

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

**FORM 10-Q**

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

**for the quarterly period ended March 31, 2019**

or

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

for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-13471

**INSIGNIA SYSTEMS, INC.**

(Exact name of registrant as specified in its charter)

**Minnesota**

(State or other jurisdiction of incorporation or organization)

**41-1656308**

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

**8799 Brooklyn Blvd., Minneapolis, MN 55445**

(Address of principal executive offices; zip code)

**(763) 392-6200**

(Registrant's telephone number, including area code)

Securities registered to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value	ISIG	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares outstanding of Common Stock, \$.01 par value, as of May 3, 2019 was 11,947,485.

**Insignia Systems, Inc.**

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**PART I. FINANCIAL INFORMATION**  
**Item 1. Financial Statements**

**Insignia Systems, Inc.**  
**CONDENSED BALANCE SHEETS**

	<b>March 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
	<u>(Unaudited)</u>	<u></u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 3,966,000	\$ 10,160,000
Held to maturity investments	4,994,000	—
Accounts receivable, net	6,360,000	8,763,000
Inventories	378,000	353,000
Income tax receivable	125,000	127,000
Prepaid expenses and other	261,000	306,000
Total Current Assets	<u>16,084,000</u>	<u>19,709,000</u>
<b>Other Assets:</b>		
Property and equipment, net	3,297,000	3,268,000
Operating lease right-of-use assets	274,000	—
Other, net	828,000	976,000
Total Assets	<u>\$ 20,483,000</u>	<u>\$ 23,953,000</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable	2,046,000	3,334,000
Accrued liabilities:		
Compensation	377,000	2,021,000
Other	462,000	701,000
Current portion of operating lease liabilities	199,000	—
Deferred revenue	802,000	302,000
Total Current Liabilities	<u>3,886,000</u>	<u>6,358,000</u>
<b>Long-Term Liabilities:</b>		
Deferred tax liabilities	290,000	504,000
Accrued income taxes	621,000	613,000
Deferred rent	—	158,000
Operating lease liabilities	216,000	—
Total Long-Term Liabilities	<u>1,127,000</u>	<u>1,275,000</u>
<b>Commitments and Contingencies</b>		
	—	—
<b>Shareholders' Equity:</b>		
Common stock, par value \$.01:		
Authorized shares - 40,000,000		
Issued and outstanding shares - 11,947,000 at March 31, 2019		
and 11,840,000 at December 31, 2018	119,000	118,000
Additional paid-in capital	15,687,000	15,442,000
Retained earnings (Accumulated deficit)	(336,000)	760,000
Total Shareholders' Equity	<u>15,470,000</u>	<u>16,320,000</u>
Total Liabilities and Shareholders' Equity	<u>\$ 20,483,000</u>	<u>\$ 23,953,000</u>

*See accompanying notes to financial statements.*

**Insignia Systems, Inc.**  
**CONDENSED STATEMENTS OF OPERATIONS**  
(Unaudited)

<b>Three Months Ended March 31</b>	<b>2019</b>	<b>2018</b>
Services revenues	\$ 4,639,000	\$ 7,026,000
Products revenues	<u>501,000</u>	<u>393,000</u>
Total Net Sales	5,140,000	7,419,000
Cost of services	3,974,000	4,404,000
Cost of goods sold	<u>392,000</u>	<u>269,000</u>
Total Cost of Sales	<u>4,366,000</u>	<u>4,673,000</u>
Gross Profit	774,000	2,746,000
<b>Operating Expenses:</b>		
Selling	738,000	903,000
Marketing	665,000	604,000
General and administrative	<u>708,000</u>	<u>1,007,000</u>
Total Operating Expenses	<u>2,111,000</u>	<u>2,514,000</u>
Operating Income (Loss)	(1,337,000)	232,000
Other income	<u>37,000</u>	<u>5,000</u>
Income (Loss) Before Taxes	(1,300,000)	237,000
Income tax expense (benefit)	<u>(204,000)</u>	<u>73,000</u>
Net Income (Loss)	<u>\$ (1,096,000)</u>	<u>\$ 164,000</u>
Net income (loss) per share:		
Basic	\$ (0.09)	\$ 0.01
Diluted	<u>\$ (0.09)</u>	<u>\$ 0.01</u>
Shares used in calculation of net income (loss) per share:		
Basic	11,856,000	11,819,000
Diluted	<u>11,856,000</u>	<u>11,982,000</u>

*See accompanying notes to financial statements.*

**Insignia Systems, Inc.**  
**CONDENSED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(Unaudited)

	<u>Common Stock</u>		<u>Additional Paid-In</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>(Accumulated Deficit)</u>	
<b>Balance at December 31, 2018</b>	11,840,000	\$ 118,000	\$ 15,442,000	\$ 760,000	\$ 16,320,000
Issuance of common stock, net	107,000	1,000	107,000	-	108,000
Value of stock-based compensation	-	-	138,000	-	138,000
Net loss	-	-	-	(1,096,000)	(1,096,000)
<b>Balance at March 31, 2019</b>	<u>11,947,000</u>	<u>\$ 119,000</u>	<u>\$ 15,687,000</u>	<u>\$ (336,000)</u>	<u>\$ 15,470,000</u>

	<u>Common Stock</u>		<u>Additional Paid-In</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>		
<b>Balance at December 31, 2017</b>	11,914,000	\$ 119,000	\$ 15,361,000	\$ (639,000)	\$ 14,841,000
Issuance of common stock, net	49,000	-	49,000	-	49,000
Value of stock-based compensation	-	-	67,000	-	67,000
Net income	-	-	-	164,000	164,000
<b>Balance at March 31, 2018</b>	<u>11,963,000</u>	<u>\$ 119,000</u>	<u>\$ 15,477,000</u>	<u>\$ (475,000)</u>	<u>\$ 15,121,000</u>

