

INSIGNIA SYSTEMS INC/MN
Form PRE 14A
May 21, 2018

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

Insignia Systems, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PRELIMINARY PROXY STATEMENT – SUBJECT TO COMPLETION
8799 Brooklyn Blvd., Minneapolis, MN 55445

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD JULY 20, 2018

To the Shareholders of Insignia Systems, Inc.:

Notice is hereby given that the Annual Meeting of Shareholders of Insignia Systems, Inc. (the “Company”), a Minnesota corporation, will be held on Friday, July 20, 2018, at 9:00 a.m., Central Time, at the Minneapolis Marriott West, located at 9960 Wayzata Boulevard, Minneapolis, Minnesota for the following purposes:

1.
To elect six nominees named in our proxy statement to serve as directors;
2.
To approve, by non-binding vote, the Company’s executive compensation;
3.
To ratify the appointment of Baker Tilly Virchow Krause, LLP as the independent registered public accounting firm for the year ending December 31, 2018;
4.
To approve the Insignia Systems, Inc. 2018 Equity Incentive Plan;
5.
To approve the Insignia Systems, Inc. Employee Stock Purchase Plan as amended and restated May 21, 2018;
6.
To approve voting rights under the Minnesota Control Share Acquisition Act; and
7.
To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this Notice.

The Board of Directors has set the close of business on May 21, 2018 as the record date for the determination of shareholders entitled to notice of and to vote at the meeting.

All shareholders are cordially invited to attend the meeting in person. However, to ensure your representation at the meeting, you are urged to vote by Internet, by telephone, or if the proxy materials were mailed to you, by completing, signing and mailing the enclosed proxy card.

By Order of the Board of Directors

Kristine Glancy
President and Chief Executive Officer

Important Notice Regarding Availability of Proxy Materials for the
Shareholder Meeting to Be Held on July 20, 2018:

The Proxy Statement and the Annual Report are available free of charge at:

PRELIMINARY PROXY STATEMENT – SUBJECT TO COMPLETION

PROXY STATEMENT
FOR
2018 ANNUAL MEETING OF SHAREHOLDERS

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PRELIMINARY PROXY STATEMENT – SUBJECT TO COMPLETION

Annual Meeting of Shareholders
July 20, 2018

PROXY STATEMENT

GENERAL INFORMATION

This proxy statement is furnished to the shareholders of Insignia Systems, Inc. (the “Company”) in connection with the solicitation of proxies by the Board of Directors (the “Board”) to be voted at the Annual Meeting of Shareholders (the “Annual Meeting”) to be held on July 20, 2018, and at any adjournment of the meeting.

Important Notice Regarding the Internet Availability of Proxy Materials
for the Annual Meeting to be Held on July 20, 2018

In accordance with rules and regulations adopted by the U.S. Securities and Exchange Commission (the “SEC”), we are furnishing our proxy materials on the Internet. “Proxy materials” means this Proxy Statement, our Annual Report for the fiscal year ended December 31, 2017 and any amendments or updates to these documents. A Notice Regarding the Availability of Proxy Materials (“Notice of Internet Availability”) will be mailed to shareholders on or about June 1, 2018. The Notice of Internet Availability contains instructions on how to access our Proxy Statement and Annual Report and how to vote via the Internet, by telephone or by mail.

What is the purpose of the Annual Meeting and what are the board’s recommendations?

At our annual meeting, shareholders will vote on the following items of business:

Item of Business	Board Recommendation
1. Election of six directors	FOR each nominee
2. Advisory, non-binding vote, to approve the Company’s executive compensation	FOR
3. Ratification of Independent Registered Public Accounting Firm	FOR
4. Approval the Insignia Systems, Inc. 2018 Equity Incentive Plan	FOR
5. Approval of the Insignia Systems, Inc. Employee Stock Purchase Plan as amended and restated May 21, 2018	FOR
6. Approval of voting rights to certain shares under the Minnesota Control Share Acquisition Act	NEUTRAL

If any other matters properly come before the Annual Meeting or any adjournment or postponement thereof, then the shares represented by the proxies solicited by the Board may be voted by the persons named therein at their discretion.

Who is entitled to vote at the meeting?

As of the record date, May 21, 2018, there were _____ shares of common stock, par value \$.01 per share, outstanding and entitled to vote at the Annual Meeting. Pursuant to the Company’s Articles of Incorporation, each outstanding share of common stock is entitled to one vote. However, as described more fully in Proposal 6, to the Company’s

knowledge, of the shares outstanding as of the record date were owned by Air T, Inc. (“Air T”), Groveland Capital LLC, and Nicholas J. Swenson (collectively, the “Shareholder Group”), of which are subject to the voting restrictions set forth in Subdivision 4a of the Minnesota Control Share Acquisition Act, Section 302A.671 of the Minnesota Statutes (the “CSAA”). Such shares

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are referred to in Proposal 6 as the “Shares Subject to the CSAA.” Only shareholders of record at the close of business on the record date, are entitled to vote at the Annual Meeting and at any adjournment or postponement thereof. See “How many shares must be present to establish a quorum and hold the meeting?” below for a discussion of quorum.

What is the difference between a “shareholder of record” and a shareholder who holds the stock in “street name”?

Shareholder of Record. If your shares are registered directly in your name with our transfer agent, EQ Shareowner Services, you are considered, with respect to those shares, a “shareholder of record” (also known as a “registered shareholder”). The proxy materials will be sent directly to you by us or our representative.

Beneficial Owner. If your shares are held in a brokerage account or by another nominee, your shares are said to be held in “street name” and you are considered the beneficial owner of the shares. Technically, the bank or broker is the shareholder of record with respect to those shares. In this case, the proxy materials will be forwarded to you by your broker, bank or other financial institution or its designated representative. Through this process, your bank or broker will collect the voting instructions from all their respective customers who hold our shares, including you, and then submits those votes to us.

How do I vote my shares?

If you are a shareholder who holds the stock in street name, you must vote your shares using the method provided by your broker, bank, trust or other designee, which is similar to the voting procedure for shareholders of record outlined below. You will receive a voting instruction form (not a proxy card) to use to direct your broker, bank, trust or other designee how to vote your shares.

If you are a shareholder of record, you can submit a proxy to be voted at the meeting in the following ways:

Vote by Internet: To vote over the internet, go to www.proxyvote.com. You must enter your Control Number that appears on your Notice of Internet Availability or proxy card that was mailed to you and follow the instructions. The steps have been designed to authenticate your identity, allow you to give voting instructions, and confirm that those instructions have been recorded properly.

Vote by Telephone: To vote over the telephone, call the toll-free number on the Notice of Internet Availability that was mailed to you. You must enter your Control Number that appears on your Notice of Internet Availability or proxy card and then follow the instructions. The steps have been designed to authenticate your identity, allow you to give voting instructions, and confirm that those instructions have been recorded properly.

Vote by Mail: You can vote by mail by requesting a paper copy of the materials, which will include a proxy card. Mark, sign, date and return the proxy card in the postage-paid envelope provided.

Vote in Person: If you choose to vote your shares in person at the meeting, you must request a “legal proxy.” To do so, please follow the instructions at www.proxyvote.com or request a paper copy of the materials, which will contain the appropriate instructions. You may also request a paper or email copy of the documents by calling 1-800-579-1639 or email your request to: sendmaterial@proxyvote.com.

Any proxy may be revoked at any time before it is voted by written notice, mailed or delivered to the Company, or by revocation in person at the Annual Meeting. If not so revoked, the shares represented by such proxy will be voted in the manner directed by the shareholder. If no direction is made, signed proxies received from shareholders will be voted in accordance with the Board’s recommendations.

Notwithstanding the foregoing, to enable compliance with the requirements of the CSAA, the Company is requiring that all holders of Interested Shares vote in person by ballot at the meeting. “Interested Shares” are those shares beneficially owned by (i) the Shareholder Group, (ii) any officer of the Company, and (iii) any employee of the Company who is also a director of the Company. The ballot that will be used for voting at the meeting by holders of Interested Shares will include a representation stating that such holder has not submitted a proxy, either directly or through a broker, for such shares or otherwise voted or attempted to vote such shares at the Annual Meeting.

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How many shares must be present to hold the meeting?

Under Minnesota law and our Bylaws, a majority of the voting power of the shares entitled to vote at the Annual Meeting represent a quorum for the transaction of business. Votes cast by proxy or in person at the Annual Meeting will be tabulated at the Annual Meeting to determine whether or not a quorum is present. To calculate whether a quorum is present, the total number of shares present and entitled to vote at the meeting will be divided by the total number of shares outstanding and authorized to vote under the Company's Articles of Incorporation. The Company will include the Shares Subject to the CSAA in the denominator, but not in the numerator. Additionally, abstentions (other than abstentions by the holder of Shares Subject to the CSAA, which are not considered present for quorum purposes) and Broker Non-votes (as defined below) will be treated as not having voted for purposes of determining the approval of the applicable matter but will be deemed present and counted in the numerator when determining whether a quorum is present at the meeting.

How many votes are required to approve the proposals?

Unless a larger proportion or number is required under the Company's Articles of Incorporation or Minnesota law, each item of business properly presented at a meeting of shareholders at which a quorum is present must be approved by the affirmative vote of the holders of the greater of (i) a majority of the voting power of the shares present, in person or by proxy, and entitled to vote on that item of business, or (ii) a majority of the voting power of the minimum number of the shares entitled to vote that would constitute a quorum for the transaction of business at the meeting (each a "Majority Vote").

