conjunction with:

- the accompanying notes to the unaudited pro forma consolidated financial statements; and
- the consolidated financial statements and accompanying notes of Communications Systems, Inc., contained in its Annual Report on Form 10-K for the year ended December 31, 2020 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 as filed with the Securities and Exchange Commission.

The pro forma financial information is not necessarily indicative of our results of operations or financial condition if the E&S Sale Transaction had been completed as of the dates assumed. In addition, they are not necessarily indicative of our future results of operations or financial condition.

**COMMUNICATIONS SYSTEMS, INC. (“CSI”)**  
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS OF MARCH 31, 2021**

|  | ASSETS<br>CSI<br>Historical | E&S<br>Segment         | Pro Forma<br>Adjustments | CSI<br>Pro Forma     |
|--|-----------------------------|------------------------|--------------------------|----------------------|
| <b>CURRENT ASSETS:</b>   |                             |                        |                          |                      |
| Cash and cash equivalents  | \$ 14,747,054               | \$ (250,589)           | \$ 24,160,474(a)         | \$ 38,656,939        |
| Investments  | 693,424                     | -                      | -                        | 693,424              |
| Trade accounts receivable, net   | 8,673,414                   | (5,508,857)            | -                        | 3,164,557            |
| Inventories  | 8,218,822                   | (8,090,248)            | -                        | 128,574              |
| Other current assets   | 1,330,487                   | (450,796)              | -                        | 879,691              |
| <b>TOTAL CURRENT ASSETS</b>  | <b>33,663,201</b>           | <b>(14,300,490)</b>    | <b>24,160,474</b>        | <b>43,523,185</b>    |
| <b>PROPERTY, PLANT AND EQUIPMENT, net</b>  | <b>7,088,892</b>            | <b>(161,038)</b>       | <b>-</b>                 | <b>6,927,854</b>     |
| <b>OTHER ASSETS:</b>   |                             |                        |                          |                      |
| Investments  | 7,064,665                   | -                      | -                        | 7,064,665            |
| Goodwill   | 2,086,393                   | -                      | -                        | 2,086,393            |
| Operating lease right of use asset   | 362,812                     | (109,369)              | -                        | 253,443              |
| Intangible assets, net   | 2,661,541                   | -                      | -                        | 2,661,541            |
| Other assets, net  | 180,734                     | -                      | -                        | 180,734              |
| <b>TOTAL OTHER ASSETS</b>  | <b>12,356,145</b>           | <b>(109,369)</b>       | <b>-</b>                 | <b>12,246,776</b>    |
| <b>TOTAL ASSETS</b>  | <b>\$ 53,108,238</b>        | <b>\$ (14,570,897)</b> | <b>\$ 24,160,474</b>     | <b>\$ 62,697,815</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                             |                        |                          |                      |
| <b>CURRENT LIABILITIES:</b>  |                             |                        |                          |                      |
| Accounts payable   | \$ 2,685,775                | \$ (1,871,815)         | \$ -                     | \$ 813,960           |
| Accrued compensation and benefits  | 1,776,982                   | (886,498)              | 1,500,000(b)             | 2,390,484            |
| Operating lease liability  | 217,133                     | (88,027)               | -                        | 129,106              |
| Other accrued liabilities  | 1,440,107                   | (1,170,071)            | 1,370,000(b)             | 1,640,036            |
| Income taxes payable   | 2,225                       | -                      | -                        | 2,225                |
| Dividends payable  | 5,387                       | -                      | -                        | 5,387                |
| Deferred revenue   | 589,444                     | -                      | -                        | 589,444              |
| <b>TOTAL CURRENT LIABILITIES</b>   | <b>6,717,053</b>            | <b>(4,016,411)</b>     | <b>2,870,000</b>         | <b>5,570,642</b>     |
| <b>LONG TERM LIABILITIES:</b>  |                             |                        |                          |                      |
| Long-term compensation plans   | 142,835                     | -                      | -                        | 142,835              |
| Operating lease liability  | 140,105                     | (7,487)                | -                        | 132,618              |
| Deferred revenue   | 386,314                     | -                      | -                        | 386,314              |
| <b>TOTAL LONG-TERM LIABILITIES</b>   | <b>669,254</b>              | <b>(7,487)</b>         | <b>-</b>                 | <b>661,767</b>       |
| <b>COMMITMENTS AND CONTINGENCIES</b>   |                             |                        |                          |                      |
| <b>STOCKHOLDERS' EQUITY</b>  |                             |                        |                          |                      |
| Preferred stock, par value \$1.00 per share; 3,000,000 shares authorized; none issued                          |                             |                        |                          |                      |
| Common stock, par value \$.05 per share; 30,000,000 shares authorized; 9,448,129 shares issued and outstanding | 472,406                     | -                      | -                        | 472,406              |
| Additional paid-in capital   | 43,969,776                  | -                      | -                        | 43,969,776           |
| Retained earnings  | 1,948,084                   | (11,226,172)           | 21,290,474(c)            | 12,012,386           |
| Accumulated other comprehensive income (loss)  | (668,335)                   | 679,173                | -                        | 10,838               |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>  | <b>45,721,931</b>           | <b>(10,546,999)</b>    | <b>21,290,474</b>        | <b>56,465,406</b>    |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>  | <b>\$ 53,108,238</b>        | <b>\$ (14,570,897)</b> | <b>\$ 24,160,474</b>     | <b>\$ 62,697,815</b> |