*See accompanying notes to financial statements.*

**Insignia Systems, Inc.**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
(Unaudited)

<b>Three Months Ended March 31</b>	<b>2019</b>	<b>2018</b>
<b>Operating Activities:</b>		
Net income (loss)	\$ (1,096,000)	\$ 164,000
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	335,000	287,000
Changes in allowance for doubtful accounts	(3,000)	4,000
Deferred income tax benefit	(214,000)	—
Stock-based compensation expense	138,000	67,000
Accrued interest on held to maturity investments	(13,000)	—
Changes in operating assets and liabilities:		
Accounts receivable	2,406,000	2,960,000
Inventories	(25,000)	(184,000)
Income tax receivable	2,000	65,000
Prepaid expenses and other	39,000	39,000
Accounts payable	(1,263,000)	(358,000)
Accrued liabilities	(1,900,000)	(642,000)
Income tax payable	8,000	8,000
Deferred revenue	500,000	299,000
Net cash provided by (used in) operating activities	<u>(1,086,000)</u>	<u>2,709,000</u>
<b>Investing Activities:</b>		
Purchases of property and equipment	(235,000)	(194,000)
Purchase of investments	<u>(4,981,000)</u>	<u>—</u>
Net cash used in investing activities	<u>(5,216,000)</u>	<u>(194,000)</u>
<b>Financing Activities:</b>		
Proceeds from issuance of common stock	<u>108,000</u>	<u>49,000</u>
Net cash provided by financing activities	<u>108,000</u>	<u>49,000</u>
Increase (decrease) in cash and cash equivalents	(6,194,000)	2,564,000
Cash and cash equivalents at beginning of period	<u>10,160,000</u>	<u>4,695,000</u>
Cash and cash equivalents at end of period	<u>\$ 3,966,000</u>	<u>\$ 7,259,000</u>
<b>Non-cash investing and financing activities:</b>		
Purchases of property and equipment included in accounts payable	\$ 35,000	\$ 93,000

*See accompanying notes to financial statements.*

**Insignia Systems, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
(Unaudited)

1. **Summary of Significant Accounting Policies.**

**Description of Business.** Insignia Systems, Inc. (the “Company”) markets in-store advertising products, programs and services to retailers and consumer packaged goods manufacturers. The Company operates in a single reportable segment. The Company’s primary products include the Insignia Point-of-Purchase Services (POPS®), and other retailer approved promotional services, in-store marketing solutions, and custom adhesive and non-adhesive signage materials directly to our retail customers.

**Basis of Presentation.** The accompanying unaudited financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information. They do not include all information and footnotes required by U.S. GAAP for complete financial statements. However, except as described herein, there has been no material change in the information disclosed in the notes to financial statements included in our financial statements as of and for the year ended December 31, 2018 included in the Company’s Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

**Recently Adopted Accounting Pronouncements.** Effective January 1, 2019, the Company adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-02, “Leases” “Topic 842” under which lessees will recognize most leases on the balance sheet. At the date of adoption of the standard the Company recorded a right of use asset of \$305,000, reduced deferred rent by \$158,000 and recorded a lease liability of \$463,000. The Company elected the option under Topic 842 to not restate comparative periods in the transition. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard which allowed it to carry forward the historical lease classification. Additional information and required disclosures for Topic 842 are contained in Note 5.

**Inventories.** Inventories are primarily comprised of sign cards, hardware and roll stock. Inventory is valued at the lower of cost or net realizable value using the first-in, first-out (“FIFO”) method, and consisted of the following as of the dates indicated:

	March 31, 2019	December 31, 2018
Raw materials	\$ 74,000	\$ 80,000
Work-in-process	11,000	12,000
Finished goods	293,000	261,000
	<u>\$ 378,000</u>	<u>\$ 353,000</u>

**Property and Equipment.** Property and equipment consisted of the following as of the dates indicated:

	March 31, 2019	December 31, 2018
<b>Property and Equipment:</b>		
Production tooling, machinery and equipment	\$ 3,727,000	\$ 3,694,000
Office furniture and fixtures	385,000	385,000
Computer equipment and software	2,743,000	2,743,000
Leasehold improvements	577,000	577,000
Construction in-progress	1,357,000	1,179,000
	<u>8,789,000</u>	<u>8,578,000</u>
Accumulated depreciation and amortization	(5,492,000)	(5,310,000)
Net Property and Equipment	<u>\$ 3,297,000</u>	<u>\$ 3,268,000</u>

Depreciation expense was approximately \$181,000 and \$186,000 in the three months ended March 31, 2019 and 2018, respectively.

**Stock-Based Compensation.** We measure and recognize compensation expense for all stock-based payments at fair value. Restricted stock units and awards are valued at the closing market price of the Company's stock as of the date of the grant. We use the Black-Scholes option pricing model to determine the weighted average fair value of options and employee stock purchase plan rights. The determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as by assumptions regarding a number of complex and subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors.

During the three months ended March 31, 2019 and 2018, no stock option awards were granted by the Company.

During the three months ended March 31, 2019 and 2018, no restricted stock units were issued by the Company.

The Company estimated the fair value of stock-based awards granted during the three months ended March 31, 2019, under the Company's employee stock purchase plan using the following weighted average assumptions: expected life of 1.0 years, expected volatility of 57%, dividend yield of 0% and risk-free interest rate of 2.60%.

The Company recorded total stock-based compensation expense of \$138,000 and \$67,000 for the three months ended March 31, 2019 and 2018, respectively.