Item of Business	Vote Requirement
1. Election of six directors	Plurality Vote
2. Advisory, non-binding vote, to approve the Company's executive compensation	More FOR than AGAINST
3. Ratification of Independent Registered Public Accounting Firm	Majority Vote
4. Approval the Insignia Systems, Inc. 2018 Equity Incentive Plan	Majority Vote
5. Approval of the Insignia Systems, Inc. Employee Stock Purchase Plan as amended and restated May 21, 2018	Majority Vote
6. Approval of voting rights to certain shares under the Minnesota Control Share Acquisition Act	See Below

For Proposal 1, directors are elected by the affirmative vote of the holders of a plurality of the shares present and entitled to vote. Shareholders are not entitled to cumulate their votes for the election of directors. The Shares Subject to the CSAA are not entitled to vote on this proposal.

Proposal 2 is an advisory, non-binding vote, and will be deemed approved if the number of votes cast "for" exceeds the number of votes cast "against." Abstentions and broker non-votes will have no effect on this proposal. The Shares Subject to the CSAA are not entitled to vote on this proposal.

Proposals 3 through 5, must be approved by a Majority Vote. The Shares Subject to the CSAA are not entitled to vote on these proposals.

For Proposal 6, to accord voting power to the Shares Subject to the CSAA, both of the following votes are required:

1.

The affirmative vote of the holders of a majority of the voting power of all shares entitled to vote, including, for purposes of this vote, the Shares Subject to the CSAA and all other Company shares beneficially owned by the Shareholder Group (the “First Approval”); and

2.

The affirmative vote of the holders of a majority of the voting power entitled to vote, excluding the voting power of Interested Shares (the “Second Approval”). “Interested Shares” are those shares beneficially owned by (i) the Shareholder Group, (ii) any officer of the Company, and (iii) any employee of the Company who is also a director of the Company.

Broker Non-votes and abstentions will have the same effect as a vote against Proposals 3, 4, 5 and 6 (for both the First Approval and the Second Approval).

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What is the effect of not instructing my bank or broker how to vote my shares?

If you are a shareholder of record, and you do not cast your vote, no votes will be cast on your behalf on any proposals at the Annual Meeting.

If you hold your shares in street name, your bank or broker cannot vote your shares with respect to the election of directors (Proposal 1), the advisory vote to approve executive compensation (Proposal 2); approval of the 2018 Equity Incentive Plan (Proposal 4), approval of the Amended and Restated Employee Stock Purchase Plan (Proposal 5), or the approval of voting rights to certain shares under the CSAA (Proposal 6) unless you provide voting instructions to them. Therefore, if you hold your shares in street name and you do not instruct your bank or broker how to vote, no votes will be cast on your behalf on those proposals (a “Broker Non-vote”). Your bank or broker may exercise discretion and vote uninstructed shares on the ratification of our independent registered public accounting firm (Proposal 3). We strongly encourage you to return your voting instruction form and exercise your full voting rights. See “How do I vote my shares?” above for a discussion of how Interested Shares should be voted.

Who pays for the cost of proxy preparation and solicitation?

All expenses in connection with solicitation of proxies will be borne by the Company. The Company will pay brokers, nominees, fiduciaries, or other custodians their reasonable expenses for sending proxy material to, and obtaining instructions from, persons for whom they hold stock of the Company. The Company expects to solicit proxies by mail, but directors, officers, and other employees of the Company may also solicit in person, by telephone or by mail.

How will votes be counted?

An Inspector of Election will, among other things, determine whether a quorum is present, tabulate votes at the Annual Meeting and resolve any disputes. If the Inspector of Election cannot definitively determine whether a quorum is present, the business of the Annual Meeting will go forward, even though the final determination as to whether the quorum is present may not be completed for a number of days. If the quorum requirement is not met, the business conducted at the meeting will have no effect.

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CORPORATE GOVERNANCE AND BOARD MATTERS

The business and affairs of the Company are conducted under the direction of the Board in accordance with the Company's Articles of Incorporation and Bylaws, the Minnesota Business Corporations Act, federal securities laws and regulations, applicable rules of the Nasdaq Stock Market ("Nasdaq Rules"), Board committee charters and the Company's Code of Ethics. Members of the Board are informed of the Company's business through discussions with management, by reviewing Board meeting materials provided to them and by participating in meetings of the Board and its committees, among other activities. Our corporate governance practices are summarized below.

Election to the Board of Directors

All of the Company's directors are elected annually. Our Bylaws, as amended, provide that the Board shall consist of between two and no more than nine members, as designated by resolution of the Board from time to time. Pursuant to the recommendation of the Nominating and Corporate Governance Committee, the Board has set the size of the Board to be elected at the 2018 Annual Meeting at six.

Majority Independent Board

The Nasdaq Rules require that a majority of our board of directors be "independent directors" as that term is defined in the rules. The Board has determined that each of our non-employee directors, namely Mr. Berning, Ms. Clarridge, Mr. Unterseher, Ms. Vegas, and Mr. Zenz, are "independent directors."

Meetings of the Board of Directors and Director Attendance

The Board held sixteen meetings during 2017. Each director attended more than 75% of all meetings of the Board and committees of the Board on which he served. Although the Board does not have a policy regarding attendance at the Company's annual meetings of shareholders, then serving directors, Mr. Howe, Mr. Zaballos and Mr. Zenz attended the 2017 Annual Meeting of Shareholders, as well as nominees, Mr. Berning, Ms. Glancy and Ms. Vegas. Directors are expected to attend substantially all the meetings of the Board and the committees on which they serve, as well as the annual meeting of shareholders, except for good cause. Directors who have excessive absences without good cause will not be nominated for re-election or, in extreme cases, will be asked to resign or be removed.

Committees of the Board of Directors

The current membership of the Board's standing committees is set forth in the following table.

Director	Audit	Governance, Compensation and Nominating	Independent Director
Jacob J. Berning	Member	Member	Yes
Suzanne L. Clarridge		Member	Yes
Kristine A. Glancy			
Loren A. Unterseher	Member		Yes
Rachael B. Vegas		Chair	Yes
Steven R. Zenz	Chair		Yes

Audit Committee

Independence. Each of the members of the Audit Committee are an “independent director” as that term is defined by the Nasdaq Rules and “independent” as that term is defined by Rule 10A-3(b)(1) under the Securities Exchange Act of 1934.

Duties and Responsibilities. The Audit Committee provides independent objective oversight of the Company’s financial reporting system. As part of its responsibilities, the committee reviews and evaluates significant matters relating to the annual audit and the internal controls of the Company and communicates its analysis with management, reviews the scope and results of annual independent audits by, and the recommendations of, the Company’s independent auditors, reviews the independent auditor’s qualifications and independence and approves additional services to be provided by the auditors. The committee is solely responsible for appointing, setting the compensation of and evaluating the independent auditors.

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In addition, the committee: (i) meets separately with management and the independent auditors on a periodic basis; (ii) receives the independent auditors' report on all critical accounting policies and practices and other written communications; (iii) reviews management's statements concerning its assessment of the effectiveness of internal controls and the independent auditors' report on such statements, as applicable; and (iv) reviews and discusses with management and the independent auditors the Company's interim and annual financial statements and disclosures (including Management's Discussion and Analysis) in its Quarterly Reports on Form 10-Q and Annual Report on Form 10-K and the results of the quarterly financial reviews and the annual audit. The committee has direct access to the Company's independent auditors. The committee also reviews and approves all related-party transactions.

The foregoing is a general summary of the Audit Committee's duties and activities. The Audit Committee operates pursuant to a written charter, which is available on the Investor Relations section of the Company's website at www.insigniasystems.com. This charter further describes the role of the committee in overseeing the Company's financial reporting process. References to the Company's website are for informational purposes and are not intended to, and do not, incorporate information found on the website into this proxy statement.

Committee Meetings. The Audit Committee held four meetings during 2017. In addition to fulfillment of the Audit Committee's regular duties and responsibilities, these meetings were designed to facilitate and encourage private communication between the committee and the Company's independent auditors. Please refer to the Report of the Audit Committee appearing later in this proxy statement.

Audit Committee Financial Expert. Mr. Zenz has been designated by the Board as an "audit committee financial expert," as that term is defined by the rules of the SEC. Through his extensive experience as a former partner of the audit and advisory firm KPMG LLP, he possesses: (i) an understanding of generally accepted accounting principles and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements with a breadth and level of complexity commensurate with those presented by the Company's financial statements; (iv) an understanding of internal control over financial reporting; and (v) an understanding of audit committee functions.

Governance, Compensation and Nominating Committee

Governance Changes. Effective May 17, 2018, the Board approved the formation of a new Governance, Compensation and Nominating Committee ("GCN Committee") to have all of the powers and responsibilities of its former Compensation and Nominating and Corporate Governance Committees.

Independence. Each of the members of the GCN Committee are "independent directors" as that term is defined by the Nasdaq Rules, including the independence criteria specific to compensation committee members, and "non-employee directors" as that term is defined in Rule 16b-3 under the Securities Exchange Act of 1934.

Duties and Responsibilities. The CGN Committee operates pursuant to a written charter, which is available on the Investor Relations section of the Company's website at www.insigniasystems.com. The committee's main duties, as described in its charter, are: (i) to nominate a slate of directors to be considered for election at the Company's annual meeting of shareholders, (ii) to review, approve and recommend for Board ratification annual base salary and incentive compensation levels, employment agreements, and benefits of the President and Chief Executive Officer and other key executives; (iii) to review the performance of the President and Chief Executive Officer; (iv) to review and assess performance target goals established for bonus plans and determine if goals were achieved at the end of the plan year; (v) to act as the administrative committee for the Company's stock plans, and any other incentive plans established by the Company; (vi) to consider and approve grants of incentive stock options, non-qualified stock

options, restricted stock or any combination to any employee; and (vii) to oversee the filing of required compensation-related reports or disclosures in the Company's SEC reports, proxy statement and other filings.

In pursuing its duties, the GCN Committee has the authority to retain and has, from time to time as the former Compensation Committee, retained an outside compensation consultant to advise it on compensation matters. The committee also consults with the President and Chief Executive Officer, and from time to time, other senior management on compensation issues regarding other executive officers.

