

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, 2023**

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/MN**

(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.)

**212 Third Avenue N, Suite 356, Minneapolis, MN 55401**

(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:

Title of each class	Trading Symbol	Name of each exchange on which registered
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 checked="" 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 8, 2023 was 1,797,659.

Insignia Systems, Inc.

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

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

	March 31, 2023 (Unaudited)	December 31, 2022
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 10,595,000	\$ 14,439,000
Restricted cash	85,000	85,000
Accounts receivable, net	9,307,000	5,557,000
Inventories	24,000	29,000
Income tax receivable	26,000	28,000
Prepaid production costs	1,390,000	535,000
Other prepaid expense	309,000	80,000
Total Current Assets	21,736,000	20,753,000
<b>Other Assets:</b>		
Property and equipment, net	64,000	71,000
Operating lease right-of-use assets	131,000	144,000
<b>Total Assets</b>	<b>\$ 21,931,000</b>	<b>\$ 20,968,000</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable	2,214,000	2,653,000
<b>Accrued liabilities:</b>		
Compensation	602,000	962,000
Sales tax	921,000	717,000
Other	624,000	611,000
Current portion of operating lease liabilities	3,000	4,000
Deferred revenue	2,301,000	2,427,000
Total Current Liabilities	6,665,000	7,374,000
<b>Long-Term Liabilities:</b>		
Accrued income taxes	54,000	53,000
Operating lease liabilities	133,000	140,000
Total Long-Term Liabilities	187,000	193,000
<b>Commitments and Contingencies</b>	—	—
<b>Shareholders' Equity:</b>		
Common stock, par value \$.01:		
Authorized shares - 5,714,000		
Issued and outstanding shares - 1,798,000 at March 31, 2023 and 1,797,000 December 31, 2022	18,000	18,000
Additional paid-in capital	16,488,000	16,458,000
Accumulated deficit	(1,427,000)	(3,075,000)
Total Shareholders' Equity	15,079,000	13,401,000
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 21,931,000</b>	<b>\$ 20,968,000</b>

See accompanying notes to the condensed financial statements.

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

<b>Three Months Ended March 31</b>	<b>2023</b>	<b>2022</b>
Net services revenues	\$ 12,831,000	\$ 6,148,000
Cost of services	9,911,000	4,868,000
Gross Profit	2,920,000	1,280,000
<b>Operating Expenses:</b>		
Selling	364,000	342,000
Marketing	296,000	259,000
General and administrative	721,000	606,000
Total Operating Expenses	1,381,000	1,207,000
Operating Income	1,539,000	73,000
<b>Other Income (Expense)</b>		
Other income (expense)	112,000	(3,000)
Total Other Income (Expense)	112,000	(3,000)
Income Before Taxes	1,651,000	70,000
Income tax expense	3,000	8,000
Net Income	<u>\$ 1,648,000</u>	<u>\$ 62,000</u>
<b>Net income per share:</b>		
Basic	\$ 0.92	\$ 0.03
Diluted	<u>\$ 0.91</u>	<u>\$ 0.03</u>
<b>Shares used in calculation of net income per share:</b>		
Basic	1,798,000	1,786,000
Diluted	<u>1,802,000</u>	<u>1,794,000</u>

See accompanying notes to the condensed financial statements.

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

	Common Stock		Additional	Accumulated	
	Shares	Amount	Paid-In Capital	Deficit	Total
<b>Balance at December 31, 2022</b>	1,797,000	\$ 18,000	\$ 16,458,000	\$ (3,075,000)	\$ 13,401,000
Issuance of common stock, net	1,000	—	8,000	—	8,000
Value of stock-based compensation	—	—	22,000	—	22,000
Net income	—	—	—	1,648,000	1,648,000
<b>Balance at March 31, 2023</b>	<u>1,798,000</u>	<u>\$ 18,000</u>	<u>\$ 16,488,000</u>	<u>\$ (1,427,000)</u>	<u>\$ 15,079,000</u>

	Common Stock		Additional	Accumulated	
	Shares	Amount	Paid-In Capital	Deficit	Total
<b>Balance at December 31, 2021</b>	1,782,000	\$ 18,000	\$ 16,296,000	\$ (13,121,000)	\$ 3,193,000
Issuance of common stock, net	4,000	—	28,000	—	28,000
Value of stock-based compensation	—	—	30,000	—	30,000
Net income	—	—	—	62,000	62,000
<b>Balance at March 31, 2022</b>	<u>1,786,000</u>	<u>\$ 18,000</u>	<u>\$ 16,354,000</u>	<u>\$ (13,059,000)</u>	<u>\$ 3,313,000</u>

See accompanying notes to the condensed financial statements.

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

<b>Three Months Ended March 31</b>	<b>2023</b>	<b>2022</b>
<b>Operating Activities:</b>		
Net income	\$ 1,648,000	\$ 62,000
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	14,000	16,000
Changes in allowance for doubtful accounts	20,000	(12,000)
Stock-based compensation expense	22,000	30,000
Changes in operating assets and liabilities:		
Accounts receivable	(3,770,000)	(2,206,000)
Inventories	5,000	(12,000)
Income tax receivable	2,000	(1,000)
Prepaid expenses and other	(1,084,000)	606,000
Accounts payable	(440,000)	(654,000)
Accrued liabilities	(138,000)	(774,000)
Accrued income taxes	1,000	10,000
Deferred revenue	(126,000)	(445,000)
Net cash used in operating activities	(3,846,000)	(3,380,000)
<b>Investing Activities:</b>		
Purchases of property and equipment	(6,000)	(18,000)
Net cash used in investing activities	(6,000)	(18,000)
<b>Financing Activities:</b>		
Proceeds from issuance of common stock	8,000	28,000
Net cash provided by financing activities	8,000	28,000
Decrease in cash and cash equivalents and restricted cash	(3,844,000)	(3,370,000)
Cash and cash equivalents and restricted cash at beginning of period	14,524,000	3,851,000
Cash and cash equivalents and restricted cash at end of period	<u>\$ 10,680,000</u>	<u>\$ 481,000</u>
<b>Non-cash financing activity:</b>		
Purchase of property and equipment included in accounts payable	\$ -	\$ 5,000

See accompanying notes to the condensed financial statements.

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**Insignia Systems, Inc.**  
**Notes To Condensed Financial Statements**  
(Unaudited)

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

**Description of Business.** Insignia Systems, Inc. (the "Company") is a leading provider of in-store solutions to consumer-packaged goods ("CPG") manufacturers, retailers, shopper marketing agencies and brokerages. The Company operates in a single reportable segment. The Company's leadership and employees have extensive industry knowledge with direct experience in both CPG manufacturers and retailers. The Company provides marketing solutions to CPG manufacturers spanning from some of the largest multinationals to new and emerging brands. The Company's primary solutions are merchandising solutions, on-pack solutions and signage. On April 7, 2023, Insignia announced the launch of the Company's non-bank lending platform.

**Basis of Presentation.** The accompanying unaudited condensed financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8 of Securities and Exchange Commission ("SEC") Regulation S-X. 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 the Company's financial statements as of and for the year ended December 31, 2022 included in the Company's Annual Report on Form 10-K filed with the SEC on March 9, 2023 (the 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. Due to sales cycles within the retailers that our display and on-pack solutions execute we anticipate seasonality in sales, with those sales being relatively stronger in the first quarter of the year. We expect the remaining quarters in 2023 to have significantly less revenue than this first quarter and also expect operating losses in the remaining quarters of the year. The accompanying condensed balance sheet as of December 31, 2022 has been derived from the audited balance sheet as of December 31, 2022 contained in the Form 10-K.

**Cash and Cash Equivalents and Restricted Cash.** The following table provides a reconciliation of cash, cash equivalents and restricted cash to amounts shown in the statement of cash flows:

	March 31, 2023	December 31, 2022
Cash and cash equivalents	\$ 10,595,000	\$ 14,439,000
Restricted cash	85,000	85,000
Total cash, cash equivalents and restricted cash	<u>\$ 10,680,000</u>	<u>\$ 14,524,000</u>

**Inventories.** Inventories are primarily comprised of sign cards and hardware. Inventory is valued at the lower of cost or net realizable value using the first-in, first-out ("FIFO") method.