**Net Income (Loss) per Share.** Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average shares outstanding and excludes any potential dilutive effects of stock options and restricted stock units and awards. Diluted net income (loss) per share gives effect to all diluted potential common shares outstanding during the period.

Due to the net loss incurred during the three months ended March 31, 2019 all outstanding stock options were anti-dilutive for that period. Options to purchase approximately 247,000 shares of common stock with a weighted average exercise price of \$2.74 were outstanding at March 31, 2018 and were not included in the computation of common stock equivalents for the three months ended March 31, 2018 because their exercise prices were higher than the average fair market value of the common shares during the reporting period.



Weighted average common shares outstanding for the three months ended March 31, 2019 and 2018 were as follows:

Three months ended March 31	2019	2018
Denominator for basic net income (loss) per share - weighted average shares	11,856,000	11,819,000
Effect of dilutive securities:		
Stock options, restricted stock and restricted stock units	—	163,000
Denominator for diluted net income (loss) per share - weighted average shares	11,856,000	11,982,000

2. **Investments.** The Company currently invests its excess cash in debt securities, with an average maturity of approximately six months. At March 31, 2019 held to maturity investments were \$4,994,000, all with maturity dates of less than one year. These investments are accounted for in accordance with Accounting Standards Codification (“ASC”) 320-10, “Investments – Debt and Equity Securities.” At March 31, 2019, the Company’s investment balances consisted solely of held to maturity securities, were carried at cost which approximates fair value. due to the negligible risk of changes in value due to interest rates.
3. **Revenue Recognition.** Under ASU 2014-09 *Revenue from Contracts with Customers* (“Topic 606”), revenue is measured based on consideration specified in the contract with a customer, adjusted for any applicable estimates of variable consideration and other factors affecting the transaction price, including noncash consideration, consideration paid or payable to a customer and significant financing components. Revenue from all customers is recognized when a performance obligation is satisfied by transferring control of a distinct good or service to a customer, as further described below under “*Performance Obligations.*”

Taxes collected from customers and remitted to governmental authorities are excluded from revenue on the net basis of accounting.

The Company includes shipping and handling fees in revenue. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in cost of goods sold.

The majority of the Company’s accounts receivable is due from companies in the consumer-packaged goods industry. Credit is extended based on evaluation of a customer’s financial condition and, generally, collateral is not required. Accounts receivable are due within 30-150 days and are stated at amounts due from customers, net of an allowance for doubtful accounts.

### ***Performance Obligations***

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account under Topic 606. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The following is a description of our performance obligations included in our primary revenue streams and the timing or method of revenue recognition for each:

***In-Store Signage Solution Services.*** Our primary source of revenue is from executing in-store advertising solutions and services primarily to consumer-packaged goods (“CPG”) manufacturers. We provide a service of displaying promotional signs in close proximity to the manufacturer’s product in participating stores, which we maintain in two-to-four-week cycle increments.

Each of the individual activities under our services, including production activities, are inputs to an integrated sign display service. Customers receive and consume the benefits from the promotional displays over the duration of the contracted display cycle. Additionally, the display of the signs does not have an alternative use to us and we have an enforceable right to payment for services performed to date. As a result, we recognize the transaction price for our POPSign service performance obligations as revenue over time. Given the nature of our performance obligations is to provide a display service over the duration of a specified period or periods, we recognize revenue on a straight-line basis over the display service period as it best reflects the timing of transfer of our POPSign services.

**Other Service Revenues.** The Company also supplies CPG manufactures with other retailer approved promotional services and sign solutions. These services are more customized than the POPS solutions program, consisting of variable durations and variable specifications. Due to the variable nature of these services, revenue recognition is a mix of over time and point in time recognition.

**Products.** We also sell custom adhesive and non-adhesive signage materials directly to our customers. Each such product is a distinct performance obligation. Revenue is recognized at a point in time upon shipment, when control of the goods transfers to the customer.

### **Disaggregation of Revenue**

In the following table, revenue is disaggregated by major revenue stream and timing of revenue recognition.

	Three months ended March 31, 2019		
	Services Revenues	Products Revenue	Total Revenue
<b>Timing of revenue recognition:</b>			
Products and services transferred over time	\$ 3,555,000	\$ -	\$ 3,555,000
Products and services transferred at a point in time	1,084,000	501,000	1,585,000
Total	<u>\$ 4,639,000</u>	<u>\$ 501,000</u>	<u>\$ 5,140,000</u>

  

	Three months ended March 31, 2018		
	Services Revenues	Products Revenue	Total Revenue
<b>Timing of revenue recognition:</b>			
Products and services transferred over time	\$ 7,026,000	\$ -	\$ 7,026,000
Products and services transferred at a point in time	-	393,000	393,000
Total	<u>\$ 7,026,000</u>	<u>\$ 393,000</u>	<u>\$ 7,419,000</u>

### **Contract Costs**

Sales commissions that are paid to internal or external sales representatives are eligible for capitalization as they are incremental costs that would not have been incurred without entering into a specific sales arrangement and are recoverable through the expected margin on the transaction. The Company is applying the practical expedient in ASC 340-40-25-4 that allows the incremental costs of obtaining a contract to be recorded as an expense when incurred when the amortization period of the asset that would have otherwise been recognized is one year or less. These costs are included in selling expenses.