In accordance with its committee charter, the GCN Committee typically evaluates candidates for election as directors using the following criteria: education, reputation, experience, industry knowledge, independence, leadership qualities, personal integrity, diversity, and such other criteria as the committee deems relevant. The committee will consider candidates

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recommended by the Board, management, shareholders, and others. The committee is also authorized to retain and pay advisors to assist it in identifying and evaluating candidates.

Policies Concerning Nomination Process. Shareholders who wish to recommend candidates to the Board or its GCN Committee should submit the names and qualifications of the candidates at least 120 days before the date of the Company's proxy statement for the previous year's annual meeting. Submittals should be in writing and addressed to the committee at the Company's headquarters. Candidates recommended by shareholders will be evaluated using the same criteria applicable to other candidates.

Committee Meetings. The GCN Committee did not exist during 2017. The former Compensation Committee held eight meetings and the former Nominating and Corporate Governance Committee did not meet during 2017.

Leadership Structure of the Board of Directors

The Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board. The Board believes it is in the best interests of the Company to make such a determination periodically, based on available information. The positions of Chief Executive Officer and Chairman of the Board are not currently held by the same person. Ms. Glancy serves as our President and Chief Executive Officer and Mr. Berning serves as Chairman of the Board. Under this structure, our President and Chief Executive Officer and other senior management under her supervision are primarily responsible for setting the strategic direction of the Company and managing the day-to-day leadership and performance of the Company, while the Chairman provides guidance to the President and Chief Executive Officer and senior management, sets the agenda for meetings of the Board and presides over meetings of the full Board. The Board believes the current leadership structure strengthens the role of the Board in fulfilling its oversight responsibility and fiduciary duties to the Company's shareholders while recognizing the day-to-day management direction of the Company by Ms. Glancy and other senior management.

Board Role in Risk Oversight

The Company faces a number of risks, including financial, technological, operational, strategic and competitive risks. Management is responsible for the day-to-day management of risks we face, while the Board has responsibility for the oversight of risk management. In its risk oversight role, the Board ensures that the processes for identification, management and mitigation of risk by our management are adequate and functioning as designed.

The Board is actively involved in overseeing risk management, and it exercises its oversight both through the full Board and through the two standing committees of the Board – the Audit and GCN Committees. The two standing committees exercise oversight of the risks within their areas of responsibility, as disclosed in the descriptions of each of the committees above and in the charters of each of the committees.

The Board and the two standing committees receive information used in fulfilling their oversight responsibilities through the Company's executive officers and its advisors, including our legal counsel, our independent registered public accounting firm, and the compensation consultants we have engaged from time to time. At meetings of the Board, management makes presentations to the Board regarding our business strategy, operations, financial performance, fiscal year budgets, technology and other matters. Many of these presentations include information relating to the challenges and risks to our business and the Board and management actively engage in discussion on these topics. Each of the committees also receives reports from management regarding matters relevant to the work of that committee. These management reports are supplemented by information relating to risk from our advisors. Additionally, the Board receives reports by each committee chair regarding the committee's considerations and actions. In this way, the Board also receives additional information regarding the risk oversight functions performed

by each of these committees.

Shareholder Communications with the Board

Shareholders may send written communications to the Board or to any individual director at any time. Communications should be addressed to the Board or the individual director at the address of the Company's headquarters. The Board will respond to shareholder communications when it deems a response to be appropriate.

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Code of Ethics

We have in place a “code of ethics” within the meaning of Rule 406 of Regulation S-K, which is applicable to our senior financial management, including specifically our principal executive officer and principal financial officer. A copy of the Code of Ethics is available on our website (www.insigniasystems.com) under the “Investor Relations - Corporate Governance” caption. We intend to satisfy our disclosure obligations regarding any amendment to, or a waiver from, a provision of this code of ethics by posting such information on the same website.

Compensation of Non-Employee Directors

The following table summarizes the compensation paid to our non-employee directors for 2017.

Name	Fees Earned or Paid in Cash(1)	Stock Awards(2)	Total
Jacob J. Berning	\$15,500	\$15,000	\$30,500
Sardar Biglari(3)	\$1,500	\$–	\$1,500
Philip A. Cooley(3)	\$500	\$–	\$500
Michael C. Howe(4)	\$3,000	\$–	\$3,000
Rachael B. Vegas	\$16,000	\$15,000	\$31,000
F. Peter Zaballos(5)	\$25,750	\$30,000	\$55,750
Steven R. Zenz	\$21,500	\$15,000	\$36,500

(1)

Reflects annual board retainer and fees for attending Board, committee and conference call meetings earned during 2017.

(2)

On June 23, 2017, each non-employee director received a grant of unrestricted shares of the Company’s common stock pursuant to the 2013 Plan worth \$15,000 for directors and \$30,000 for Chairman based on the closing price of the Company’s common stock on the date of grant.

(3)

Mr. Biglari and Mr. Cooley resigned from the Board effective March 1, 2017.

(4)

Mr. Howe did not stand for re-election at the 2017 Annual Meeting of Shareholders.

(5)

Mr. Zaballos resigned from the Board effective May 17, 2018.

For 2017, non-employee directors were eligible to receive an annual cash retainer of \$10,000 per year and the Chairman of the Board was eligible to receive an additional annual cash retainer of \$5,000. Each such retainer is allocated to a director for the portion of the year served in each role.

All non-employee directors were eligible to receive \$1,000 for each Board meeting (\$250 for each conference call meeting) that they attended. In addition, the chair of each committee was eligible to receive \$1,000 for each in-person meeting of the committee over which they presided (\$500 for each conference call meeting). Members of committees were eligible to receive \$500 for each committee meeting they attended in person on days separate from regular Board meetings (\$250 for each conference call meeting).

In 2017, each non-employee director received a grant of shares of common stock based on a target grant date fair value of \$15,000, with the Chairman receiving a fair value of \$30,000. These equity grants were made on June 23, 2017 pursuant to the 2013 Plan. Each non-employee director was granted 14,423 vested shares, and the non-employee Chairman was granted 28,846 vested shares, based on a closing price of \$1.04 for a share of the Company's common stock on the date of grant as reported by The Nasdaq Stock Market.

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PROPOSAL ONE –
ELECTION OF DIRECTORS

Nominations

The Board believes it is important that the Board be composed of members whose collective judgment, experience, qualifications, attributes and skills ensure that the Board will be able to fulfill its responsibilities to see that the Company is governed in a manner consistent with the interests of the shareholders of the Company and in compliance with applicable laws, regulations, rules and orders, and to satisfy its oversight responsibilities effectively.

Cooperation Agreement

As previously disclosed, on May 17, 2018, the Company entered into a Cooperation Agreement (the “Cooperation Agreement”) with the Shareholder Group. On the same date, pursuant to the terms of the Cooperation Agreement, the Company: (i) increased the size of the Board to six and (ii) appointed Ms. Clarridge and Mr. Unterseher to serve as additional directors. The Cooperation Agreement also requires that the Company include Ms. Clarridge and Mr. Unterseher in its slate of nominees for election at the Company’s 2018 and 2019 Annual Meetings of Shareholders and solicit proxies with a recommendation that shareholders vote in favor of their election at each such meeting. Also pursuant to the Cooperation Agreement, F. Peter Zaballos retired from the Board and all committees effective as of May 17, 2018. Steven Zenz also announced his retirement from the Board to be effective as of the Company’s 2019 annual meeting of shareholders. The Company and the Shareholder Group have agreed to collaboratively identify and appoint a replacement for Mr. Zenz in 2019, should the Board decide to do so.

Composition

In determining the nominees to be recommended for election to serve as directors of the Company, the Board first determined that the Board should consist of six members, which is consistent with the requirements of the Cooperation Agreement. Ms. Clarridge and Mr. Unterseher were also interviewed by members of the then-chartered Nominating and Corporate Governance Committee in advance of the Company’s entry into the Cooperation Agreement. The Board, in conjunction with its Nominating and Corporate Governance Committee, considered the Company’s obligations under the Cooperation Agreement, the qualifications and experience and any other necessary skills, experience or knowledge. The Board, upon recommendation by the Nominating and Corporate Governance Committee, then approved a slate of directors to be nominated for election at the Annual Meeting.

When identifying and evaluating candidates for director, the Board and its applicable committee (if any) historically consider the general and specific qualifications, experience and characteristics which may have been approved by the Board or determined by the committee from time to time including qualifications reflecting the individual’s integrity, reputation, education, experience, industry knowledge, leadership qualities and independence. Specifically, the Board seeks independent directors who have experience relevant to the Company’s business and strategic objectives, specifically experience in retailing, the consumer packaged goods industry, and with technology innovation. The Board maintains a detailed set of criteria aligned with these objectives, and has historically evaluated potential candidates against these criteria. The Board and its applicable committee (if any) also consider diversity in a broad sense when evaluating a director nominee, taking into account various factors, including but not limited to, differences of viewpoint, professional experience, education, skill, race, gender and national origin, but does not have a formal policy regarding diversity of Board members.

When considering whether directors and nominees have the requisite judgment, experience, qualifications, attributes and skills, taken as a whole, to enable the Board to fulfill its responsibilities to ensure that the Company is governed in

a manner consistent with the interests of the Company's shareholders, the Board and its applicable committee (if any) focus primarily on the information discussed in each of the directors' individual biographies set forth below, in addition to the Company's contractual obligations.

Director Nominees

The Board has nominated all six current directors as named below for election at the Annual Meeting. If elected, each will serve for a term of one year, or until their successors are elected and qualified, subject to their prior death, resignation, retirement or removal from office.

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The Board has determined that each such nominee is qualified to serve as a director of the Company based on their ability to meet the aforementioned criteria. The specific qualifications of each nominee, including biographical data for at least the last five years and the particular experience, qualifications, attributes or skills that led to a conclusion that he or she should serve as a director of the Company, are set forth below. Should one or more of these nominees become unavailable to accept nomination or election as a director (which is not anticipated), the individuals named as proxies on the enclosed proxy card will vote the shares that they represent for the election of such other persons as the Board may recommend, or the Board may reduce the number of directors to be elected. Unless otherwise instructed by the shareholder, the proxy holders will vote the proxies received by them for each of the nominees named below.