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

	March 31, 2023	December 31, 2022
<b>Property and Equipment:</b>		
Production tooling, machinery and equipment	\$ 14,000	\$ 27,000
Office furniture and fixtures	94,000	95,000
Computer equipment and software	580,000	771,000
Leasehold improvements	19,000	19,000
Construction in-progress	<u>6,000</u>	<u>3,000</u>
	713,000	915,000
Accumulated depreciation and amortization	<u>(649,000)</u>	<u>(844,000)</u>
Net Property and Equipment	<u>\$ 64,000</u>	<u>\$ 71,000</u>

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Depreciation expense was approximately \$14,000 and \$16,000 in the three months ended March 31, 2023 and 2022, respectively.

**Stock-Based Compensation.** The Company measures and recognizes 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. The Company uses the Black-Scholes option pricing model to determine the weighted average fair value of options and employee stock purchase plan rights. The determination of the fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the Company's 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, 2023 and 2022, no stock options or restricted stock were issued by the Company.

The Company estimated the fair value of stock-based awards granted during the three months ended March 31, 2023, under the Company's employee stock purchase plan using the following weighted average assumptions: expected life of 1.0 year, expected volatility of 95.2%, dividend yield of 0% and risk-free interest rate of 4.7%.

The Company recorded total stock-based compensation expense of \$ 22,000 and \$30,000 for the three months ended March 31, 2023 and 2022, respectively.

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

Options to purchase approximately 14,000 shares of common stock with a weighted average exercise price of \$ 11.95, were outstanding at March 31, 2023 and were not included in the computation of common stock equivalents for the three months ended March 31, 2023 because their exercise prices were higher than the average fair market value of the common stock during the reporting period.

Options to purchase approximately 14,000 shares of common stock with a weighted average exercise price of \$ 12.60, were outstanding at March 31, 2022 and were not included in the computation of common stock equivalents for the three months ended March 31, 2022 because their exercise prices were higher than the average fair market value of the common stock during the reporting period.

Weighted average common shares outstanding for the three months ended March 31, 2023 and 2022 were as follows:

Three months ended March 31	2023	2022
Denominator for basic net income per share - weighted average shares	1,798,000	1,786,000
Effect of dilutive securities:		
Stock options, restricted stock and restricted stock units	4,000	8,000
Denominator for diluted net income per share - weighted average shares	<u>1,802,000</u>	<u>1,794,000</u>

**2. Revenue Recognition.** Under Accounting Standards Update ("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.



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

### **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 the Company's performance obligations included in its primary revenue streams and the timing or method of revenue recognition for each:

**Display, On-Pack, and Non-POPS Signage Solutions**. The Company supplies CPG manufacturers with retailer approved promotional services, such as display, on-pack, and signage solutions. These services are more customized than POPS, consisting of variable durations and variable specifications. Due to the variable nature of these services, revenue recognition is primarily at a point-in-time recognition.

**POPS Signage Solution Services**. The Company provides a service of displaying promotional signs in close proximity to the CPG manufacturer's product in participating stores, which the Company maintains in two-to-four-week cycle increments.

Each of the individual activities under the Company's 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 the Company and the Company has an enforceable right to payment for services performed to date. As a result, the Company recognizes the transaction price for service performance obligations as revenue over time. Given the nature of the Company's performance obligations is to provide a display service over the duration of a specified period or periods, the Company recognizes revenue on a straight-line basis over the display service period as it best reflects the timing of transfer of its sign solutions.

### **Disaggregation of Revenue**

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

Three months ended March 31	2023	2022
Timing of revenue recognition:		
Services transferred over time	\$ 263,000	\$ 456,000
Services transferred at a point in time	12,568,000	5,692,000
Total	<u>\$12,831,000</u>	<u>\$ 6,148,000</u>

### **Contract Costs**

Sales commissions paid to internal or external sales representatives are eligible for capitalization because 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 Accounting Standards Codification 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.

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**Deferred Revenue**

Deferred revenues represent amounts collected from customers in advance of the satisfaction of performance obligations. Significant changes in deferred revenue during the period are as follows:

Balance at December 31, 2022	\$ 2,427,000
Reclassification of beginning deferred revenue to revenue, as a result of performance obligations satisfied	(2,062,000)
Cash received in advance and not recognized as revenue	1,936,000
Balance at March 31, 2023	<u>\$ 2,301,000</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 its performance obligations. This practical expedient is being applied to arrangements for certain incomplete services and unshipped custom signage materials. Among our contracts with an expected duration of greater than one year, we anticipate that revenue of \$30,000 related to performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2023 will be recognized during the remainder of fiscal 2023.

3. **Leases.** As of March 31, 2023, the Company leases space under a non-cancelable operating lease for its corporate headquarters, which has been renewed through December 31, 2026. The Company also had a lease for warehouse space which expired March 31, 2023. The warehouse lease has been extended on a month-to-month basis effective April 1, 2023. The corporate headquarters lease has escalating lease payment terms but does not contain a contingent rent provision. The leases for both the Company's corporate headquarters and its warehouse include both lease (e.g., fixed payments including rent, taxes, and insurance costs) and non-lease components which are accounted for as a single lease component as the Company has elected the practical expedient to group lease and non-lease components for all leases. The headquarters lease required the Company to provide a letter of credit, which is supported by \$85,000 reflected as restricted cash on the balance sheet.

In December 2022, the Company decided to exercise the lease renewal option for its corporate headquarters, extending the lease term through December 31, 2026. The Company used its incremental borrowing rate of approximately 7.0% in determining the present value of the extended lease payments.

The cost components of the Company's operating leases were as follows for the periods ended March 31, 2023 and 2022:

	Three months ended March 31, 2023		
	Corporate Headquarters	Warehouse	Operating Leases
Operating lease cost	\$ 10,000	\$ 4,000	\$ 14,000
Variable lease cost	5,000	4,000	9,000
Total	<u>\$ 15,000</u>	<u>\$ 8,000</u>	<u>\$ 23,000</u>

  

	Three months ended March 31, 2022		
	Corporate Headquarters	Warehouse	Operating Leases
Operating lease cost	\$ 17,000	\$ 4,000	\$ 21,000
Variable lease cost	10,000	3,000	13,000
Total	<u>\$ 27,000</u>	<u>\$ 7,000</u>	<u>\$ 34,000</u>

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

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Maturities of the Company's lease liabilities for its corporate headquarters and its warehouse operating leases are as follows as of March 31, 2023:

2023	-
2024	52,000
2025	53,000
2026	55,000
Total lease payments	\$ 160,000
Less: Interest	24,000
Present value of lease liabilities	\$ 136,000

The remaining lease term as of March 31, 2023 for the Company's corporate headquarters lease was 3.75 years. The cash outflows for operating leases for the three months ended March 31, 2023 and March 31, 2022 were \$10,000 and \$21,000, respectively.

4. **Income Taxes.** For the three months ended March 31, 2023, the Company recorded income tax expense of \$ 3,000, or 0.2% of income before taxes. For the three months ended March 31, 2022, the Company recorded income tax expense of \$8,000, or 11.4% of income before taxes. The income tax expense for the three months ended March 31, 2023 and 2022 is comprised of federal and state taxes. 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). The actual tax expense attributable to income before taxes differs from the expected tax expense computed by applying the U.S. federal corporate income tax rate of 21.0% as follows:

Three months ended March 31,	2023	2022
Federal statutory rate	21.0%	21.0%
Stock-based awards	(2.5)	(0.7)
State taxes	3.6	3.5
Impact of uncertain tax positions	0.1	11.7
Valuation allowance	(22.6)	(24.8)
Other	0.6	0.7
Effective federal income tax rate	0.2%	11.4%

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, the Company considers tax regulations of the jurisdictions in which it operates, 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 of March 31, 2023, and December 31, 2022, the Company had unrecognized tax benefits totaling \$ 54,000 and \$53,000, 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 \$54,000.