### **Deferred Revenue**

Significant changes in deferred revenue during the period are as follows:

Balance at December 31, 2018	\$	302,000
Reclassification of beginning deferred revenue to revenue, as a result of performance obligations satisfied		(295,000)
Cash received in advance and/or not recognized as revenue		795,000
Balance at March 31, 2019	<u>\$</u>	<u>802,000</u>

### **Transaction Price Allocated to Remaining Performance Obligations**

The Company applies the practical expedient in paragraph 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less, which reflect the majority of our performance obligations. This practical expedient is being applied to arrangements for certain incomplete services and unshipped custom signage materials. Of those contracts with an expected duration of greater than one year, we estimate that revenue of \$1,511,000 and \$1,984,000 related to performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2019 will be recognized during the remainder of fiscal 2019 and in fiscal 2020, respectively.

4. **Selling Arrangement.** In 2011, the Company paid News America Marketing In-Store, LLC (News America) \$4,000,000 in exchange for a 10-year arrangement to sell signs with price into News America's network of retailers as News America's exclusive agent. The \$4,000,000 is being amortized over the 10-year term of the arrangement. Amortization expense was \$150,000 and \$100,000 in the three months ended March 31, 2019 and 2018, respectively. Amortization expense is expected to be \$600,000 in 2019, \$262,000 in 2020 and \$55,000 in the year ending December 31, 2021, respectively. The acceleration of amortization in 2019 is based on the anticipated recovery period over the remaining term of the contract due to the loss of a significant retailer which intends to exit our retailer network in the first half of 2019. The net carrying amount of the selling arrangement is recorded within other assets on the Company's balance sheet.
5. **Leases.** The Company leases space under a non-cancelable operating lease for our corporate headquarters. This lease has escalating lease terms and also includes a tenant incentive that was recorded at the time the lease was originally entered into. The lease does not contain contingent rent provisions. The Company also has a lease for additional office space under an operating lease. The lease for our corporate headquarters includes both lease (e.g., fixed payments including rent, taxes, and insurance costs) and non-lease components (e.g., common-area or other maintenance costs) which are accounted for as a single lease component as we have elected the practical expedient to group lease and non-lease components for all leases. The lease for our additional office space is non-cancelable with a lease term of less than one year and therefore, we have elected the practical expedient to exclude this short-term lease from our right of use assets and lease liabilities.

Our leases include options to renew. The exercise of lease renewal options is at our sole discretion; therefore, the renewals to extend the lease terms are not included in our right of use assets and lease liabilities as they are not reasonably certain of exercise. We regularly evaluate the renewal options and when they are reasonably certain of exercise, we include the renewal period in our lease term.

We use our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments.

The cost components of our operating leases were as follows for the period ended March 31, 2019:

	Corporate Headquarters	Additional Office Space	Operating Leases
Operating lease cost	\$ 51,000	\$ -	\$ 51,000
Variable lease cost	7,000	-	7,000
Short-term lease cost	-	10,000	10,000
Total	<u>\$ 58,000</u>	<u>\$ 10,000</u>	<u>\$ 68,000</u>

Variable lease costs consist primarily of taxes, insurance, and common area or other maintenance costs for our leased corporate headquarters which are paid based on actual costs incurred by the lessor.

Maturities of our lease liabilities for our corporate headquarters operating lease is as follows as of March 31, 2019:

<u>Maturity of Lease Liabilities</u>	Operating Leases
2019	\$ 163,000
2020	222,000
2021	57,000
Total lease payments	<u>\$ 442,000</u>
Less: Interest	<u>27,000</u>
Present value of lease liabilities	<u>\$ 415,000</u>

The remaining lease term as of March 31, 2019 is 2.0 years and the discount rate was 6%. The cash outflow for operating leases for the three months ended March 31, 2019 was \$54,000.

The following table presents future minimum lease payments for our operating leases at December 31, 2018 under ASC 840 and is being presented for comparative purposes:

2019	\$	217,000
2020		222,000
2021		57,000

Rent expense under this lease was approximately \$60,000 for the three months ended March 31, 2018.

6. **Income Taxes.** For the three months ended March 31, 2019, the Company recorded income tax benefit of \$204,000, or 15.7% of loss before taxes. For the three months ended March 31, 2018, the Company recorded income tax expense of \$73,000, or 30.8% of income before taxes. The income tax benefit or expense for the three months ended March 31, 2019 and 2018 is comprised of federal and state taxes. The primary differences between the Company's March 31, 2019 and 2018 effective tax rates and the statutory federal rate are expenses related to stock-based compensation and nondeductible meals and entertainment as well as for the three months ended March 31, 2019 an increase in the Company's valuation allowance against its deferred tax assets. The Company reassesses its effective rate each reporting period and adjusts the annual effective rate if deemed necessary, based on projected annual taxable income (loss).

Deferred income taxes are determined based on the estimated future tax effects of differences between the financial statements and tax basis of assets and liabilities given the provisions of enacted tax laws. In providing for deferred taxes, we consider tax regulations of the jurisdictions in which we operate, estimates of future taxable income and available tax planning strategies. If tax regulations, operating results or the ability to implement tax-planning strategies vary, adjustment to the carrying value of deferred tax assets and liabilities may be required. Valuation allowances are recorded related to deferred tax assets based on the "more likely than not" criteria. At March 31, 2019 and December 31, 2018, the Company had a valuation allowance of approximately \$157,000 and \$79,000, respectively, as a result of certain capital losses, credits and net operating losses carried forward which the Company does not believe are more likely than not to be realized.

As of March 31, 2019, and December 31, 2018, the Company had unrecognized tax benefits totaling \$621,000 and \$613,000, respectively, including interest, which relates to state nexus issues. The amount of the unrecognized tax benefits, if recognized, that would affect the effective income tax rates of future periods is \$621,000. Due to the current statute of limitations regarding the unrecognized tax benefits, the unrecognized tax benefits and associated interest is not expected to change significantly in 2019.