Director & Nominee	Age	Position	Director Since
Jacob J. Berning	45	Director, Chairman of the Board	June 2017(1)
Suzanne L. Clarridge	61	Director	May 2018
Kristine A. Glancy	40	Director, President, Chief Executive Officer & Secretary	June 2017
Loren A. Unterseher	53	Director	May 2018
Rachael B. Vegas	42	Director	June 2017
Steven R. Zenz	64	Director	October 2013

(1)

Mr. Berning also served as a director of the Company from December 2014 to June 2016.

Jacob J. Berning has served as Chairman of the Board since May 2018 and has served as Marketing Vice President at The Schwan Company since September 2014. Mr. Berning has extensive leadership experience across a diverse set of businesses and teams in the consumer-packaged goods industry. His 18 years of marketing experience working with a variety of different brands also includes time as Marketing Director of WhiteWave Foods Company from July 2011 to September 2014 and Marketing Manager at General Mills, Inc. from September 2003 to July 2011. These experiences provide knowledge and understanding of the industry representing the majority of our customer base. He has a BA degree from the University of Minnesota and an MBA from New York University.

Suzanne L. Clarridge is the founder of My Brands Inc., a company providing direct-to consumer solutions to consumer-packaged goods (CPG) companies, and has served as President, Chief Executive Officer and the director of My Brands since 2001. At My Brands, Ms. Clarridge develops the strategic vision for the company, oversees finances, operations and employees, and manages the full sales cycle. Ms. Clarridge began her career at the State University of New York at Brockport, teaching marketing and management. Following that, she pursued a career in marketing and general business management with companies including Diamond Packaging, Hefty (Mobil) and Fisher Price (Mattel). The majority of her CPG career was spent with Hefty where she began as Assistant Brand Manager. She was promoted to senior brand management positions as she worked on Hefty Cinch Sak, Hefty Cups and Hefty Plates. We believe Ms. Clarridge's leadership, marketing and consumer-packaged goods experience will be valuable to the Board. Ms. Clarridge has a B.A. from Oakland University in Rochester, Michigan, and an M.B.A. in Marketing from the Rochester Institute of Technology. She serves on the President's advisory board of the Rochester Institute of Technology.

Kristine A. Glancy has served as our President and Chief Executive Officer since May 2016. Prior to joining the Company, Ms. Glancy served in various roles at The Kraft Heinz Company from 1999 to 2016, most recently as Customer Vice President from May 2013 to April 2016. She held the positions of Director of Sales from June 2012 to May 2013 and National Customer Manager from November 2010 to June 2012. Her more than 17 years as a sales and marketing executive provide the necessary skills to the Board and Company in the areas of Sales, Product Strategy, Customer Relations, Business and Brand Development. Ms. Glancy holds a Bachelor of Arts degree in Marketing and International Business from Saint Mary's University and an MBA from Fordham University, New York City.

Loren A. Unterseher is a Managing Director of Oxbow Industries, LLC, a holding company investing in middle-market private companies, which position he has held since 2004. Over his career, Mr. Unterseher has completed over \$2.5 billion in corporate finance transactions. Prior to Oxbow Industries, Mr. Unterseher was a Principal/Shareholder & Director of Mergers and Acquisitions for Craig-Hallum Capital Group. Prior to Craig-Hallum, he was Director of Private Equity for Lazard Middle Market (f/k/a Goldsmith Agio Helms). Mr. Unterseher started his investment banking career as a Vice-President in Mergers and Acquisitions at RBC (f/k/a Dain Rauscher). He began his professional career as an attorney and was a Partner at Stinson Leonard Street (f/k/a Leonard, Street & Deinard), a major Minneapolis based law firm. Mr. Unterseher is currently Chairman of the Board of Inno-flex, LLC, a private company (a director since 2016), and serves on the boards of SkyWater Technology Foundry, Inc. (since 2017), SixSpeed, LLC (since 2016) and Town & Country Fence, LLC (since 2017), each of which is a private company. Mr. Unterseher has served on several private company and not for profit boards of directors. We

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believe Mr. Unterseher's investment, mergers and acquisitions, and finance experience will benefit the Board. He holds a B.B.A. degree in Finance from the University of Iowa and a J.D. from the University of North Dakota.

Rachael B. Vegas has served as the Chief Merchant at Brandless, Inc. since March 2016. She previously served in various roles at Target Corporation, Food Lion and Hannaford Supermarkets from 1997 to 2016. Most recently, from February 2014 to February 2016 as Vice President, General Merchandising Manager; Center Store, Grocery; from February 2013 to February 2014 as Vice President Merchandising Manager; Dry Grocery, Snacks, Candy; from February 2011 to February 2013 as Vice President Merchandising Manager; Snacks, Beverages, Pet Care, Candy and Liquor. Ms. Vegas' experience in retail and consumer packaged goods industries are valuable to the Company. Ms. Vegas holds Bachelor of Arts degree in International Relations from Tufts University and an MBA from Kenan-Flagler Business School, University of North Carolina.

Steven R. Zenz is a former partner of the audit and advisory firm KPMG, where he served in various capacities in his 34 years with the firm, including partner in charge of the audit group and partner in charge of the firm's SEC and technical accounting practices in KPMG's Minneapolis, Minnesota office as well as lead audit partner for many publicly-held company clients. Since his retirement from KPMG in 2010, Mr. Zenz has acted as a consultant on merger and acquisition transactions providing advice on valuations, SEC filings, technical accounting and integration, which we believe will benefit the Company. He also serves on the boards of directors of the William Blair Mutual Funds and Frankly Inc. (Toronto Stock Exchange). He holds a Bachelor of Science degree in Accounting and a Masters of Business Taxation degree from the University of Minnesota.

Required Vote

Directors are elected by the affirmative vote of the holders of a plurality of the shares present and entitled to vote.

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE
"FOR" EACH OF THE SIX NOMINEES.**

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EXECUTIVE COMPENSATION

Current Executive Officers

The following individuals are our current executive officers:

Name	Age	Position
Kristine A. Glancy	40	Director, President, Chief Executive Officer and Secretary
Jeffrey A. Jagerson	51	Vice President of Finance, Chief Financial Officer and Treasurer

Kristine A. Glancy's background information is disclosed in Proposal 1 above under the heading "Director Nominees."

Jeffrey A. Jagerson, has been our Vice President of Finance, Chief Financial Officer and Treasurer since July 2017. Prior to joining the Company, Mr. Jagerson served as Chief Financial Officer at Christensen Farms from March 2014 to March 2017. He previously served as Vice President of Finance and Accounting at Digital River from July 2009 to March 2014 and served as the Corporate Controller from February 2008 to July 2009. Mr. Jagerson also served in various executive and financial roles at ADC Telecommunications from May 1995 to February 2008 and Honeywell from June 1988 to May 1995. His more than 29 years as an Accounting and Finance professional and executive provides the necessary skills to the Board and Company in the areas public company financial reporting, tax, audit, and treasury management. Mr. Jagerson holds a Bachelor of Science degree in Accounting from Minnesota State University, Mankato and an MBA from the Carlson School of Business at the University of Minnesota.

Executive officers are elected annually by the Board and serve for a one-year period. There are no family relationships among any of the executive officers and directors of the Company.

Summary Compensation Table

The following table sets forth information about all compensation (cash and non-cash) awarded to, earned by or paid to our Chief Executive Officer, the only other executive officer serving at the end of fiscal 2017, and a former executive for whom disclosure would have been required but for the fact that he did not serve as an executive officer at the end of fiscal 2017 (collectively, our "Named Executive Officers") for the fiscal years ended December 31, 2017 and 2016.

Name and Position	Year	Salary	Bonus(1)	Stock Awards(2)	Non-Equity Incentive Plan Compensation(3)	Total
Kristine A. Glancy(4) President, Chief Executive Officer and Secretary	2017	\$283,038	\$80,000	\$16,650(5)	\$190,922	\$570,610
	2016	\$169,231	\$100,000	\$233,000(6)	\$-	\$522,231
Jeffrey A. Jagerson(7) Vice President of Finance, Chief Financial Officer and Treasurer	2017	\$99,423	\$-	\$65,400(8)	\$71,101	\$235,924
Mark A. Cherrey(9) Former Director of Finance and Controller	2017	\$64,669	\$-	\$-	\$-	\$64,669
	2016	\$117,521	\$15,000	\$7,455(10)	\$-	\$139,976

(1)

As part of Ms. Glancy's initial employment agreement, she received a cash signing bonus in the amount of \$180,000, of which \$100,000 was paid in May 2016 and the remaining \$80,000 was paid in May 2017. Mr. Cherrey received a \$15,000 cash bonus in 2016 at the discretion of the Board based on the recommendation of its Compensation Committee, as recognition for his additional duties as interim principal financial and accounting officer.

(2)

Amounts shown in the Stock Awards column represent the aggregate grant date fair value of restricted stock awards granted during the applicable year. Grant date fair values are computed in accordance with FASB ASC Topic 718 using assumptions discussed in Note 7 to the financial statements included in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2017, as amended.

(3)

Represents payments pursuant to the Executive Incentive Plan for the years indicated, which were paid in the following year.

(4)

Ms. Glancy joined the Company in May 2016.

(5)

Amount shown represents the aggregate grant date fair value of restricted stock granted on September 19, 2017.

(6)

Amount shown represents the aggregate grant date fair value of restricted stock granted on May 13, 2016.

(7)

Mr. Jagerson joined the Company in July 2017.

(8)

Amount shown represents the aggregate grant date fair value of restricted stock granted on September 1, 2017.

(9)

Mr. Cherrey resigned from all positions with the Company in June 2017.