**COMMUNICATIONS SYSTEMS, INC. (“CSI”)**  
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021**

|   | CSI Historical | Pro Forma<br>Adjustments | CSI Pro Forma  |
|---|----------------|--------------------------|----------------|
| Sales   | \$ 10,159,315  | \$ (8,364,527)           | \$ 1,794,788   |
| Cost of sales   | 5,942,677      | (4,780,717)              | 1,161,960      |
| Gross profit  | 4,216,638      | (3,583,810)              | 632,828        |
| Operating expenses:   |                |                          |                |
| Selling, general and administrative expenses                  | 5,219,731      | (3,011,549)              | 2,208,182      |
| Acquisition-related costs                                     | 1,143,423      | -                        | 1,143,423      |
| Total operating expenses                                      | 6,363,154      | (3,011,549)              | 3,351,605      |
| Operating loss from continuing operations                     | (2,146,516)    | (572,261)                | (2,718,777)    |
| Other income (expenses):                                      |                |                          |                |
| Investment and other (expense) income                         | (10,855)       | 19,403                   | 8,548          |
| Interest and other expense                                    | (2,277)        | -                        | (2,277)        |
| Other (expense) income, net                                   | (13,132)       | 19,403                   | 6,271          |
| Operating loss from continuing operations before income taxes | (2,159,648)    | (552,858)                | (2,712,506)    |
| Income tax expense  | 1,203          | -(d)                     | 1,203          |
| Net loss from continuing operations                           | \$ (2,160,851) | \$ (552,858)             | \$ (2,713,709) |
| Basic net loss per share from continuing operations           | \$ (0.23)      |                          | \$ (0.29)      |
| Diluted net loss per share from continuing operations         | \$ (0.23)      |                          | \$ (0.29)      |
| Weighted Average Basic Shares Outstanding                     | 9,332,589      |                          | 9,332,589      |
| Weighted Average Dilutive Shares Outstanding                  | 9,332,589      |                          | 9,332,589      |

**COMMUNICATIONS SYSTEMS, INC. ("CSI")**  
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

|   | CSI Historical | Pro Forma<br>Adjustments | CSI Pro Forma  |
|---|----------------|--------------------------|----------------|
| Sales   | \$ 9,162,742   | \$ (8,536,404)           | \$ 626,338     |
| Cost of sales   | 5,425,595      | (4,806,767)              | 618,828        |
| Gross profit  | 3,737,147      | (3,729,637)              | 7,510          |
| Operating expenses:   |                |                          |                |
| Selling, general and administrative expenses                  | 4,960,890      | (3,346,402)              | 1,614,488      |
| Total operating expenses                                      | 4,960,890      | (3,346,402)              | 1,614,488      |
| Operating loss from continuing operations                     | (1,223,743)    | (383,235)                | (1,606,978)    |
| Other income (expenses):                                      |                |                          |                |
| Investment and other (expense) income                         | 111,757        | (14,067)                 | 97,690         |
| Gain on sale of assets  | 308,403        | -                        | 308,403        |
| Interest and other expense                                    | (9,593)        | -                        | (9,593)        |
| Other (expense) income, net                                   | 410,567        | (14,067)                 | 396,500        |
| Operating loss from continuing operations before income taxes | (813,176)      | (397,302)                | (1,210,478)    |
| Income tax benefit  | (4,457)        | -(d)                     | (4,457)        |
| Net loss from continuing operations                           | \$ (808,719)   | \$ (397,302)             | \$ (1,206,021) |
| Basic net loss per share from continuing operations           | \$ (0.09)      |                          | \$ (0.13)      |
| Diluted net loss per share from continuing operations         | \$ (0.09)      |                          | \$ (0.13)      |
| Weighted Average Basic Shares Outstanding                     | 9,265,590      |                          | 9,265,590      |
| Weighted Average Dilutive Shares Outstanding                  | 9,265,590      |                          | 9,265,590      |