7. **Concentrations.** During the three months ended March 31, 2019, one customer accounted for 16% of the Company's total net sales. During the three months ended March 31, 2018, two customers accounted for 28% and 24%, respectively, of the Company's total net sales. At March 31, 2019, one customer represented 14% of the Company's total accounts receivable. At December 31, 2018, two customers represented 31% and 16% of the Company's total accounts receivable.

Although there are a number of customers that the Company sells to, the loss of a major customer could adversely affect operating results. Additionally, the loss of an additional major retailer from the Company's retail network could further adversely affect operating results.

8. **Share Repurchases.** On April 5, 2018, the Board of Directors authorized the repurchase of up to \$3,000,000 of the Company's common stock on or before March 31, 2020. The plan allows the repurchases to be made in open market or privately negotiated transactions. The plan does not obligate the Company to repurchase any particular number of shares, and may be suspended at any time at the Company's discretion. During the three months ended March 31, 2019, there was no share repurchase activity.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion should be read in conjunction with the Company’s financial statements and related notes. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated due to various factors discussed under “Cautionary Statement Regarding Forward-Looking Statements” and elsewhere in this Quarterly Report on Form 10-Q and the “Risk Factors” described in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, our Current Reports on Form 8-K and our other SEC filings.

### **Company Overview**

Insignia Systems, Inc. (referred to in this Quarterly Report on Form 10-Q as “Insignia,” “we,” “us,” “our” or the “Company”) is a leading provider of in-store marketing solutions to our partners and clients which consist of consumer-packaged goods (“CPG”) manufacturers, retailers and marketing agencies and digital. We believe our products and services are attractive to CPG manufacturers because of our speed to market, ability to customize advertising programs at store level and our deep industry knowledge. We have leaders and employees with extensive industry knowledge and direct experience working with CPG manufacturers and retailers. Insignia provides advertising solutions to CPG manufacturers spanning from some of the largest multinationals to new and emerging brands.

Our relationships with retailers are forged through executional excellence, flexible processes and our ability to connect retailer messaging with our CPG manufacturer’s message. Insignia runs in-store advertising programs at national and regional US retailers who are leaders in their respective channels.

Our relationships with marketing agencies continue to grow through our agility, responsiveness, custom production and execution capabilities, and our ability to respond to their client’s needs with precision and efficiency.

Insignia’s primary solution has been the Point-Of-Purchase Services (POPS<sup>®</sup>) in-store signage solution. The Insignia POPS solution is a national, account-specific, shelf-edge advertising and promotion tactic. Internal testing has indicated the solution is capable of delivering incremental sales for the featured brand. Participation in the POPS solution allows CPG manufacturers to deliver vital product information to consumers at the point-of-purchase, and to leverage the local retailer brand and store-specific prices to provide a unique “call to action” that draws attention to the featured brand and triggers a purchase decision. CPG manufacturers benefit from Insignia’s nimble operational capabilities, which include short lead times, in-house graphic design capabilities, post-program analytics, and micro-marketing capabilities such as variable or bilingual messaging.

Over the past several years, we have developed and now offer promotional, merchandising and digital solutions in addition to our core business of in-store signage solutions. Our expanded portfolio of solutions allows us to more completely meet the needs of CPG manufacturers, retailers and their agents as their business strategies evolve behind an ever-changing retail landscape.

### **Business Overview**

#### **Summary of Financial Results**

For the quarter ended March 31, 2019, the Company generated revenues of \$5,140,000, as compared with revenues of \$7,419,000 for the quarter ended March 31, 2018. Net loss for the quarter ended March 31, 2019 was \$1,096,000, as compared to net income of \$164,000 for the quarter ended March 31, 2018. As indicated previously, competitive pressure caused the changes in our retail and CPG network during 2019, inclusive of the pending exit of a significant retailer in the first half of 2019, and has adversely impacted our results. We expect ongoing competitive pressure to challenge our business results for the remainder of the year, however we are diligently pursuing a variety of efforts around innovation, client acquisition and retailer expansion.

During the quarter ended March 31, 2019, cash and cash equivalents decreased \$6,194,000 from \$10,160,000 at December 31, 2018, to \$3,966,000 at March 31, 2019. The decrease was primarily driven by investing in held to maturity investments. Cash and cash equivalents and held to maturity investments total \$8,960,000 at March 31, 2019. The Company had no debt other than its lease obligations as of March 31, 2019.

## Results of Operations

The following table sets forth, for the periods indicated, certain items in our Condensed Statements of Operations as a percentage of total net sales.

For the Three Months Ended March 31	2019	2018
Net sales	100.0 %	100.0 %
Cost of sales	84.9	63.0
Gross profit	15.1	37.0
Operating expenses:		
Selling	14.4	12.2
Marketing	12.9	8.1
General and administrative	13.8	13.6
Total operating expenses	41.1	33.9
Operating income (loss)	(26.0)	3.1
Other income	0.7	0.1
Income (loss) before taxes	(25.3)	3.2
Income tax expense (benefit)	(4.0)	1.0
Net income (loss)	(21.3) %	2.2 %

### Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

**Net Sales.** Net sales for the three months ended March 31, 2019 decreased 30.7% to \$5,140,000 compared to \$7,419,000 for the three months ended March 31, 2018.

Service revenues for the three months ended March 31, 2019 decreased 34.0% to \$4,639,000 compared to \$7,026,000 for the three months ended March 31, 2018. The decrease was due to 49.9% decrease in POPS solutions revenue, partially offset by a 73.9% increase in innovation initiatives revenue. The decrease in POPS solutions revenue was primarily due to a decrease in the number of signs placed and a decrease in average price per sign, which was due to competitive pressures, the loss of a significant CPG, and the loss of a non-recurring favorable contract.