(10)

Amount shown represents the aggregate grant date fair value of restricted stock units granted on August 10, 2016. These stock awards expired on the date Mr. Cherrey departed the Company.

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Executive Compensation

The principal components of compensation for the Named Executive Officers are: (i) base salary; (ii) non-equity incentive compensation in the form of an annual cash bonus under the Executive Incentive Plan; and (iii) long-term, equity-based incentive compensation in the form of restricted stock units. These components of compensation are summarized below, followed by a description of each Named Executive Officer's individual agreements with the Company and the compensation received thereunder.

Executive Incentive Plan

The Executive Incentive Plan was originally established in 2007 and applies to future fiscal years until terminated or superseded. The executive officers are eligible to earn annual cash bonus payments if the Company meets pre-established financial performance objectives. Ms. Glancy and Mr. Jagerson were eligible to participate in the Executive Incentive Plan in 2017. Mr. Jagerson participated on a pro-rated basis based on portion of the fiscal year elapsed after his initial employment date.

For 2017, the Equity Incentive Plan provided that, for each of the participants, (a) 70% of the bonus potential was allocated to the Company's performance against target operating income (loss), and (b) the remaining 30% of the bonus potential was allocated to individual performance against personal goals established by the Board.

Company Performance-Based Payment

For 2017, the Compensation Committee established a target operating loss of \$1,557,000 and approved the following schedule of potential payments under the Executive Incentive Plan:

Bonus Level	Operating Income (Loss)	Percent of Target Variable Compensation
Threshold	Less than 80% of Target	None
	80–89% of Target	25–74.9%
	90–99% of Target	75–99.9%
Plan	100–109% of Target	100–114.9%
	110–129% of Target	115–139.9%
	130–149% of Target	140–159.9%
Maximum	150% or greater of Target	160%

Based on an actual operating loss of \$908,000 for 2017, as reported in Part II, Item 8, of the Original Report, the Board, as recommended by its Compensation Committee, approved payments representing 150% of target variable compensation, representing payments of \$150,150 to Ms. Glancy and \$56,547 to Mr. Jagerson.

Revenue-Based Multiplier

If Insignia's operating income (loss) for a fiscal year is at or greater than 110% of the above-reference target performance level, then participants are also eligible to have their payment based on operating income (loss) increased based on a multiplier determined by total net sales. For 2017, the Compensation Committee established a total net sales target of \$27,390,000 and approved the following schedule of potential payments:

Operating Income (Loss)	Total Net Sales	Resulting Multiplier
110-129% of Target	100% or greater of Target	110%

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130-149% of Target	100% or greater of Target	115%
150% or greater of Target	100% or greater of Target	120%

Participants were only eligible to receive this supplemental bonus amount if both (i) operating income (loss) exceeded 110% target performance and (ii) total net sales revenue met or exceeded the applicable target performance level. Because total net sales was below target, no multiplier was applied for 2017.

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Individual Performance

For 2017, the remaining 30% of the potential payments under the Executive Incentive Plan was determined based on individual performance against personal goals established by the Board. Based on a variety of factors, including company-wide business development performance under their leadership during 2017, the Board, as recommended by its Compensation Committee, approved a final payment of \$40,772 to Ms. Glancy and a pro-rated final payment of \$14,554 to Mr. Jagerson under this part of the program.

Actions Relating to Fiscal 2018 Incentive Compensation

In April 2018, the Board, as recommended by its Compensation Committee, adopted the 2018 Executive Cash Incentive Plan (the “2018 Cash Plan”), which replaced the Executive Incentive Plan. The only employees currently eligible to participate in the Plan are the Company’s two executive officers: Ms. Glancy and Mr. Jagerson. The 2018 Cash Plan provides that for each of the participants, (a) 70% of the bonus potential has been allocated to the Company’s performance against target operating income (loss), inclusive of all compensation expenses (“Profit”), and (b) the remaining 30% of the bonus potential has been allocated to individual performance against personal goals established by the Board. The total target bonuses under the 2018 Cash Plan are equal to 50% of each participant’s respective base salary and payouts, if any, would range from 8.75% to 82.2% of each participant’s base salary.

The GCN Committee plans to determine the level of each participant’s satisfaction of their personal goals and the resulting payout of up to a maximum of 30% of their respective bonus potential, which determination will be independent of achievement Company performance against the Profit target. All bonus calculations under the 2018 Cash Plan will be subject to review and final approval by the committee prior to payment.

Long-term, Equity-Based Incentive Compensation (Restricted Stock Awards and Restricted Stock Units)

The Compensation Committee has determined that restricted stock awards and restricted stock units are each appropriate under certain circumstances, based upon factors including market practices and our overall compensation philosophy. During 2017, all restricted stock and restricted stock units were granted under the 2013 Plan. Historically, each award of restricted stock or restricted stock units is scheduled to vest in one-half increments on the anniversary of the date of grant over two to five years.

On September 1, 2017, Mr. Jagerson received an award of 60,000 shares of restricted stock. On September 19, 2017, Ms. Glancy received an award of 15,000 restricted stock units, each representing a contingent right to receive one share of common stock.

Severance and Change in Control Arrangements with Named Executive Officers

In connection with Ms. Glancy’s election to serve as the Company’s Chief Executive Officer, effective May 9, 2016, the Company and Ms. Glancy have entered into an Employment Agreement and a Change in Control Agreement, each effective as of May 9, 2016. Her Employment Agreement provides that Ms. Glancy will receive an established annual base salary, subject to increase from time to time, target incentive compensation awards beginning with 2016, a cash signing bonus, and participation in customary benefit plans and programs, in addition to a one-time equity award.

Pursuant to her Employment Agreement, in the event of Ms. Glancy’s involuntary termination without cause or voluntary termination with good reason, she will be eligible to receive accrued and unpaid compensation as well as the following severance pay and benefits: (1) the annual incentive compensation she would have been entitled to receive for the year in which her termination occurs as if she had continued until the end of that fiscal year, determined based

on the Company's actual performance for that year relative to the performance goals applicable to Ms. Glancy, prorated for the number of days in the fiscal year through her termination date and generally payable in a cash lump sum at the time such incentive awards are payable to other participants; (2) an applicable percentage of Ms. Glancy's annual base salary as in effect at the time of Termination, payable in a single lump sum payment no later than 60 days following the termination date; and (3) welfare benefit continuation for four months following termination. In the event of Ms. Glancy's death, disability, involuntary termination for cause or voluntary termination without good reason, Ms. Glancy will be entitled to accrued and unpaid compensation as provided in the Employment Agreement. The "applicable percentage" is 50% during the first year of Ms. Glancy's employment and 100% thereafter. "Cause" is defined in Ms. Glancy's Employment Agreement as (a) the deliberate and continued failure to substantially perform the duties and responsibilities; (b) the criminal felony conviction of, or a plea of guilty or nolo contendere; (c) the material violation of Company policy; (d) the act of fraud or dishonesty resulting or

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intended to result in personal enrichment at the expense of the Company; (e) the gross misconduct in performance of duties that results in material economic harm to the Company; or (f) the material breach of the Employment Agreement by Ms. Glancy. “Good reason” includes demotion, reduction in salary or benefits, and certain other events.

Under Ms. Glancy’s Change in Control Agreement, as amended on April 28, 2018, upon a qualifying termination, she would be eligible to receive the following, subject to offset by the amount of any severance previously paid to her under any employment agreement with the Company: (1) a lump sum severance payment equal to 200% of her base salary, (2) cash payment equal to the sum of (x) unpaid incentive compensation that has been allocated or awarded to Ms. Glancy for a completed fiscal year preceding the date of the Qualifying Termination which is contingent only upon the continued employment to a subsequent date plus (y) a pro rata portion to the date of the Qualifying Termination of her target bonus for the year calculated through the date of the Qualifying Termination, (3) welfare benefit continuation for a period of 12 months, (4) certain post-retirement health care or life insurance benefits if Ms. Glancy would have become eligible for such benefits during the 24 months after the date of termination, (5) a lump sum payment equal to all earned but unused paid time off days, and (6) outplacement fees not to exceed \$5,000. The Change in Control Agreement defines “qualifying termination” as a termination by the Company without cause or a termination by Ms. Glancy with good reason, in each case either concurrent with or within 24 months following a change in control or a termination by the Company without cause within six months prior to a change in control if termination is in connection with or in anticipation of the change in control. “Change in control” is defined as a sale of all or substantially all of the assets of the Company, a merger in which the shareholders of the Company own less than 50% of the surviving entity, the acquisition of 40% or more of the Company’s outstanding stock by a single person or a group, or the election of a majority of the Company’s directors who consist of persons who were not nominated by the Company’s prior Board. “Cause” is defined as (i) the deliberate and continued failure to devote substantially all business time and best efforts to the performance of the Ms. Glancy’s duties; (ii) the deliberate engaging in gross misconduct which is demonstrably and materially injurious to the Company, monetarily or otherwise; or (iii) conviction of, or plea of guilty or nolo contendere to, a felony or any criminal charge involving moral turpitude. “Good reason” is defined in the agreement, as amended, to include demotion, reduction in salary or benefits, and certain other events.

In connection with Mr. Jagerson’s election to serve as the Company’s Chief Financial Officer, effective July 17, 2017, the Company and Mr. Jagerson have entered into an Employment Agreement and a Change in Control Agreement, each effective as of July 17, 2017. His Employment Agreement provides that Mr. Jagerson will receive an established annual base salary, subject to increase from time to time, target incentive compensation awards beginning with 2017, and participation in customary benefit plans and programs, in addition to a one-time equity award.