At December 31, 2022, the Company had Federal net operating loss (NOL) to carry forward of approximately \$ 2,900,000. As of March 31, 2023, the Company estimates remaining Federal NOL carryforwards to be approximately \$1,200,000. Federal NOL utilization is limited to 80% of estimated taxable income. The estimated NOL carry forward will be adjusted at year end for actual results.

5. **Concentrations.** During the three months ended March 31, 2023, three customers accounted for 20%, 17% and 13%, respectively, of the Company's total net sales. During the three months ended March 31, 2022, three customers accounted for 27%, 23% and 11%, respectively, of the Company's total net sales. At March 31, 2023, two customers accounted for 47% and 19%, respectively, of the Company's total accounts receivable. At December 31, 2022, three customers represented 20%, 19% and 11%, respectively, of the Company's total accounts receivable.
6. **Legal Proceedings.** The Company is subject to various legal matters in the normal course of business. The outcome of these matters is not expected to have a material effect on the Company's financial position or results of operations.

In July 2019, the Company filed suit against News Corporation, News America Marketing FSI L.L.C., and News America Marketing In-Store Services L.L.C. (collectively, "News America") in the U.S. District Court in Minnesota, alleging violations of federal and state antitrust and tort laws by News America.

On July 1, 2022, the Company entered into a \$20 million settlement agreement with News America. The agreement memorializes the amicable settlement of the Company's outstanding lawsuit against News America.

The agreement resulted in net proceeds before income tax of \$ 12,000,000 for the Company, which was recorded as a gain on litigation settlement in operations during the three months ended September 30, 2022.

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**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, including Part II, Item 1A, in this Quarterly Report on Form 10-Q and the "Risk Factors" described in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, our Current Reports on Form 8-K and our other SEC filings.

## Company Overview

Insignia Systems, Inc. ("Insignia," "we," "us," "our" and the "Company") was incorporated in Minnesota in 1990. We are a leading provider of in-store advertising solutions to brands, retailers, shopper marketing agencies and brokerages ("clients"). We believe our products and services are attractive to our clients because of our ability to navigate the complex retail landscape, to customize our solutions for both our brand and retail partners, to execute with excellence and the results our solutions deliver. Our leadership and employees have extensive industry knowledge, including direct experience through former positions at consumer-packaged goods ("CPG") manufacturers and retailers. We provide marketing solutions to brands spanning from some of the largest multinationals to new and emerging brands.

For retailers and brands working in an environment that is tighter, more competitive, and more complex every day, Insignia positions itself as the shopper marketing ally that combines best-in-class execution with imagination, responsiveness, and hunger to help move business forward. We take the relationships we have with our clients and vendor partnerships very seriously by having our team stretch the extra mile to ensure flawless execution. We sincerely approach our projects with the same passion as our clients do. These relationships are built with our brand-led, retailer centric mindset, our ability to be nimble and flexible to the ever-changing industry landscape and our delivery of superior customer service that our clients deserve. Our in-store solutions are executed in retailers spanning from some of the largest national retailers to regional US wholesalers and independents who are leaders in their respective channels and geographies.

Up until 2020, our primary solution had been in-store signage, specifically Point-Of-Purchase Services (POPS®). The Insignia POPS solution is a national, account-specific, shelf-edge advertising and promotion tactic. Primarily because of competitive pressures, market contraction and reduced spending post the COVID-19 pandemic, our POPS business has declined and will be wound down in 2023. Beginning in 2018, we began developing and offering an expanded portfolio of solutions including on-pack and displays in addition to what was our core business of Insignia POPS. Our expanded portfolio now allows us to meet the needs of brands, retailers and their agents as their business strategies evolve behind an ever-changing retail landscape. Since expanding our portfolio of solutions in 2018, our business results, investments and overall team capabilities are primarily focused on our display and on-pack solutions. With our diversification of business, we recognized over 95% of our revenue from these newer solutions in 2022 and for the three months ended March 31, 2023.

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On July 1, 2022, we entered into a \$20 million settlement agreement with News Corporation, News America Marketing FSI L.L.C., and News America Marketing In-Store Services L.L.C. (collectively, "News America"). The agreement memorializes the amicable settlement of our outstanding lawsuit against News America. The agreement resulted in net proceeds before income tax of \$12,000,000, which was recorded as a net pretax gain from litigation settlement in operations during the three months ended September 30, 2022.

On April 7, 2023 we announced the launch of our non-bank lending platform, through the hiring of a Senior Vice President of Lending with over 20 years of experience in credit and lending. Operations from non-bank lending did not have material impact on business for the three months ended March 31, 2023.

We continue to explore other strategic options to maximize shareholder value. Potential strategic alternatives that may be evaluated include, but are not limited to, an acquisition, merger, business combination, in-licensing, start-up of new business or other strategic initiatives. There can be no assurance that this process will result in any transaction or other initiatives.

## **Business Overview**

### **Summary of Financial Results**

For the quarter ended March 31, 2023, the Company generated revenues of \$12,831,000, as compared with revenues of \$6,148,000 for the quarter ended March 31, 2022. Net income for the quarter ended March 31, 2023 was \$1,648,000, as compared to net income of \$62,000 for the quarter ended March 31, 2022. Revenue from our display and on-pack offerings has increased significantly for the three months ended March 31, 2023 compared to the three months ended March 31, 2022, partially offset by continued declines in our signage business due to competitive pressure, which we expect to continue for the remainder of 2023 as we wind down our POPS business. We continue to pursue a variety of efforts designed to drive innovation, client acquisitions and retailer expansions. The first quarter of the calendar year has historically been the strongest quarter of the year for our display and on-pack revenues. We expect the remaining quarters in 2023 to have significantly less revenue than this first quarter and also expect operating losses in the remaining quarters of the year, and a loss for the full year.

During the quarter ended March 31, 2023, cash and cash equivalents and restricted cash decreased \$3,844,000 from \$14,524,000 at December 31, 2022 to \$10,680,000 at March 31, 2023. The decrease was primarily driven by the increase in net sales for the three months ended March 31, 2023 compared to the three months ended December 31, 2022, resulting in a \$3,770,000 increase in accounts receivable. We have no debt other than our lease obligations at March 31, 2023. Working capital increased \$1,692,000 from \$13,379,000 at December 31, 2022 to \$15,071,000 at March 31, 2023.

## **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	2023	2022
Net sales	100.0%	100.0%
Cost of sales	77.2	79.2
Gross profit	22.8	20.8
Operating expenses:		
Selling	2.8	5.6
Marketing	2.3	4.2
General and administrative	5.7	9.8
Total operating expenses	10.8	19.6
Operating income	12.0	1.2
Other income (expense)	0.9	(0.1)
Income before taxes	12.9	1.1
Income tax expense	0.1	0.1
Net income	12.8%	1.0%



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**Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022**

**Net Sales.** Net sales for the three months ended March 31, 2023 increased 108.7% to \$12,831,000 compared to \$6,148,000 for the three months ended March 31, 2022. The increase was due to a 121% increase in the combination of display and on-pack revenue, partially offset by a 43% decrease in signage revenue. For the three months ended March 31, 2023, display revenue has increased due to securing larger contracts in addition to both an increase in sales to new CPGs and an increase in sales to existing CPGs. Due to sales cycles within the retailers that our display and on-pack solutions execute we anticipate seasonality in sales, with those sales being significantly stronger in the first quarter of the year. Our display business generally consists of larger contracts versus our historical signage business. As a result, our revenue may be prone to variances on both a quarter to quarter and a year over year basis. Competitive pressures have resulted in decreased POPS solutions revenue for three months ended March 31, 2023 versus the three months ended March 31, 2022. We expect POPS revenue will continue to decline in 2023 in comparison to 2022 due to the decision to wind down this product offering during the quarter ending June 30, 2023.

**Gross Profit.** Gross profit for the three months ended March 31, 2023 increased 128.1% to \$2,920,000 compared to \$1,280,000 for the three months ended March 31, 2022. Gross profit as a percentage of total net sales increased to 22.8% for the three months ended March 31, 2023, compared to 20.8% for the three months ended March 31, 2022. The increase in gross profit was primarily due to increased sales.