Product revenues for the three months ended March 31, 2019 increased 27.5% to \$501,000 compared to \$393,000 for the three months ended March 31, 2018. The increase was primarily due to higher sales of sign card supplies driven by higher customer demand.

**Gross Profit.** Gross profit for the three months ended March 31, 2019 decreased 71.8% to \$774,000 compared to \$2,746,000 for the three months ended March 31, 2018. Gross profit as a percentage of total net sales decreased to 15.1% for the three months ended March 31, 2019, compared to 37.0% for the three months ended March 31, 2018.

**Service revenues.** Gross profit from our service revenues for the three months ended March 31, 2019 decreased 74.6% to \$665,000 compared to \$2,622,000 for the three months ended March 31, 2018. The decrease in gross profit was primarily due to a decrease in POPS signs solutions sales as our gross profit is highly dependent on sales levels due to the relatively fixed nature of a portion of our payments to retailers, combined with the decrease in average price per sign due to the loss of a non-recurring favorable contract in place for the three months ended March 31, 2018, partially offset by an increase in revenue and gross profit from innovation initiatives.

The Company incurred costs of approximately \$118,000 associated with the implementation of its new IT operating infrastructure during the three months ended March 31, 2019 compared to approximately \$115,000 for the three months ended March 31, 2018. The Company expects to implement a portion of the new IT operating infrastructure system in the second quarter of 2019 with estimated additional expense of \$75,000. Additionally, technology investments may be needed to support the Company's new solution initiatives. Gross profit as a percentage of service revenues for the three months ended March 31, 2019 decreased to 14.3% compared to 37.3% for the three months ended March 31, 2018. The decrease was primarily due to the factors described above.

**Product revenues.** Gross profit from our product revenues for the three months ended March 31, 2019 decreased 12.1% to \$109,000 compared to \$124,000 for the three months ended March 31, 2018. The decrease was primarily due to increased production related costs and product mix. Gross profit as a percentage of product revenues decreased to 21.8% for the three months ended March 31, 2019 compared to 31.6% for the three months ended March 31, 2018. The decrease was primarily due to the factors described above.

### **Operating Expenses**

**Selling.** Selling expenses for the three months ended March 31, 2019 decreased 18.3% to \$738,000 compared to \$903,000 for the three months ended March 31, 2018. Decreased selling expense was primarily the result of decreased variable staff related expense. Selling expenses as a percentage of total net sales increased to 14.4% for the three months ended March 31, 2019 compared to 12.2% for the three months ended March 31, 2018. The increase was primarily due to decreased sales, partially offset by the factors described above.

**Marketing.** Marketing expenses for the three months ended March 31, 2019 increased 10.1% to \$665,000 compared to \$604,000 for the three months ended March 31, 2018. Increased marketing expense was primarily the result of increased consulting expenses, partially offset by decreased staffing and variable staff related expenses.

Marketing expenses as a percentage of total net sales increased to 12.9% for the three months ended March 31, 2019 compared to 8.1% for the three months ended March 31, 2018. The increase was primarily due to decreased sales, partially offset by the factors described above.

**General and administrative.** General and administrative expenses for the three months ended March 31, 2019 decreased 29.7% to \$708,000 compared to \$1,007,000 for the three months ended March 31, 2018. The decrease was primarily due to variable staff related expenses and lower administrative costs.

General and administrative expenses as a percentage of total net sales increased to 13.8% for the three months ended March 31, 2019 compared to 13.6% for the three months ended March 31, 2018. The increase was primarily due to decreased sales, partially offset by the factors described above.

**Other Income.** Other income for the three months ended March 31, 2019 increased to \$37,000 compared to \$5,000 for the three months ended March 31, 2018. The increase is due to returns generated from held to maturity investments.

**Income Taxes.** For the three months ended March 31, 2019, the Company recorded income tax benefit of \$204,000, or 15.7% of loss before taxes. For the three months ended March 31, 2018, the Company recorded income tax expense of \$73,000, or 30.8% of income before taxes. The income tax benefit or expense for the three months ended March 31, 2019 and 2018 is comprised of federal and state taxes. The primary differences between the Company's March 31, 2019 and 2018 effective tax rates and the statutory federal rate are expenses related to stock-based compensation and nondeductible meals and entertainment as well as for the period ended March 31, 2019 an increase in the Company's valuation allowance against its deferred tax assets. The Company reassesses its effective rate each reporting period and adjusts the annual effective rate if deemed necessary, based on projected annual taxable income (loss).

Deferred income taxes are determined based on the estimated future tax effects of differences between the financial statements and tax basis of assets and liabilities given the provisions of enacted tax laws. In providing for deferred taxes, we consider tax regulations of the jurisdictions in which we operate, estimates of future taxable income and available tax planning strategies. If tax regulations, operating results or the ability to implement tax-planning strategies vary, adjustment to the carrying value of deferred tax assets and liabilities may be required. Valuation allowances are recorded related to deferred tax assets based on the "more likely than not" criteria.

As a result of the Company's future outlook, management has reviewed its deferred tax assets and concluded that the uncertainties related to the realization of its deferred tax assets have become unfavorable. Management has considered positive and negative evidence for the potential utilization of the deferred tax assets and has concluded that it is more likely than not that Company will not realize the full amount of its net deferred tax assets. At March 31, 2019 and December 31, 2018, the Company had a valuation allowance of approximately \$157,000 and \$79,000, respectively, as a result of certain capital losses, credits carried forward and net operating losses carried forward which the Company does not believe are more likely than not to be realized. During the quarter ended March 31,

2019, the Company recorded an increase of approximately \$78,000 in its valuation allowance against its deferred tax assets.