Pursuant to his Employment Agreement, in the event of Mr. Jagerson’s involuntary termination without cause or voluntary termination with good reason, he will be eligible to receive accrued and unpaid compensation as well as the following severance pay and benefits: (1) the annual incentive compensation he would have been entitled to receive for the year in which his termination occurs as if he had continued until the end of that fiscal year, determined based on the Company’s actual performance for that year relative to the performance goals applicable to Mr. Jagerson, prorated for the number of days in the fiscal year through his termination date and generally payable in a cash lump sum at the time such incentive awards are payable to other participants; (2) 50% of Mr. Jagerson’s annual base salary as in effect at the time of Termination, payable in a single lump sum payment no later than 60 days following the termination date; and (3) welfare benefit continuation for three months following termination. In the event of Mr. Jagerson’s death, disability, involuntary termination for cause or voluntary termination without good reason, Mr. Jagerson will be entitled to accrued and unpaid compensation as provided in the Employment Agreement. “Cause” is defined in Mr. Jagerson’s Employment Agreement as (a) the deliberate and continued failure to substantially perform the duties and responsibilities; (b) the criminal felony conviction of, or a plea of guilty or nolo contendere; (c) the material violation of Company policy; (d) the act of fraud or dishonesty resulting or intended to result in personal enrichment at the expense of the Company; (e) the gross misconduct in performance of duties that results in material

economic harm to the Company; or (f) the material breach of the Employment Agreement by Mr. Jagerson. “Good reason” includes demotion, reduction in salary or benefits, and certain other events.

Under Mr. Jagerson’s Change in Control Agreement, upon a qualifying termination, he would be eligible to receive the following, subject to offset by the amount of any severance previously paid to him under any employment agreement with the Company: (1) a lump sum severance payment equal to seventy-five percent of his base salary, (2) cash payment equal to the sum of (x) unpaid incentive compensation that has been allocated or awarded to Mr. Jagerson for a completed fiscal year preceding the date of the Qualifying Termination which is contingent only upon the continued employment to a subsequent date plus (y) a pro rata portion to the date of the Qualifying Termination of his target bonus for the year calculated through the date of the Qualifying Termination, (3) welfare benefit continuation for a period of 6 months, (4) certain post-retirement health care or life insurance benefits if Mr. Jagerson would have become eligible for such benefits during the 24 months after

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the date of termination, (5) a lump sum payment equal to all earned but unused paid time off days, and (6) outplacement fees not to exceed \$5,000. The Change in Control Agreement defines “qualifying termination” as a termination by the Company without cause or a termination by Mr. Jagerson with good reason, in each case either concurrent with or within 24 months following a change in control or a termination by the Company without cause within six months prior to a change in control if termination is in connection with or in anticipation of the change in control. “Change in control” is defined as a sale of all or substantially all of the assets of the Company, a merger in which the shareholders of the Company own less than 50% of the surviving entity, the acquisition of 40% or more of the Company’s outstanding stock by a single person or a group, or the election of a majority of the Company’s directors who consist of persons who were not nominated by the Company’s prior Board. “Cause” is defined as (i) the deliberate and continued failure to devote substantially all business time and best efforts to the performance of the Mr. Jagerson’s duties; (ii) the deliberate engaging in gross misconduct which is demonstrably and materially injurious to the Company, monetarily or otherwise; or (iii) conviction of, or plea of guilty or nolo contendere to, a felony or any criminal charge involving moral turpitude. “Good reason” is defined in the agreement to include demotion, reduction in salary or benefits, and certain other events.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth summary information regarding the outstanding equity awards held by our Named Executive Officers at December 31, 2017, excluding Mr. Cherrey, who resigned on June 30, 2017 and had no outstanding equity awards at December 31, 2017.

Name	Grant Date	Stock Awards	
		Number of Units of Stock That Have Not Vested	Market Value of Units of Stock That Have Not Vested
Kristine A. Glancy	5/13/2016	80,000(1)	\$186,400
	9/19/2017	15,000(2)	\$16,650
Jeffrey A. Jagerson	9/1/2017	60,000(2)	\$65,400

(1) Remainder scheduled to vest in four equal annual installments on each of the next four anniversaries of the grant date.

(2) Scheduled to vest in two equal annual installments over a two-year period measured from the grant date.

Tax and Accounting Considerations

Section 162(m) of the Internal Revenue Code as in effect prior to the enactment of tax reform legislation in December 2017 generally disallowed a tax deduction to public companies for compensation of more than \$1 million paid in any taxable year to each “covered employee,” consisting of the chief executive officer and the three other highest paid executive officers employed at the end of the year (other than the chief financial officer). Performance-based compensation was exempt from this deduction limitation if the Company met specified requirements set forth in the Code and applicable Treasury Regulations.

Recent tax reform legislation retained the \$1 million deduction limit, but repealed the performance-based compensation exemption from the deduction limit and expanded the definition of “covered employees,” effective for

taxable years beginning after December 31, 2017. "Covered employees" now also includes any person who served as chief executive officer or chief financial officer at any time during a taxable year, as well as any person who was ever identified as a covered employee in 2017 or any subsequent year. Consequently, compensation paid in 2018 and later years to our named executive officers in excess of \$1 million will not be deductible unless it qualifies for transitional relief applicable to certain binding, written performance-based compensation arrangements that were in place as of November 2, 2017.

The deductibility of some types of compensation payments can depend upon the timing of the vesting or an executive's exercise of previously granted equity awards. Interpretations of and changes to applicable tax laws and regulations as well as other factors beyond our control also can affect deductibility of compensation. The GCN Committee, like its predecessor, the Compensation Committee, considers the anticipated tax treatment to the Company when determining executive compensation and seeks to preserve the deductibility of compensation payments and benefits to the extent reasonably practicable, consistent with our compensation policies and what we believe is in the best interests of our shareholders. The GCN Committee continues to believe that shareholder interests are best served if its discretion and flexibility in structuring and awarding compensation is not restricted, even though some compensation awards may have resulted in the past, and are expected to result in the future, in non-deductible compensation expenses to the Company. The Committee's ability to

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continue to provide a competitive compensation package to attract, motivate and retain the Company's most senior executives is considered critical to the Company's success and to advancing the interests of its shareholders.

Section 409A of the Internal Revenue Code also affects the payments of certain types of deferred compensation to key employees and includes requirements relating to when payments under such arrangements can be made, acceleration of benefits, and timing of elections under such arrangements. Failure to satisfy these requirements will generally lead to an acceleration of the timing for including deferred compensation in an employee's income, as well as certain penalties and interest. Our nonqualified deferred compensation arrangements meet the effective requirements of Section 409A as required by law or regulation.

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PROPOSAL TWO –
NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

At the annual meeting held in 2017, shareholders voted to continue to cast advisory, non-binding votes on executive compensation on an annual basis. Accordingly, we are requesting this non-binding advisory vote on the executive compensation paid to our Named Executive Officers. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act and SEC rules, the vote of the shareholders on this resolution is a “non-binding” advisory vote. The purpose of the vote is for the shareholders to give their opinion to the Board on the Company’s executive compensation.

Our executive compensation received substantial shareholder support and was approved, on an advisory basis, by approximately 93.7% of the votes cast “for” or “against” the corresponding proposal at the annual meeting of shareholders held in 2017. The GCN Committee believes that this vote reflected our shareholders’ strong support of the compensation decisions made by its predecessor, the Compensation Committee, for our named executive officers for 2017.

Compensation Philosophy and Compensation of our Named Executive Officers

Our discussion of the authority and processes of the former Compensation Committee and its successor, the GCN Committee beginning on page 6 of this proxy statement explains the responsibilities of the applicable committee of the Board. This summary and the Narrative Disclosure of Executive Compensation beginning on page 12 provide information concerning the compensation philosophy, plans and policies under which we paid the Named Executive Officers. As set forth in the Summary Compensation Table on page 12 and the Narrative Disclosure of Executive Compensation, our compensation policies and procedures are centered on a pay-for-performance philosophy and are strongly aligned with the long-term interests of our shareholders.

Given the pay-for-performance structure of our executive compensation program, the Board and its GCN Committee believe that the compensation of our Named Executive Officers is reasonable and appropriate and justified by the performance of the Company in a challenging environment.

Form of Resolution

The shareholders are being asked at the Annual Meeting to vote “FOR” or “AGAINST” the following resolution:

RESOLVED, that the holders of the Company’s common stock approve the compensation of the Company’s executives named in the Summary Compensation Table, as disclosed in the Company’s 2018 proxy statement pursuant to the compensation disclosure rules of the SEC.

Required Vote; Effect of Proposal

This proposal is an advisory, non-binding vote, and will be deemed approved if the number of votes cast “for” exceeds the number of votes cast “against.” The approval or disapproval of this proposal by shareholder will not require the Board or its GCN Committee to take any action regarding our executive compensation practices. The final decision on the compensation and benefits of our executive officers and on whether, and if so, how, to address any shareholder disapproval remains with the Board and the applicable committee.

Notwithstanding the foregoing, the Board values the opinions of our shareholder as expressed through their votes and other communications. Although this proposal is non-binding, the Board and its GCN Committee will carefully

consider the outcome of the advisory vote on executive compensation and shareholder opinions received from other communications when making future compensation decisions.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE
“FOR” THE ADVISORY APPROVAL OF THE COMPANY’S EXECUTIVE COMPENSATION.

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**PROPOSAL THREE –
RATIFICATION OF APPOINTMENT
OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board has appointed Baker Tilly Virchow Krause, LLP (“Baker Tilly”) as our independent registered public accounting firm for the year ending December 31, 2018. Although we are not required to do so, the Board is submitting the appointment of Baker Tilly for ratification in order to ascertain the views of our shareholders on this appointment. If the appointment is not ratified by the shareholders, the Audit Committee will reconsider its selection. Baker Tilly has been the Company’s auditor since July 2011. A representative of Baker Tilly is expected to be present at the Annual Meeting, and will be given the opportunity to make a statement and will be available to respond to appropriate questions.

Required Vote; Effect of Proposal

The affirmative vote of the holders of a majority of the outstanding shares of our common stock of the entitled to vote on this item and present in person or by proxy at the Annual Meeting is required for approval of this proposal. Proxies solicited by the Board will be voted for approval of this proposal, unless otherwise specified. If shareholder approval is not obtained, then the Audit Committee would reconsider its selection.