**Operating Expenses**

**Selling.** Selling expenses for the three months ended March 31, 2023 increased 6.4% to \$364,000 compared to \$342,000 for the three months ended March 31, 2022. The increase in expense was due to higher commissions due to the higher sales, and were partially offset by open sales positions during the quarter. Selling expenses as a percentage of total net sales decreased to 2.8% for the three months ended March 31, 2023 compared to 5.6% for the three months ended March 31, 2022. The decrease was primarily due to increased sales, partially offset by an increase in commissions.

**Marketing.** Marketing expenses for the three months ended March 31, 2023 increased 14.3% to \$296,000 compared to \$259,000 for the three months ended March 31, 2022. Increased marketing expense was primarily the result of increased staff and staff related expenses. Marketing expenses as a percentage of total net sales decreased to 2.3% for the three months ended March 31, 2023 compared to 4.2% for the three months ended March 31, 2022. The decrease was primarily due to increased sales, partially offset by increased staff and staff related expenses.

**General and administrative.** General and administrative expenses for the three months ended March 31, 2023 increased 19.0% to \$721,000 compared to \$606,000 for the three months ended March 31, 2022. The increase was primarily from the comparison to the reduced expense in 2022 from the Director Deferred Compensation Plan due to a reduction in our share price for the three months ended March 31, 2022. General and administrative expenses as a percentage of total net sales decreased to 5.7% for the three months ended March 31, 2023 compared to 9.8% for the three months ended March 31, 2022. The decrease was primarily due to increased sales, partially offset by the factors described above. With the April 7, 2023 announcement of our non-bank lending platform we expect to incur between \$65,000 to \$75,000 of additional expense on a quarterly basis for the duration of 2023.

**Other Income (Expense).** Other income for the three months ended March 31, 2023 was \$112,000 compared to \$3,000 of expense for the three months ended March 31, 2022. Other income in 2023 consisted primarily of interest income from investment in short-term treasury bills.

**Income Taxes.** For the three months ended March 31, 2023, the Company recorded income tax expense of \$3,000, or 0.2% of income before taxes. For the three months ended March 31, 2022, the Company recorded income tax expense of \$8,000, or 11.4% of income before taxes. The income tax expense for the three months ended March 31, 2023 and 2022 is comprised of federal and state taxes. The primary differences between the Company's March 31, 2023 and 2022 effective tax rates and the statutory federal rate are nondeductible stock-based compensation, nondeductible meals and entertainment, as well as changes in the Company's valuation allowance against its deferred tax assets.

The Company reassesses its effective tax rate each reporting period and adjusts the annual effective rate if deemed necessary, based on projected annual taxable income (loss).

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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 are 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 the Company will not realize the full amount of its net deferred tax assets.

As of March 31, 2023, and December 31, 2022, the Company had unrecognized tax benefits totaling \$54,000 and \$53,000, 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 \$54,000.

At December 31, 2022, the Company had Federal net operating loss (NOL) to carry forward of approximately \$2,900,000. As of March 31, 2023 the Company estimates remaining Federal NOL carryforwards to be approximately \$1,200,000. The federal NOL utilization is limited to 80% of estimated taxable income. The estimated NOL carryforward will be adjusted at year end for actual results.

**Net Income.** For the reasons stated above, net income for the three months ended March 31, 2023 was \$1,648,000, compared to net income of \$62,000 for the three months ending March 31, 2022. As discussed in the sales section, we anticipate seasonality in sales, with sales being lower in the remaining quarters of the year, resulting in expected losses for the remaining quarters in 2023 and a loss for the full year.

## **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, 2023, working capital was \$15,071,000 (defined as current assets less current liabilities) compared to \$13,379,000 at December 31, 2022. During the three months ended March 31, 2023 cash and cash equivalents and restricted cash decreased \$3,844,000 from \$14,524,000 at December 31, 2022 to \$10,680,000 at March 31, 2023.

**Operating Activities.** Net cash used by operating activities during the three months ended March 31, 2023 was \$3,846,000. Net income of \$1,648,000,

plus non-cash adjustments of \$56,000, was more than offset by changes in operating assets and liabilities of \$5,550,000 which resulted in the \$3,846,000 of cash used by operating activities. The non-cash adjustments consisted of depreciation expense, changes in allowance for doubtful accounts and stock-based compensation expense. The largest component of the change in operating assets and liabilities was accounts receivable which increased \$3,770,000 from December 31, 2022. The increase was a result of increased net sales for the three months ended March 31, 2023 compared to the fourth quarter of 2022. In the normal course of business, our accounts receivable, accounts payable, accrued liabilities, deferred revenue and prepaid production costs 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, 2023 was \$6,000, which related to purchases of property and equipment.

**Financing Activities.** Net cash provided by financing activities during the three months ended March 31, 2023 was \$8,000, which related to proceeds received from issuance of common stock under the employee stock purchase plan.

Cash and cash equivalents plus restricted cash at March 31, 2023 was \$10.7 million. The Company believes that based upon current business conditions and plans, its cash and cash equivalents balances will be sufficient for its cash requirements for at least the next 12 months.

Depending on the outcome of our strategic alternative process we may be required to finance this process through equity offerings or debt financings. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our shareholders will be diluted, and the terms of those securities may include liquidation or other preferences that adversely affect the rights of our shareholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Additional capital may not be available when needed, on reasonable terms, or at all, and our ability to raise additional capital may be adversely impacted by potential worsening global economic conditions and the recent disruptions to and volatility in the credit and financial markets in the U.S. and worldwide. If we are unable to raise additional funds when needed we may not be able to complete transactions related to the strategic alternatives process.

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**Critical Accounting Estimates**

Our discussion of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. During the preparation of these financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, net sales, costs and expenses and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions, including those related to allowance for doubtful accounts, income taxes, sales tax, and stock-based compensation expense. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The results of our analysis form the basis for making assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and the impact of such differences may be material to our financial statements.

Our significant accounting policies are described in Note 1 to the annual financial statements included in Part II, Item 8 of our Annual Report on Form 10-K as of and for the year ended December 31, 2022, filed with the Securities and Exchange Commission on March 9, 2023. We believe our most critical accounting estimates include the following:

- allowance for doubtful accounts;
- sales taxes;
- income taxes; and
- stock-based compensation expense.

**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 “anticipate,” “believe,” “could,” “estimate,” “expect,” “future,” “likely,” “may,” “plan,” “project,” “will” 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; (ii) that we expect the remaining quarters in 2023 to have significantly less revenue than this first quarter and also expect operating losses in the remaining quarters of the year, and a loss for the full year; (iii) we anticipate seasonality in sales, with those sales being significantly stronger in the first quarter of the year and (iv) that we expect fluctuations in accounts receivable and payable, accrued liabilities, revenue deferrals and prepaid production costs. 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.

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Factors that could cause our estimates and assumptions as to future performance, and our actual results, to differ materially include the following: (i) local, regional, national, and international economic conditions that have deteriorated including the risks of a global recession or a recession in one or more of our key markets, and the impact they may have on us and our customers and our assessment of that; (ii) impacts of a pandemic including the duration, spread, severity, and any recurrence of the COVID-19 pandemic, the duration and scope of related government orders and restrictions, the impact on our employees, and the extent of the impact of a pandemic on overall demand for our products and services; (iii) management's ability to fully or successfully implement its business plan to achieve and maintain increased sales and resultant profitability in the future; (iv) the Company's success in developing and implementing new product offerings, in a successful manner; (v) prevailing market conditions, including pricing and other competitive pressures, in the in-store advertising industry and, intense competition for agreements with CPG retailers and manufacturers; (vi) potentially incorrect assumptions by management with respect to the financial effect of current strategic decisions and the effect of current sales trends on fiscal year 2023 results; (vii) termination of all or a major portion of, or a significant change in terms and conditions of, a material agreement with a CPG manufacturer or retailer; (viii) other economic, business, market, financial, competitive and/or regulatory factors affecting the Company's business generally; (ix) our ability

to successfully manage our IT operating infrastructure outsourcing arrangement; (x) our ability to attract and retain highly qualified managerial, operational and sales personnel; and (xi) our ability to develop and operate our non-bank lending business. 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, 2022 and this Quarterly Report on Form 10-Q, and 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**

#### **Evaluation of Disclosure Controls and Procedures**

The Company maintains 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) that are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

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 and its principal accounting 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, Kristine Glancy, principal executive officer and principal financial officer and Zackery Weber, principal accounting officer concluded that the Company's disclosure controls and procedures as of March 31, 2023 were effective.