**COMMUNICATIONS SYSTEMS, INC. ("CSI")**  
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|   | CSI Historical | Pro Forma<br>Adjustments | CSI Pro Forma  |
|---|----------------|--------------------------|----------------|
| Sales   | \$ 42,575,546  | \$ (34,495,984)          | \$ 8,079,562   |
| Cost of sales   | 25,369,118     | (19,606,468)             | 5,762,650      |
| Gross profit  | 17,206,428     | (14,889,516)             | 2,316,912      |
| Operating expenses:   |                |                          |                |
| Selling, general and administrative expenses                  | 19,218,922     | (11,959,314)             | 7,259,608      |
| Acquisition-related costs                                     | 684,856        | -                        | 684,856        |
| Total operating expenses                                      | 19,903,778     | (11,959,314)             | 7,944,464      |
| Operating loss from continuing operations                     | (2,697,350)    | (2,930,202)              | (5,627,552)    |
| Other income (expenses):                                      |                |                          |                |
| Investment and other (expense) income                         | 661,754        | 10,289                   | 672,043        |
| Gain on sale of assets  | 288,778        | (209)                    | 288,569        |
| Interest and other expense                                    | (28,514)       | -                        | (28,514)       |
| Other income, net   | 922,018        | 10,080                   | 932,098        |
| Operating loss from continuing operations before income taxes | (1,775,332)    | (2,920,122)              | (4,695,454)    |
| Income tax expense  | 20,342         | -(d)                     | 20,342         |
| Net loss from continuing operations                           | \$ (1,795,674) | \$ (2,920,122)           | \$ (4,715,796) |
| Basic net loss per share from continuing operations           | \$ (0.19)      | \$                       | \$ (0.51)      |
| Diluted net loss per share from continuing operations         | \$ (0.19)      | \$                       | \$ (0.51)      |
| Weighted Average Basic Shares Outstanding                     | 9,322,672      |                          | 9,322,672      |
| Weighted Average Dilutive Shares Outstanding                  | 9,322,672      |                          | 9,322,672      |



**COMMUNICATIONS SYSTEMS, INC. (“CSI”)**  
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|  | <u>CSI Historical</u> | <u>Pro Forma<br/>Adjustments</u> | <u>CSI Pro Forma</u>  |
|--|-----------------------|----------------------------------|-----------------------|
| Sales  | \$ 50,906,179         | \$ (47,007,077)                  | \$ 3,899,102          |
| Cost of sales  | 28,720,367            | (25,613,718)                     | 3,106,649             |
| Gross profit   | 22,185,812            | (21,393,359)                     | 792,453               |
| Operating expenses:  |                       |                                  |                       |
| Selling, general and administrative expenses                           | 22,176,598            | (15,457,434)                     | 6,719,164             |
| Total operating expenses   | 22,176,598            | (15,457,434)                     | 6,719,164             |
| Operating income (loss) from continuing operations                     | 9,214                 | (5,935,925)                      | (5,926,711)           |
| Other income (expenses):   |                       |                                  |                       |
| Investment and other (expense) income                                  | 284,944               | (3,478)                          | 281,466               |
| Gain on sale of assets   | (20,368)              | 10,433                           | (9,935)               |
| Interest and other expense   | (38,440)              | -                                | (38,440)              |
| Other income, net  | 226,136               | 6,955                            | 233,091               |
| Operating income (loss) from continuing operations before income taxes | 235,350               | (5,928,970)                      | (5,693,620)           |
| Income tax benefit   | (15,269)              | -(d)                             | (15,269)              |
| Net income (loss) from continuing operations                           | <u>\$ 250,619</u>     | <u>\$ (5,928,970)</u>            | <u>\$ (5,678,351)</u> |
| Basic net income (loss) per share from continuing operations           | \$ 0.03               |                                  | \$ (0.61)             |
| Diluted net income (loss) per share from continuing operations         | \$ 0.03               |                                  | \$ (0.61)             |
| Weighted Average Basic Shares Outstanding                              | 9,272,259             |                                  | 9,272,259             |
| Weighted Average Dilutive Shares Outstanding                           | 9,337,422             |                                  | 9,272,259             |

**Communications Systems, Inc.**  
**Notes to Unaudited Pro Forma Condensed Consolidated Financial Information**

- (a) Reflects the \$24,160,474 in cash received by CSI at the closing of the E&S Sale Transaction. The initial consideration was based on the \$25,027,566 base purchase price, as adjusted by estimated closing net working capital. This amount may be further adjusted to reflect the final closing net working capital amount. Any potential additional adjustments to the purchase price relating to the final closing net working capital amount is not included within the pro forma cash adjustment.

In addition to the base purchase price, Lantronix will pay to CSI, if earned, earnout payments of up to \$7.0 million, payable following two successive 180-day intervals after the closing of the E&S Sale Transaction based on revenue targets for the business of the E&S Companies as specified in the securities purchase agreement, subject to certain adjustments and allocations as further described in the securities purchase agreement. Any potential proceeds related to the earn out are not included within the pro forma cash adjustment.

- (b) Reflects estimated costs incurred by the Company directly attributable to the E&S Sale Transaction that are not yet reflected on the balance sheet as of March 31, 2021. These amounts are not included in the pro forma condensed consolidated statements of operations as these costs are considered to be nonrecurring in nature.
- (c) Reflects the equity impact of assets and liabilities recorded as the result of the E&S Sale Transaction.
- (d) No tax effects of pro forma adjustments have been recorded due to the extent of the Company's tax loss carryforwards reduced by valuation allowances.
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