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE
“FOR” RATIFICATION OF THE APPOINTMENT OF BAKER TILLY VIRCHOW KRAUSE, LLP AS OUR
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2018.**

Fees Paid to Independent Registered Public Accounting Firm

The following table shows the fees for services rendered by our independent registered public accounting firm, Baker Tilly Virchow Krause, LLP (“Baker Tilly”), for the years ended December 31, 2017 and 2016.

	2017	2016
Audit Fees(1)	\$120,600	\$122,300
Audit-Related Fees(2)	7,700	10,400
All Other Fees(3)	–	6,000
Total	\$128,300	\$138,700

(1)

Audit fees represent fees for professional services provided in connection with the audit of the Company’s financial statements, review of quarterly financial statements, and filings of registration statements related to shares reserved for issuance under the Company’s stock plans.

(2)

Audit-related fees represent fees for the audit of the Company’s 401(k) plan.

(3)

All other fees represent fees for non-audit related services associated with the one-time special dividend of \$0.70 per share declared on November 28, 2016.

Audit Committee Pre-Approval Policy

The Company's Audit Committee Charter states that before the principal accountant is engaged by the Company to render audit or non-audit services in any year, the engagement will be approved by the Company's Audit Committee. All of the fees paid in 2017 and 2016 were pre-approved by the Company's Audit Committee.

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AUDIT COMMITTEE REPORT

The Audit Committee provides independent and objective oversight of our financial reporting. Management has primary responsibility for our financial statements and reporting process, including our systems of internal controls. Our independent registered public accounting firm is responsible for expressing an opinion on the conformity of our financial statements with accounting principles generally accepted in the United States.

In performing its functions, the Audit Committee:

Met with the Company's independent registered public accounting firm, with and without management present, to discuss the overall scope and plans for their audit, the results of their audit and their evaluation of the Company's internal controls;

Reviewed and discussed with management and the independent registered accounting firm the audited financial statements included in our Annual Report;

Discussed with the Company's independent registered public accounting firm the matters required to be discussed by the applicable Public Company Oversight Board standards; and

Received from the independent registered public accounting firm the written disclosures and the letter regarding its independence as required by applicable requirements of the Public Company Accounting Oversight Board, and discussed with representatives of such firm its independence from management and the Company.

Based on the discussions with management and the Company's independent registered public accounting firm, the Audit Committee's review of the representations of management and the report of such firm, the Audit Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, for filing with the SEC.

Audit Committee Members:

Jacob J. Berning Loren A. Unterseher(1) Steven R. Zenz, Chairman

(1)

Mr. Unterseher joined the Audit Committee after the Company's Annual Report on 10-K for the fiscal year ended December 31, 2017 was filed with the SEC.

The preceding Audit Committee Report shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933 (the "1933 Act") or the Securities Exchange Act of 1934 (the "1934 Act"), except to the extent the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under the 1933 Act or the 1934 Act.

EQUITY COMPENSATION PLAN INFORMATION

The following table presents certain information regarding our equity compensation plans, the 2003 Stock Plan (the “2003 Plan”), the 2013 Plan and our Employee Stock Purchase Plan, as of December 31, 2017.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans
Equity compensation plans approved by security holders	548,825(1)	\$2.41(2)	382,721(3)
Equity compensation plans not approved by security holders	–	–	–
Total	548,825	\$2.41	382,721

(1)

Includes 130,464 shares underlying common stock options and 182,479 shares underlying unvested restricted stock units outstanding under the 2013 Plan and 235,882 shares underlying common stock options outstanding under the 2003 Stock Plan. We ceased issuing awards under the 2003 Stock Plan upon approval of the 2013 Plan in 2013.

(2)

Represents weighted-average exercise price of options outstanding under the 2013 Plan and 2003 Plan. See note (1) above with respect to restricted stock units under the 2013 Plan. The weighted-average exercise price does not take those awards

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(3)

Includes 85,721 shares available for issuance under our Employee Stock Purchase Plan and 297,000 shares available for issuance pursuant to future awards under the 2013 Plan. The Company maintains the Employee Stock Purchase Plan, pursuant to which eligible employees, including named executive officers, can contribute up to ten percent of their base pay per year to purchase shares of Common Stock. The shares are issued by the Company at a price per share equal to 85% of market value on the first day of the offering period or the last day of the plan year, whichever is lower.

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PROPOSAL FOUR –
APPROVAL OF
INSIGNIA SYSTEMS, INC. 2018 EQUITY INCENTIVE PLAN

On May 21, 2018, the Board, at the recommendation of its GCN Committee, approved the Insignia Systems, Inc. 2018 Equity Incentive Plan (the “2018 Plan”), subject to approval by our shareholders at our 2018 annual meeting. The 2018 Plan will become effective on the date it is approved by our shareholders, and will replace the Company’s existing 2013 Omnibus Stock and Incentive Plan (the “2013 Plan”), which is the only plan under which equity awards are currently being granted.

After the 2018 Plan becomes effective upon approval by our shareholders, no new awards will be made under the 2013 Plan. The number of shares of our common stock that may be the subject of awards and issued under the 2018 Plan is initially 900,000, plus any shares remaining available for future grants under the 2013 Plan on the effective date of the 2018 Plan. Awards outstanding under the 2013 Plan as of the date the 2018 Plan becomes effective will continue to be subject to the terms of the 2013 Plan, but if those awards subsequently expire, are forfeited or canceled or are settled in cash, the shares subject to those awards will become available for awards under the 2018 Plan.

As of May 21, 2018, a total of 400,867 shares were subject to outstanding awards under the 2013 Plan, of which 116,802 shares were subject to outstanding stock options with a weighted average exercise price of \$2.18 per share and a weighted average remaining contractual term of 6.12 years, 120,000 shares were subject to unvested restricted stock awards and 164,065 shares were subject to unvested restricted stock units. As of the same date, 326,421 shares were available for future awards under the 2013 Plan.

Shareholder Approval and Board of Directors Recommendation

Shareholder approval of the 2018 Plan is being sought in order to (i) satisfy the shareholder approval requirements of the Nasdaq Stock Market and (ii) obtain shareholder approval of the number of shares that may be subject to incentive stock options under Internal Revenue Code (“Code”) Section 422.

The Board recommends that our shareholders vote “for” the 2018 Plan because it includes a number of features that we believe are consistent with the interests of our shareholders and sound corporate governance practices, and will provide us with a share reserve that will enable us to continue to provide a competitive mix of compensation to our key employees. Unless a contrary choice is specified, proxies solicited by the Board will be voted “for” approval of the 2018 Plan. If the 2018 Plan is not approved by our shareholders, the 2013 Plan in its current form will remain in effect, and we will remain subject to its existing share reserve.

Factors Considered in Setting Size of Requested Share Reserve

In setting the proposed number of shares reserved and issuable under the 2018 Plan, the GCN Committee and the Board considered a number of factors, including the following:

The Company’s three-year average burn rate. Our three-year average “burn rate” was approximately 2.47% for fiscal years 2015 through 2017. We define burn rate as the total number of shares subject to awards granted to participants in a single year expressed as a percent of our basic weighted average common shares outstanding for that year.

Estimated duration of shares available for issuance under the 2018 Plan. Based on the 900,000 shares to be reserved under the 2018 Plan, an estimated carryover of 326,421 unused shares from the 2013 Plan, and our three-year average burn rate as described above, we expect that the requested share reserve will be sufficient to accommodate awards up to our annual meeting of shareholder to be held in 2021.

Key Compensation Practices

The 2018 Plan includes a number of features that we believe are consistent with the interests of our shareholders and sound corporate governance practices, including the following:

No repricing of underwater options or stock appreciation rights without shareholder approval. The 2018 Plan prohibits, without shareholder approval, actions to reprice, replace, or repurchase options or stock appreciation rights (“SARs”) when the exercise price per share of an option or SAR exceeds the fair market value of the underlying shares.

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No discounted option or SAR grants. The 2018 Plan requires that the exercise price of options or SARs be at least equal to the fair market value of our common stock on the date of grant (except in the limited case of “substitute awards” as described below).

No liberal definition of “change in control.” No change in control would be triggered by shareholder approval of a business combination transaction, the announcement or commencement of a tender offer or any board assessment that a change in control may be imminent.

No automatic accelerated vesting of equity awards upon a change in control.

Limits on dividends and dividend equivalents. The 2018 Plan prohibits the payment of dividend equivalents on stock options and SARs, and requires that any dividends and dividend equivalents payable or credited on unvested full value awards must be subject to the same restrictions and risk of forfeiture as the underlying shares or share equivalents.

Limit on non-employee director awards. Equity awards to each non-employee director are subject to an annual grant date fair value limit.

Clawback Accommodation. Awards granted under the 2018 Plan will be subject to any recoupment policy we adopt at any time. We anticipate adopting a comprehensive recoupment policy applicable to equity incentive awards in light of the expected issuance of final stock exchange rules implementing the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Minimum vesting/performance period. The 2018 Plan includes a minimum vesting or performance period of one year for all awards, subject only to limited exceptions.

Description of the 2018 Equity Incentive Plan

The major features of the 2018 Plan are summarized below. The summary is qualified in its entirety by reference to the full text of the 2018 Plan, which is attached to this proxy statement as Appendix A.

Eligible Participants. Employees, consultants and advisors of the Company or any subsidiary, as well as non-employee directors of the Company, will be eligible to receive awards under the 2018 Plan. As of May 21, 2018, there were approximately 60 employees, five non-employee directors of the Company and an indeterminate number of consultants and advisors who would be eligible to receive awards under the 2018 Plan.