#### **Changes in Internal Control Over Financial Reporting**

No changes in the Company's internal control over financial reporting occurred during the first quarter of 2023 that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting.



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## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

A description of our legal proceedings, if any, is contained in Note 6 of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, incorporated herein by reference.

### **Item 1A. Risk Factors**

Except as set forth below there have been no material changes in our risk factors from those previously disclosed in Part 1, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022.

#### **RISKS RELATING TO OUR NEW BUSINESS**

##### ***Our new lending platform has limited history.***

Our Non-Bank Lending Platform (our "Lending Platform") is recently formed and has no operating history and has generated no revenues. This lack of operating history makes it difficult to evaluate our future prospects and the risks and challenges we may encounter. There is no assurance that we can generate revenues in the non-bank lending marketplace, and even if revenues are generated there is no assurance that we can earn a profit from this new business. Because our Lending Platform's business activities are in a very early stage, we can neither predict all potential risks nor assess the potential effects of those risks on our Lending Platform's business, operating results, and financial condition or how much any factor, or combination of factors, could have an adverse effect on our business, results of operations and financial condition.

##### ***Non-bank lending involves a substantial risk of loss.***

Our Lending Platform intends to assume the ultimate credit risk of borrower defaults on its future planned loan assets, and Our Lending Platform's earnings, which come from net interest income and fees on those assets, depend significantly on their performance. Widespread and sustained repayment shortfalls on loans in Our Lending Platform's portfolio could result in losses, particularly if the value of the available collateral does not cover Our Lending Platform's exposure, and could materially and adversely affect Our Lending Platform's business, operations, operating results, financial condition, liquidity, or capital levels.

#### **RISKS RELATED TO ECONOMY AND MARKET CONDITIONS**

##### ***Market conditions may restrict or delay desirable non-bank lending opportunities.***

Our Lending Platform's business, operating results, financial condition, and capital levels may be materially and adversely affected by external factors that may affect the price or marketability of our Lending Platform's planned products and services or our Lending Platform's ability to offer its products and services, including, but not limited to:

- disruptions in the debt or equity capital markets;
- competitive pressures in our Lending Platform's loan;
- changes in interest rates that may increase our Lending Platform's funding costs; and
- market or customer perception of our Lending Platform's reputation.

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## **OPERATIONAL RISKS**

***Our non-bank lending platform and related operations require development of new processes and controls.***

Our Lending Platform is exposed to operational risk due to the complex nature of its planned business operations and the processes and systems used to undertake its business activities and comply with regulatory requirements. Operational risks specific to our Lending Platform include the risks of loss resulting from:

- inadequate or failed internal processes, systems, cybersecurity program, or infrastructure;
- Our Lending Platform's inability to successfully implement enhancements to any of these or migrate to new systems or infrastructure;

- failed execution, including based on human error;
- inadequate or failed internal controls or processes to detect or prevent fraud or other violations of law or regulations; or
- external events, including a disruption involving physical site access, cyber incidents, catastrophic events, natural disasters, terrorist activities, or disease pandemics.

Any of the foregoing could have an adverse effect on our ability to conduct our non-bank lending business, and our results of operations and financial condition

***The success of our non-bank lending platform initially will depend on one or a small number of employees.***

Our Lending Platform will rely on its employee's breadth and depth of knowledge of lending platforms and related industries to run its planned business operations successfully. If our Lending Platform cannot retain and attract motivated and qualified employees or does not have adequate human capital to achieve its business objectives, our Lending Platform's business performance, operations, financial condition, or reputation could be materially adversely affected.

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

None.

**Item 3. Defaults upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

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**Item 6. Exhibits**

Exhibit Number	Description	Method of Filing
<a href="#">3.1</a>	<a href="#">Restated Articles of Incorporation (effective as of January 4, 2021)</a>	Exhibit 3.1 to Current Report filed January 6, 2021
<a href="#">3.2</a>	<a href="#">Composite Bylaws, as amended through December 5, 2015</a>	Exhibit 3.2 to Annual Report on Form 10-K for the year ended December 31, 2015
<a href="#">10.1*</a>	<a href="#">Retention Agreement with Adam D. May dated January 13, 2023</a>	Exhibit 10.1 to Form 8-K filed January 19, 2023
<a href="#">10.2*</a>	<a href="#">Retention Agreement with Zackery A. Weber dated January 13, 2023</a>	Exhibit 10.2 to Form 8-K filed January 19, 2023
<a href="#">10.3*</a>	<a href="#">Employment Agreement with Randy Uglem dated March 31, 2023</a>	Filed Electronically
<a href="#">31.1</a>	<a href="#">Certification of Principal Executive and Financial Officer</a>	Filed Electronically
<a href="#">31.2</a>	<a href="#">Certification of Principal Accounting Officer</a>	Filed Electronically
<a href="#">32</a>	<a href="#">Section 1350 Certification</a>	Furnished Electronically
101	The following materials from Insignia Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, formatted in inline 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

\*Denotes a management contract or compensatory plan or arrangement required to be filed as an exhibit to this report.

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**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 11, 2023

/s/ Kristine A. Glancy

Kristine A. Glancy

President and Chief Executive Officer

(on behalf of registrant and as principal financial officer)

Dated: May 11, 2023

/s/ Zackery A. Weber

Zackery A. Weber

Vice President of Finance

(principal accounting officer)



**EMPLOYMENT AGREEMENT**

This Employment Agreement ("Agreement") is made effective as of March 31, 2023 ("Effective Date") by and between Insignia Systems, Inc., a Minnesota corporation (the "Corporation") and Randy Uglem, an individual residing in Minnesota ("Employee") (collectively "Parties" or individually "Party").

**RECITALS**

**WHEREAS**, the Corporation desires to employ Employee, and Employee desires to be employed by the Corporation; and

**WHEREAS**, the Corporation and Employee desire to enter into this Agreement, which will govern the terms of Employee's employment with the Corporation.

**NOW, THEREFORE**, in consideration of the employment of Employee by the Corporation, and further in consideration of the salary, wages or other compensation and benefits to be provided by the Corporation to Employee, and for additional mutual covenants and conditions, the receipt and sufficiency of which are hereby acknowledged, the Corporation and Employee, intending legally to be bound, hereby agree as follows:

**AGREEMENT**

In consideration of the above recitals and the mutual promises set forth in this Agreement, the Parties agree as follows:

**1. Nature and Capacity of Employment.**

**1.1 Title and Duties.** Effective as of Effective Date, the Corporation will employ Employee as its Senior Vice President of Lending, or such other title as may be assigned to Employee by the Corporation's Board of Directors (the "Board") or its designee from time to time, pursuant to the terms and conditions set forth in this Agreement. Employee will perform such duties and responsibilities for the Corporation as the Board or its designee may assign to Employee from time to time consistent with Employee's position. Employee shall serve the Corporation faithfully and to the best of Employee's ability and shall at all times act in accordance with the law. Employee shall devote Employee's full working time, attention and efforts to performing Employee's duties and responsibilities under this Agreement and advancing the Corporation's business interests. Employee shall follow applicable policies and procedures adopted by the Corporation from time to time, including those relating to business ethics, conflict of interest and non-discrimination. Employee shall not, without the prior written consent of the Board accept other employment or engage in other business activities during Employee's employment with the Corporation that may prevent Employee from fulfilling the duties or responsibilities as set forth in or contemplated by this Agreement.

**1.2 Location.** Employee's employment will be based at the Corporation's corporate headquarters. Employee acknowledges and agrees that Employee's position, duties and responsibilities will require regular travel, both in the U.S. and internationally.