**Net Income (Loss).** For the reasons stated above, net loss for the three months ended March 31, 2019 was \$1,096,000, compared to net income of \$164,000 for the three months ending March 31, 2018.

### **Liquidity and Capital Resources**

The Company has financed its operations with proceeds from stock sales and sales of its services and products. At March 31, 2019, working capital was \$12,198,000 (defined as current assets less current liabilities) compared to \$13,351,000 at December 31, 2018. During the three months ended March 31, 2019, cash and cash equivalents decreased \$6,194,000 from \$10,160,000 at December 31, 2018, to \$3,966,000 at March 31, 2019, with an increase in investments of \$4,994,000.

**Operating Activities.** Net cash used by operating activities during the three months ended March 31, 2019, was \$1,086,000. Net loss of \$1,096,000, plus non-cash adjustments of \$243,000, less changes in operating assets and liabilities of \$233,000 resulted in the \$1,086,000 of cash used by operating activities. The largest component of the change in operating assets and liabilities was accounts receivable which decreased \$2,406,000, which will fluctuate based on normal business conditions, and partially reflects lower sales in the quarter. The non-cash adjustments consisted of depreciation and amortization expense, changes in allowance for doubtful accounts, deferred income tax benefit, accrued interest on held to maturity investments, and stock-based compensation expense. In the normal course of business, our accounts receivable, accounts payable, accrued liabilities and deferred revenue will fluctuate depending on the level of revenues and related business activity, as well as billing arrangements with customers and payment terms with retailers.

**Investing Activities.** Net cash used in investing activities during the three months ended March 31, 2019 was \$5,216,000. This was primarily related to the purchase of held to maturity investments of \$4,981,000, in addition to investing in the IT operating infrastructure project, which consisted of hardware, purchased software and capitalization of costs for internally developed software.

**Financing Activities.** Net cash provided by financing activities during the three months ended March 31, 2019 was \$108,000, which related to proceeds received from issuance of common stock under the employee stock purchase plan.

The Company believes that based upon current business conditions and plans, its existing cash balance and future cash generated from operations will be sufficient for its cash requirements for at least the next twelve months.

### **Critical Accounting Policies**

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are described in Note 1 to the annual financial statements as of and for the year ended December 31, 2018, included in our Form 10-K filed with the Securities and Exchange Commission on March 7, 2019. Our policy related to the adoption of Topic 842 on January 1, 2019, the accounting policy for leases, is included in Note 1 within this Form 10-Q. We believe our most critical accounting policies and estimates include the following:

- revenue recognition;
- allowance for doubtful accounts;
- impairment of long-lived assets;
- income taxes; and
- stock-based compensation.



## **Cautionary Statement Regarding Forward-Looking Statements**

Certain statements made in this Quarterly Report on Form 10-Q, in the Company's other SEC filings, in press releases and in oral statements to shareholders and securities analysts that are not statements of historical or current facts are "forward-looking statements." Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance of the Company to be materially different from the results or performance expressed or implied by such forward-looking statements. The words "anticipates," "believes," "expects," "seeks" and similar expressions identify forward-looking statements. Forward-looking statements include statements expressing the intent, belief or current expectations of the Company and members of our management team regarding, for instance: (i) our belief that our cash balance and cash generated by operations will provide adequate liquidity and capital resources for at least the next twelve months; and (ii) that we expect fluctuations in accounts receivable and payable, accrued liabilities, and revenue deferrals. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made. These statements are subject to the risks and uncertainties that could cause actual results to differ materially and adversely from the forward-looking statements. These forward-looking statements are based on current information, which we have assessed and which by its nature is dynamic and subject to rapid and even abrupt changes.

Factors that could cause our estimates and assumptions as to future performance, and our actual results, to differ materially include the following: (i) the risk that management may be unable to fully or successfully implement its business plan to achieve and maintain increased sales and resultant profitability in the future; (ii) the risk that the Company will not be able to develop and implement new product offerings, including mobile, digital or other new offerings, in a successful manner; (iii) prevailing market conditions, including pricing and other competitive pressures, in the in-store advertising industry and, intense competition for agreements with retailers and consumer packaged goods manufacturers; (iv) potentially incorrect assumptions by management with respect to the financial effect of current strategic decisions, the effect of current sales trends on fiscal year 2019 results and the benefit of our relationship with News America; (v) termination of all or a major portion of, or a significant change in terms and conditions of, a material agreement with a consumer packaged goods manufacturer, retailer, or News America; (vi) other economic, business, market, financial, competitive and/or regulatory factors affecting the Company's business generally; (vii) our ability to successfully implement our new IT operating infrastructure; and (viii) our ability to attract and retain highly qualified managerial, operational and sales personnel. Our risks and uncertainties also include, but are not limited to, the risks presented in our Annual Report on Form 10-K for the year ended December 31, 2018, any additional risks presented in our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K. We undertake no obligation (and expressly disclaim any such obligation) to update forward-looking statements made in this Form 10-Q to reflect events or circumstances after the date of this Form 10-Q or to update reasons why actual results would differ from those anticipated in any such forward-looking statements, other than as required by law.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Not applicable.

### **Item 4. Controls and Procedures**

#### **(a) Evaluation of Disclosure Controls and Procedures**

The Company's management carried out an evaluation, under the supervision and with the participation of the Company's principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report, pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. Disclosure controls and procedures ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and are designed to ensure that information required to be disclosed by us in these reports is accumulated and communicated to our management, as appropriate to allow timely decisions regarding disclosures.

(b) Changes in Internal Control Over Financial Reporting

No changes in the Company's internal control over financial reporting occurred during the first quarter of 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

None.

**Item 1A. Risk Factors**

We described the most significant risk factors applicable to the Company in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2018. We believe there have been no material changes from the risk factors disclosed in that Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

On April 5, 2018, the Board of Directors authorized the repurchase of up to \$3,000,000 of the Company's common stock on or before March 31, 2020. The plan allows the repurchases to be made in open market or privately negotiated transactions. The plan does not obligate the Company to repurchase any particular number of shares, and may be suspended at any time at the Company's discretion. During the three months ended March 31, 2019, there was no share repurchase activity. As of March 31, 2019, \$2,702,000 remained available for repurchase under the existing authorization.

**Item 3. Defaults upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

Unless otherwise indicated, all documents incorporated herein by reference to a document filed with the SEC pursuant to the Exchange Act are located under SEC file number 001-13471.

<u>Exhibit Number</u>	<u>Description</u>	<u>Method of Filing</u>
3.1	Composite Articles of Incorporation of Registrant, as amended through July 31, 2008 (incorporated by reference to Exhibit 3.1 to annual report on Form 10-K for the year ended December 31, 2015)	Incorporated by Reference
3.2	Composite Bylaws of Registrant, as amended through December 5, 2015 (incorporated by reference to Exhibit 3.2 to annual report on Form 10-K for the year ended December 31, 2015)	Incorporated by Reference
10.1*	First Amendment to Change in Control Agreement with Kristine A. Glancy dated April 28, 2018	Filed Electronically
31.1	Certification of Principal Executive Officer	Filed Electronically
31.2	Certification of Principal Financial and Accounting Officer	Filed Electronically
32	Section 1350 Certification	Furnished Electronically
101	The following materials from Insignia Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Balance Sheets; (ii) Condensed Statements of Operations; (iii) Condensed Statements of Shareholders' Equity; (iv) Condensed Statements of Cash Flows; and (v) Notes to Financial Statements.	Filed Electronically

\*Management contract or compensatory plan or arrangement required to be filed as an exhibit to this quarterly report on Form 10-Q.

## 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.

INSIGNIA SYSTEMS, INC.

(Registrant)

Dated: May 6, 2019

/s/ Kristine A. Glancy

Kristine A. Glancy

President and Chief Executive Officer

(on behalf of registrant)

Dated: May 6, 2019

/s/ Jeffrey A. Jagerson

Jeffrey A. Jagerson

Chief Financial Officer and Treasurer

(principal financial and accounting officer)

**FIRST AMENDMENT TO CHANGE IN CONTROL AGREEMENT**

This First Amendment to the Change in Control Agreement (this “Amendment”) is made and entered into effective as of April 28, 2018, by and between Insignia Systems, Inc., a Minnesota corporation (the “Company”), and Kristine Glancy (the “Executive”):

WHEREAS, the Company and Executive have entered into that certain Change in Control Agreement on April 8, 2016, with an effective date of May 9, 2016 (the “Existing Agreement”),

WHEREAS, the Company and the Executive desire to amend certain terms of the Existing Agreement as set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and Executive hereby agree as follows:

1. Section 4.1(A) of the Existing Agreement shall be revised and replaced in its entirety with the following:

“In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination and in lieu of any severance benefit otherwise payable to the Executive, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to two hundred (200%) of the Executive’s annual base salary then in effect (or immediately prior to any reduction resulting in a termination for Good Reason, if applicable) (the “Change in Control Salary”).”

2. Section 16(P)(i) of the Existing Agreement shall be revised and replaced in its entirety with the following:

“a material diminution in the Executive’s authority, duties, or responsibilities or the assignment to Executive of duties or responsibilities that are materially inconsistent from those in effect immediately prior to the Change in Control, or the failure of the Company (or successor thereto) to continue as a publicly held corporation filing reports under the Exchange Act;”

3. In all other respects, the Existing Agreement shall remain unchanged and in full force and effect, including, without limitation, that the Effective Date (as defined in the Existing Agreement) shall remain unchanged.

4. This Amendment shall be governed by and construed in accordance with the laws of the State of Minnesota, without regard to any principles of conflicts of laws which could cause the application of the laws of any jurisdiction other than the State of Minnesota.

5. This Amendment may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument

[Signature Page Follows]

IN WITNESS WHEREOF, Executive and the Company have executed this Amendment as of the date and year first written above.

**INSIGNIA SYSTEMS, INC.**

By: /s/ F. Peter Zaballos  
Name: F. Peter Zaballos  
Title: Chairman of the Board of Directors

**KRISTINE GLANCY**

By: /s/ Kristine Glancy

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, Kristine A. Glancy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Insignia Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within the registrant, particularly during the period in which this report is being prepared; and
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 6, 2019

/s/ Kristine A. Glancy  
Kristine A. Glancy  
President and Chief Executive Officer  
(principal executive officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

I, Jeffrey A. Jagerson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Insignia Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within the registrant, particularly during the period in which this report is being prepared; and
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 6, 2019

/s/ Jeffrey A. Jagerson  
Jeffrey A. Jagerson  
Chief Financial Officer and Treasurer  
(principal financial and accounting officer)



**SECTION 1350 CERTIFICATION**

The undersigned certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The accompanying Quarterly Report on Form 10-Q for the period ended March 31, 2019, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the accompanying Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2019

/s/ Kristine A. Glancy  
Kristine A. Glancy  
President and Chief Executive Officer  
(principal executive officer)

Date: May 6, 2019

/s/ Jeffrey A. Jagerson  
Jeffrey A. Jagerson  
Chief Financial Officer and Treasurer  
(principal financial and accounting officer)