**2. Term.** Unless terminated at an earlier date in accordance with Section 6, the term of Employee's employment with the Corporation under the terms and conditions of this Agreement will be for the period commencing on the Effective Date and ending on the two (2) year anniversary of the Effective Date (the "Initial Term"). On the two (2) year anniversary of the Effective Date, and on each succeeding one-year anniversary of the Effective Date (each an "Anniversary Date"), the Term shall be automatically extended until the next Anniversary Date (each a "Renewal Term"), subject to termination on an earlier date in accordance with Section 6 or unless either Party gives written notice of non-renewal to the other Party at least ninety (90) days prior to the Anniversary Date on which this Agreement would otherwise be automatically extended that the Party providing such notice elects not to extend the Term. The Initial Term together with any Renewal Terms is the "Term." If Employee remains employed by the Corporation after the Term ends for any reason, then such continued employment shall be according to the terms and conditions established by the Corporation from time to time (provided that any provisions of this Agreement and the Restrictive Covenants Agreement (as defined in Section 3) that by their terms survive the termination of the Term shall remain in full force and effect).

3. Restrictive Covenants Agreement. Simultaneous with Employee's execution of this Agreement, Employee is entering into a Non-Solicitation and Confidentiality Agreement in the form of Exhibit A attached hereto and made a part hereof (the "Restrictive Covenants Agreement"), and Employee acknowledges and agrees that the Corporation's execution of this Agreement and agreement to employ Employee are conditioned upon Employee executing the Restrictive Covenants Agreement and agreeing to Employee's commitments and obligations under the Restrictive Covenants Agreement. Nothing in this Agreement is intended to modify, amend, cancel or supersede the Restrictive Covenants Agreement in any manner.

4. Compensation, Benefits and Business Expenses.

4.1 Base Salary. As of the Effective Date, the Corporation agrees to pay Employee an annualized base salary of \$200,000.00 or such increased amount as the Board may from time to time determine (hereinafter referred to as the "Base Salary"); provided however, that the Base Salary may be reduced by no more than fifteen percent (15%) in connection with an across-the-board salary reduction by the Corporation similarly effecting all senior executives of the Corporation. The Base Salary will be earned by Employee on a pro rata basis as Employee performs services and which shall be paid according to the Corporation's normal payroll practices. Such Base Salary will be reviewed at least annually by the Board pursuant to the Corporation's normal performance review policies for senior executives.

4.2 Annual Incentive Compensation. For each of the Corporation's fiscal years during the Term, beginning with the 2023 fiscal year, Employee shall be eligible to receive a target annual cash incentive compensation of forty-five percent (45%) of the Base Salary, as determined by the Board in its sole discretion based on achievement of performance targets as proposed by management and approved by the Board, subject to the terms of any written document addressing such annual cash incentive compensation as the Board may adopt in its sole discretion. For the Corporation's fiscal year 2023, the Board will establish performance targets on or before June 15, 2023, and Employee's target annualized cash incentive compensation will be prorated based on the period of Employee's employment with the Corporation from the Effective Date through December 31, 2023. Performance targets for future annual cash incentive compensation will be determined by the Board in its discretion. Unless specified otherwise in a written annual cash incentive compensation document applicable to Employee, if cash incentive compensation is earned in accordance with this Section 4.2, it will be paid to Employee by the Corporation regardless of whether Employee is employed by the Corporation on the payment date, with such payment date being no later than March 15 of the calendar year immediately following the calendar year in which Employee earns a bonus in accordance with this Section 4.2.

4.3 Employee Benefits. While Employee is employed by the Corporation during the Term, Employee shall be entitled to participate in the retirement plans, equity compensation plans, health plans, and all other employee benefits made available by the Corporation, and as they may be changed from time to time. Employee acknowledges and agrees that Employee will be subject to all eligibility requirements and all other provisions of these benefits plans, and that the Corporation is under no obligation to Employee to establish and maintain any employee benefit plan in which Employee may participate. The terms and provisions of any employee benefit plan of the Corporation are matters within the exclusive province of the Board, subject to applicable law.

4.4 Paid Time Off. While Employee is employed by the Corporation during the Term, Employee shall be eligible for up to four (4) weeks of paid time off in accordance with the Corporation's policies then in effect. Paid time off may be used for illness or other personal business, or as vacation time off at such times so as not to materially disrupt the operations of the Corporation, or as required under applicable law.

4.5 Business Expenses. While Employee is employed by the Corporation during the Term, the Corporation shall reimburse Employee for all reasonable and necessary out-of-pocket business, travel and entertainment expenses incurred by Employee in the performance of Employee's duties and responsibilities hereunder, subject to the Corporation's normal policies and procedures for expense verification and documentation.

5. Recoupment. In the event of a restatement of the Corporation's financial results (other than a prophylactic or voluntary restatement due to a change in applicable accounting rules or interpretations) due to material noncompliance with financial reporting requirements, with respect to any compensation granted (whether already paid or only calculated as payable and yet to be paid) to Employee if the Board determines in good faith that such compensation was awarded (or in the case of unpaid compensation, determined for award) based on such material noncompliance then the Board or a committee thereof comprised of independent (as defined under the rules of any national securities exchange on which security of the Corporation is listed) Board members shall be entitled on behalf of the Corporation to recover all of Employee's compensation (or in the case of unpaid compensation, to reduce such compensation) based on the erroneous financial data in excess of what would have been paid (or in the case of unpaid compensation, what should be paid) to Employee under the accounting restatement. Such recovery period shall comprise up to the three (3) completed fiscal years preceding the date on which the Corporation is required to prepare the accounting restatement.

In determining whether to seek recovery of compensation, the Board or applicable committee thereof may take into account any considerations it deems appropriate, including whether the assertion of a claim may violate applicable law or adversely impact the interests of the Corporation in any related proceeding or investigation and the extent to which Employee was responsible for the error that resulted in the restatement. This Section 5 shall be deemed amended to the extent reasonably necessary to conform to any applicable law, stock exchange rule, or to any Corporation recoupment policy adopted by the Board for its senior executives.

#### 6. Termination of Employment.

##### 6.1 Termination of Employment Events. Employee's employment with the

Corporation is at-will. Employee's employment with the Corporation will terminate as follows:

- (a) Upon the effective date following written notice from the Corporation of the termination of Employee's employment as specified herein;
- (b) Upon Employee's abandonment of Employee's employment or the effective date of Employee's resignation for any reason;
- (c) After thirty (30) days' advance written notice to Employee by the Corporation of termination of Employee's employment for Employee's Disability (as defined below); or
- (d) Immediately upon Employee's death.

6.2 Termination Date. The date upon which Employee's termination of employment with the Corporation is effective is the "Termination Date." For purposes of Section 7.1 only, with respect to the timing of the Severance Payments and the Benefits Continuation Payments, the Termination Date means the date on which a "separation from service" has occurred for purposes of Section 409A of the Internal Revenue Code, as amended, and the regulations and guidance thereunder (the "Code").

7. Payments Upon Termination of Employment.

7.1 Termination of Employment by the Corporation Without Cause or by Employee for Good Reason. If Employee's employment with the Corporation is terminated during the Term by the Corporation for any reason other than for Cause (as defined in Section 7.3), or if Employee's employment with the Corporation is terminated during the Term by Employee for Good Reason (as defined in Section 7.5), then the Corporation shall, in addition to paying Employee's Base Salary and other compensation and benefits earned through the Termination Date, and subject to Section 7.7,

(a) pay to Employee as severance pay an amount equal to the sum of (i) fifty percent (50%) of Employee's annualized Base Salary as of the Termination Date, less all legally required and authorized deductions and withholdings, payable in substantially equal installments in accordance with the Corporation's regular payroll cycle during the six (6) month period immediately following the Termination Date, provided, however, that any installments that otherwise would be payable on the Corporation's regular payroll dates between the Termination Date and the 45<sup>th</sup> calendar day after the Termination Date will be delayed until the Corporation's first regular payroll date that is after the expiration of all rescission periods identified in the Release (as defined in Section 7.7) but in no event later than seventy-five (75) days after the Termination Date and included with the installment payable on such payroll date (the "Severance Payments"); and

(b) if Employee is eligible for and takes all steps necessary to continue Employee's group health insurance coverage with the Corporation following the Termination Date (including completing and returning the forms necessary to elect COBRA coverage), pay for the portion of the premium costs for such coverage that the Corporation would pay if Employee remained employed by the Corporation, at the same level of coverage that was in effect as of the Termination Date, through the earliest of: (i) the six (6) month anniversary of the Termination Date, (ii) the date Employee becomes eligible for group health insurance coverage from any other employer, or (iii) the date Employee is no longer eligible to continue Employee's group health insurance coverage with the Corporation under applicable law (the "Benefits Continuation Payments").

7.2 Other Termination of Employment Events. If Employee's employment with the Corporation is terminated by the Corporation or Employee for any reason upon or following the expiration of the Term, or if Employee's employment with the Corporation is terminated during the Term by reason of:

(a) Employee's abandonment of Employee's employment or Employee's resignation for any reason other than Good Reason;

(b) termination of Employee's employment by the Corporation for Cause; or

(c) Employee's death or Disability,

then the Corporation shall pay to Employee or Employee's beneficiary or Employee's estate, as the case may be, Employee's Base Salary and other compensation earned through the Termination Date and Employee shall not be eligible or entitled to receive any severance pay or benefits from the Corporation.

7.3 Cause Defined. "Cause" hereunder means:

- (a) Employee's material failure to perform Employee's job duties competently as reasonably determined by the Board;
- (b) gross misconduct by Employee which the Board determines is (or will be if continued) demonstrably and materially damaging to the Corporation;
- (c) fraud, misappropriation, or embezzlement by Employee;
- (d) conviction of a felony crime or a crime of moral turpitude;
- (e) conduct in the course of employment that the Board determines is unethical; or
- (f) the material breach of this Agreement or the Restrictive Covenants Agreement by Employee.

With respect to Section 7.3(a), Section 7.3(b) and Section 7.3(e), the Corporation shall first provide Employee with written notice and an opportunity to cure such breach, if curable, in the reasonable discretion of the Board, and identify with specificity the action needed to cure within thirty (30) days of Employee's receipt of written notice from the Corporation. If the Corporation terminates Employee's employment for Cause pursuant to this Section 7.3, then Employee shall not be eligible or entitled to receive any severance pay or benefits from the Corporation.

7.4 Disability Defined. "Disability" hereunder means the inability of Employee to perform on a full-time basis, with or without reasonable accommodation, the duties and responsibilities of Employee's employment with the Corporation by reason of Employee's illness or other physical or mental impairment or condition, if such inability continues for an uninterrupted period of at least one hundred (100) days or more during any 360-day period. A period of inability shall be "uninterrupted" unless and until Employee returns to full-time work for a continuous period of at least thirty (30) days. This Section 7.4 does not relieve the Corporation of any duty to reasonably accommodate a qualifying disability under the Americans with Disabilities Act, the Minnesota Human Rights Act, any legal duty under the Family Medical Leave Act, or any of its other duties pursuant to applicable law.

7.5 Good Reason Defined. "Good Reason" hereunder means the initial occurrence of any of the following without Employee's consent: (a) a material and adverse change in Employee's duties, title or position, provided, however, that a change in the Corporation's status as a publicly held corporation filing reports with the Securities and Exchange Commission shall not be deemed to constitute Good Reason hereunder; (b) a reduction of fifteen percent (15%) or more by the Corporation in Employee's Base Salary except for across-the-board salary reductions similarly affecting all senior executive officers of the Corporation; or (c) a material breach by the Corporation of its obligations under this Agreement; provided, however, Good Reason shall not exist unless Employee has provided notice of the existence of the Good Reason condition within ninety (90) days of the date Employee learns of the condition, the Corporation fails to reasonably cure such condition within thirty (30) days after the Corporation's receipt of such notice, and the Termination Date occurs within thirty (30) days after the expiration of the Corporation's cure period.

7.6 The Corporation's Sole Obligation. In the event of termination of Employee's employment, the sole obligation of the Corporation shall be its obligation to make the payments called for by Section 7.1 or Section 7.2 (as applicable), and the Corporation shall have no other obligation to Employee or to Employee's beneficiary or Employee's estate, except for any amounts due under the terms of any employee benefit plans or programs then maintained by the Corporation in which Employee participates.

7.7 Conditions To Receive the Severance Payments and the Benefits Continuation Payments. Notwithstanding the foregoing provisions of this Section 7, the Corporation will not be obligated to make the Severance Payments or the Benefits Continuation Payments under Section 7.1 to Employee unless (a) Employee signs a release of claims in favor of the Corporation in a form to be prescribed by the Corporation (the "Release"), (b) all applicable consideration periods and rescission periods provided by law with respect to the Release have expired without Employee rescinding the Release, and (c) Employee is in strict compliance with the terms of this Agreement and the Restrictive Covenants Agreement and any other written agreement between Employee and the Corporation.

8. Resolution of Disputes. Any claim or dispute arising out of or relating to this Agreement, any other arrangement between Employee and the Corporation, Employee's employment with the Corporation, or any termination thereof (collectively, "Covered Claims") shall (except to the extent otherwise provided in the Restrictive Covenants Agreement with respect to certain requests for injunctive relief) be resolved (x) if mutually agreed by the Corporation and Employee, by confidential mediation with the assistance of an independent mediator selected by mutual agreement of the parties, or (y) if such mediation is not successful or if such mediation is not mutually agreed by the Corporation or Employee, by litigation to occur in the District Court of the Second Judicial District, County of Ramsey, State of the Minnesota or the United States District Court for the District of Minnesota. Each party shall bear its (or his) own costs, including, without limitation, the fees and expenses of its (or his) own attorney, and the fees and expenses of the arbitrator shall be borne equally by each party.

9. Section 409A and Taxes Generally.

9.1 Taxes. The Corporation shall be entitled to withhold on and report the making of such payments as may be required by law as determined in the reasonable discretion of the Corporation. Except for any tax amounts withheld by the Corporation from any compensation that Employee may receive in connection with Employee's employment with the Corporation and any employer taxes required to be paid by the Corporation under applicable laws or regulations, Employee is solely responsible for payment of any and all taxes owed in connection with any compensation, benefits, reimbursement amounts or other payments Employee receives from the Corporation under this Agreement or otherwise in connection with Employee's employment with the Corporation. The Corporation does not guarantee any particular tax consequence or result with respect to any payment made by the Corporation.

9.2 Section 409A. This Agreement is intended to provide for payments that satisfy, or are exempt from, the requirements of Section 409A, including Sections 409A(a)(2), (3) and (4) of the Code and current and future guidance and regulations interpreting such provisions, and should be interpreted accordingly. In furtherance of the foregoing, the provisions set forth below shall apply notwithstanding any other provision in this Agreement:

(a) all payments to be made to Employee hereunder, to the extent they constitute a deferral of compensation subject to the requirements of Section 409A (after taking into account all exclusions applicable to such payments under Section 409A), shall be made no later, and shall not be made any earlier, than at the time or times specified in this Agreement or in any applicable plan for such payments to be made, except as otherwise permitted or required under Section 409A;

(b) the date of Employee's "separation from service", as defined in Section 409A (and as determined by applying the default presumptions in Treas. Reg. §1.409A-1(h)(1)(ii)), shall be treated as the date of Employee's termination of employment for purposes of determining the time of payment of any amount that becomes payable to Employee related to Employee's termination of employment under Section 7.1, and any reference to Employee's "Termination Date" or "termination" of Employee's employment in Section 7.1, shall mean the date of Employee's "separation from service", as defined in Section 409A (and as determined by applying the default presumptions in Treas. Reg. §1.409A-1(h)(1)(ii));

(c) in the case of any amounts payable to Employee under this Agreement that may be treated as payable in the form of "a series of installment payments", as defined in Treas. Reg. §1.409A-2(b)(2)(iii), Employee's right to receive such payments shall be treated as a right to receive a series of separate payments for purposes of Treas. Reg. §1.409A-2(b)(2)(iii);

(d) to the extent that the reimbursement of any expenses eligible for reimbursement or the provision of any in-kind benefits under any provision of this Agreement would be considered deferred compensation under Section 409A (after taking into account all exclusions applicable to such reimbursements and benefits under Section 409A): (i) reimbursement of any such expense shall be made by the Corporation as soon as practicable after such expense has been incurred, but in any event no later than December 31<sup>st</sup> of the year following the year in which Employee incurs such expense; (ii) the amount of such expenses eligible for reimbursement, or in-kind benefits to be provided, during any calendar year shall not affect the amount of such expenses eligible for reimbursement, or in-kind benefits to be provided, in any calendar year; and (iii) Employee's right to receive such reimbursements or in-kind benefits shall not be subject to liquidation or exchange for another benefit;

(e) to the extent any payment or delivery otherwise required to be made to Employee hereunder on account of Employee's separation from service is properly treated as a deferral of compensation subject to Section 409A after taking into account all exclusions applicable to such payment and delivery under Section 409A, and if Employee is a "specified employee" under Section 409A at the time of Employee's separation from service, then such payment and delivery shall not be made prior to the first business day after the earlier of (i) the expiration of six months from the date of Employee's separation from service, or (ii) the date of Employee's death (such first business day, the "Delayed Payment Date"), and on the Delayed Payment Date, there shall be paid or delivered to Employee or, if Employee has died, to Employee's estate, in a single payment or delivery (as applicable) all entitlements so delayed, and in the case of cash payments, in a single cash lump sum, an amount equal to aggregate amount of all payments delayed pursuant to the preceding sentence. Except for any tax amounts withheld by the Corporation from the payments or other consideration hereunder and any employment taxes required to be paid by the Corporation, Employee shall be responsible for payment of any and all taxes owed in connection with the consideration provided for in this Agreement; and

(f) the Parties agree that this Agreement may be amended, as may be necessary to fully comply with, or to be exempt from, Section 409A and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either Party.

10. Miscellaneous.

10.1 Integration. This Agreement, the Restrictive Covenants Agreement and any Equity Awards embody the entire agreement and understanding among the Parties relative to subject matter hereof and combined supersede all prior agreements and understandings relating to such subject matter, including but not limited to any earlier offers to Employee by the Corporation.

10.2 Applicable Law. All matters relating to the interpretation, construction, application, validity and enforcement of this Agreement are governed by the laws of the State of Minnesota without giving effect to any choice or conflict of law provision or rule, whether of the State of Minnesota or any other jurisdiction, that would cause the application of laws of any jurisdiction other than the State of Minnesota.

10.3 Choice of Jurisdiction. Employee and the Corporation consent to jurisdiction of the courts of the State of Minnesota and/or the federal district courts, District of Minnesota, for the purpose of resolving all issues of law, equity, or fact, arising out of or in connection with this Agreement or Employee's employment with the Corporation or the termination of such employment. Any action involving claims for interpretation, breach or enforcement of this Agreement or related to Employee's employment with the Corporation or the termination of such employment shall be brought in such courts. Each party consents to personal jurisdiction over such party in the state and/or federal courts of Minnesota and hereby waives any defense of lack of personal jurisdiction or inconvenient forum.

10.4 Employee's Representations. Employee represents that Employee is not subject to any agreement or obligation that would prevent or limit Employee from entering into this Agreement or that would be breached upon performance of Employee's duties under this Agreement, including but not limited to any duties owed to any former employers not to compete.

If Employee possesses any information that Employee knows or should know is considered by any third party, such as a former employer of Employee's, to be confidential, trade secret, or otherwise proprietary, Employee shall not disclose such information to the Corporation or use such information to benefit the Corporation in any way.

10.5 Counterparts. This Agreement may be executed in several counterparts and as so executed shall constitute one agreement binding on the Parties.



**10.6 Assignment and Successors.** The rights and obligations of the Corporation under this Agreement shall inure to the benefit of and will be binding upon the successors and assigns of the Corporation, provided any such successor or assignee assumes all of the Corporation's obligations under this Agreement. Neither party may, without the written consent of the other party, assign or delegate any of its rights or obligations under this Agreement except that the Corporation may, without any further consent of Employee, assign or delegate any of its rights or obligations under this Agreement to any corporation or other business entity (a) with which the Corporation may merge or consolidate, (b) to which the Corporation may sell or transfer all or substantially all of its assets or capital stock or equity, or (c) any affiliate or subsidiary of the Corporation. After any such assignment or delegation by the Corporation, the Corporation will be discharged from all further liability hereunder and such assignee will thereafter be deemed to be the "Corporation" for purposes of all terms and conditions of this Agreement, including this Section 10.6. Employee may not assign this Agreement or any rights or obligations hereunder. Any purported or attempted assignment or transfer by Employee of this Agreement or any of Employee's duties, responsibilities, or obligations hereunder is void.

**10.7 Modification.** This Agreement shall not be modified or amended except by a written instrument signed by the Parties.

**10.8 Severability.** The invalidity or partial invalidity of any portion of this Agreement shall not invalidate the remainder thereof, and said remainder shall remain in fully force and effect.

**10.9 Opportunity to Obtain Advice of Counsel.** Employee acknowledges that Employee has been advised by the Corporation to obtain legal advice prior to executing this Agreement, and that Employee had sufficient opportunity to do so prior to signing this Agreement.

**10.10 Notice.** For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, postage prepaid, addressed to the respective addresses last given by each party to the other, provided that all notices to the Corporation shall be directed to the attention of the Board Chair. All notices and communications shall be deemed to have been received on the date of delivery thereof or on the third business day after the mailing thereof, except that notice of change of address shall be effective only upon receipt.

**10.11 280G Limitations.** In the event that the severance and other benefits provided for in this Agreement or otherwise payable to Employee (a) constitute "parachute payments" within the meaning of Section 280G of the Code and (b) would be subject to the excise tax imposed by Code Section 4999, then such benefits shall be either be: (i) delivered in full, or (ii) delivered as to such lesser extent which would result in no portion of such severance benefits being subject to excise tax under Code Section 4999, whichever of the foregoing amounts, taking into account the applicable federal, state and local income and employment taxes and the excise tax imposed by Code Section 4999, results in the receipt by Employee, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be subject to excise tax under Code Section 4999. Any determination required under this Section 10.11 will be made in writing by an accounting firm selected by the Corporation or such other person or entity to which the parties mutually agree (the "Accountants"), whose determination will be conclusive and binding upon Employee and the Corporation for all purposes. For purposes of making the calculations required by this Section 10.11, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Code Sections 280G and 4999. The Corporation and Employee shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Corporation shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 10.11. Any reduction in payments and/or benefits required by this Section 10.11 shall occur in the following order: (A) cash payments shall be reduced first and in reverse chronological order such that the cash payment owed on the latest date following the occurrence of the event triggering such

excise tax will be the first cash payment to be reduced; (B) accelerated vesting of stock awards, if any, shall be cancelled/reduced next and in the reverse order of the date of grant for such stock awards (i.e., the vesting of the most recently granted stock awards will be reduced first), with full value awards reversed before any stock option or stock appreciation rights are reduced; and (C) deferred compensation amounts subject to Section 409A shall be reduced last.

*[Signature Page Follows]*

**THIS EMPLOYMENT AGREEMENT** was voluntarily and knowingly executed by the Parties effective as of the Effective Date first set forth above.

**INSIGNIA SYSTEMS, INC.**

Date: 3/31/2023

/s/ Kristine Glancy

By: Kristine Glancy  
Its: President and Chief Executive Officer

**EMPLOYEE:**

Date: 3/31/2023

/s/ Randy Uglem  
Randy Uglem



## CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Kristine A. Glancy, certify that: President and Chief Executive Officer

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 11, 2023

/s/ Kristine A. Glancy  
Kristine A. Glancy  
(principal executive officer and principal financial officer)

## CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Zackery A. Weber, 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 11, 2023

/s/ Zackery A. Weber  
Zackery A. Weber  
Vice President of Finance  
(principal 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, 2023, 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 11, 2023

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

Date: May 11, 2023

/s/ Zackery A. Weber  
Zackery A. Weber  
Vice President of Finance  
(principal accounting officer)