Administration. The 2018 Plan will be administered by the GCN Committee. To the extent consistent with applicable law, the committee may delegate its duties, power and authority under the 2018 Plan to any one or more of its members, or, with respect to awards to participants who are not themselves our directors or executive officers, to one or more of our other directors or executive officers or to a committee of the board comprised of one or more directors. The committee may also delegate non-discretionary administrative duties to other persons, agents or advisors.

The GCN Committee has the authority to determine the persons to whom awards will be granted, the timing, type and number of shares covered by each award, and the terms and conditions of the awards. The committee may also establish and modify rules to administer the 2018 Plan, adopt sub-plans applicable to certain awards, interpret the 2018 Plan and any related award agreement, cancel or suspend an award, accelerate the vesting of an award in connection with death or disability, and otherwise modify or amend the terms of outstanding awards to the extent permitted under the 2018 Plan, and require or permit the deferral of the settlement of an award. Unless an amendment to the terms of an award is necessary to comply with applicable laws or stock exchange rules, a participant who would be adversely affected by such an amendment must consent to it.

Except in connection with equity restructurings and other situations in which share adjustments are specifically authorized, the 2018 Plan prohibits the GCN Committee from repricing any outstanding “underwater” option or SAR awards without the prior approval of our shareholders. For these purposes, a “repricing” includes amending the terms of an underwater option or

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SAR award to lower the exercise price, canceling an underwater option or SAR award in conjunction with granting a replacement option or SAR award with a lower exercise price, canceling an underwater option or SAR award in exchange for cash, other property or grant of a new full value award, or otherwise making an underwater option or SAR award subject to any action that would be treated under accounting rules as a “repricing.”

Minimum Vesting Periods. Awards that vest based solely on the satisfaction of service-based vesting conditions are subject to a minimum vesting period of one year from the date of grant, and awards whose grant or vesting is subject to performance-based vesting conditions must be subject to a performance period of at least one year. These required vesting and performance periods will not apply: (i) upon a change in control, (ii) upon termination of service due to death or disability, (iii) to a substitute award that does not reduce the vesting period of the award being replaced, (iv) to awards granted in payment of other compensation that is already earned and payable, or (v) to awards involving an aggregate number of shares not in excess of 5% of the 2018 Plan’s share reserve.

Available Shares and Limitations on Awards. A maximum of 900,000 shares of our common stock may be the subject of awards and issued under the 2018 Plan, plus the number of shares remaining for future grants under the 2013 Plan on the date our shareholders approve the 2018 Plan. Shares of common stock that are issued under the 2018 Plan or that are potentially issuable pursuant to outstanding awards will reduce the 2018 Plan’s share reserve by one share for each share issued or issuable pursuant to an award. The shares of common stock issuable under the 2018 Plan are authorized but unissued shares. The aggregate grant date fair value of awards granted under the 2018 Plan during a calendar year to any one of our non-employee directors may not exceed \$200,000. The share limitations under the 2018 Plan are subject to adjustment for changes in our corporate structure or shares, as described below.

Any shares of common stock subject to an award under the 2018 Plan, or to an award under the 2013 Plan that is outstanding on the date our shareholders approve the 2018 Plan, that expires, is forfeited or terminated, or is settled or paid in cash will, to the extent of such expiration, forfeiture, termination or cash settlement, automatically replenish the 2018 Plan share reserve and become available for future awards. In such event, the 2018 Plan’s share reserve will be increased in the same amount by which the applicable share reserve was decreased upon the grant of the applicable award. Any shares tendered or withheld to pay the exercise price or satisfy a tax withholding obligation in connection with any award, any shares repurchased by the Company using option exercise proceeds and any shares subject to a SAR award that are not issued in connection with the stock settlement of the SAR award on its exercise may not be used again for new grants.

Awards that may be settled solely in cash will not reduce the share reserve and will not reduce the shares authorized for grant to a participant in each calendar year. Awards granted or shares of our common stock issued under the 2018 Plan upon the assumption of, or in substitution or exchange for, outstanding equity awards previously granted by an entity acquired by us or any of our subsidiaries (referred to as “substitute awards”) will not reduce the share reserve under the 2018 Plan. Additionally, if a company acquired by us or any of our subsidiaries has shares available under a pre-existing plan approved by its shareholders and not adopted in contemplation of such acquisition, the shares available for grant pursuant to the terms of that pre-existing plan may be used for awards under the 2018 Plan and will not reduce the share reserve under the 2018 Plan, but only if the awards are made to individuals who were not employed by or providing services to us or any of our subsidiaries immediately prior to such acquisition.

Share Adjustment Provisions. If certain transactions with our shareholders occur that cause the per share value of our common stock to change, such as stock splits, spin-offs, stock dividends or certain recapitalizations (referred to as “equity restructurings”), the GCN Committee will equitably adjust (i) the class of shares issuable and the maximum number and kind of shares subject to the 2018 Plan, (ii) outstanding awards as to the class, number of shares and price per share, and (iii) award limitations prescribed by the 2018 Plan. Other types of transactions may also affect our common stock, such as reorganizations, mergers or consolidations. If there is such a transaction and the committee

determines that adjustments of the type previously described in connection with equity restructurings would be appropriate to prevent any dilution or enlargement of benefits under the 2018 Plan, the committee will make such adjustments as it may deem equitable.

Types of Awards. The 2018 Plan permits us to award stock options, SARs, restricted stock awards, stock unit awards, and other stock-based awards to eligible recipients. These types of awards are described in more detail below.

Options. Employees of our Company or any subsidiary may be granted options to purchase common stock that qualify as “incentive stock options” within the meaning of Section 422 of the Code, and any eligible recipient may be granted options to purchase common stock that do not qualify as incentive stock options, referred to as “nonqualified stock options.” The per share exercise price to be paid by a participant at the time an option is exercised may not be less than 100% of the

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fair market value of one share of our common stock on the date of grant, unless the option is granted as a substitute award as described earlier. “Fair market value” under the 2018 Plan as of any date means the closing sale price of a share of our common stock on the Nasdaq Stock Market on that date. As of May 18, 2018, the closing sale price of a share of our common stock on the Nasdaq Stock Market was \$1.62.

The total purchase price of the shares to be purchased upon exercise of an option will be paid by the participant in cash unless the GCN Committee allows exercise payments to be made, in whole or in part, (i) by means of a broker-assisted sale and remittance program, (ii) by delivery to us (or attestation as to ownership) of shares of common stock already owned by the participant, or (iii) by a “net exercise” of the option in which a portion of the shares otherwise issuable upon exercise of the option are withheld by us. Any shares delivered or withheld in payment of an exercise price will be valued at their fair market value on the exercise date.

An option will vest and become exercisable at such time, in such installments and subject to such conditions as may be determined by the GCN Committee, and no option may have a term greater than 10 years from its date of grant. No dividends or dividend equivalents may be paid or credited with respect to shares subject to an option award.

The aggregate fair market value of shares of our common stock with respect to which incentive stock options granted to any participant may first become exercisable during any calendar year may not exceed \$100,000. Any incentive stock options that become exercisable in excess of this amount will be treated as nonqualified stock options. The maximum number of shares that may be issued upon the exercise of incentive stock option awards under the 2018 Plan is equal to 100,000 shares.

Stock Appreciation Rights. A SAR award provides the right to receive a payment from us equal to the difference between (i) the fair market value as of the date of exercise of the number of shares of our common stock as to which the SAR is being exercised, and (ii) the aggregate exercise price of that number of shares. The GCN Committee determines whether payment will be made in shares of our common stock, cash or a combination of both. The exercise price per share of a SAR award will be determined by the committee, but may not be less than 100 percent of the fair market value of one share of our common stock on the date of grant, unless the SAR is granted as a substitute award as described earlier. No dividends or dividend equivalents may be paid or credited with respect to shares subject to a SAR award. A SAR award may not have a term greater than 10 years from its date of grant, and will be subject to such other terms and conditions, consistent with the terms of the 2018 Plan, as may be determined by the committee.

Restricted Stock Awards. A restricted stock award is an award of our common stock that vests at such times and in such installments as may be determined by the GCN Committee. Until it vests, the shares subject to the award are subject to restrictions on transferability and the possibility of forfeiture. The committee may impose such restrictions or conditions to the vesting of restricted stock awards as it deems appropriate, including that the participant remain continuously in our service for a certain period or that we, or any of our subsidiaries or business units, satisfy specified performance goals. Any dividends or distributions payable with respect to shares that are subject to the unvested portion of a restricted stock award will be subject to the same restrictions and risk of forfeiture as the shares to which such dividends or distributions relate. Participants are entitled to vote restricted shares prior to the time they vest.

Stock Unit Awards. A stock unit award is a right to receive the fair market value of a specified number of shares of our common stock, payable in cash, shares, or a combination of both, that vests at such times, in such installments and subject to such conditions as may be determined by the GCN Committee. Until it vests, a stock unit award is subject to restrictions and the possibility of forfeiture. Stock unit awards will be subject to such terms and conditions, consistent with the other provisions of the 2018 Plan, as may be determined by the committee. The committee may provide for the payment of dividend equivalents on stock unit awards and other stock-based awards, but any such

dividend equivalents will be subject to the same restrictions and risk of forfeiture as the underlying units or other share equivalents to which such dividend equivalents relate.

Other Stock-Based Awards. The GCN Committee may grant awards of common stock and other awards that are valued by reference to and/or payable in shares of our common stock under the 2018 Plan. The committee has discretion in determining the terms and conditions of such awards.

Transferability of Awards. In general, no right or interest in any award under the 2018 Plan may be assigned, transferred, exchanged or encumbered by a participant, voluntarily or involuntarily, except by will or the laws of descent and distribution. However, the GCN Committee may provide that an award (other than an incentive stock option) may be transferable by gift to a participant's family member or pursuant to a domestic relations order. Any permitted transferee of such an award will remain subject to all the terms and conditions of the award applicable to the participant.

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Change in Control. If a change in control of the Company that involves a corporate transaction occurs, then the consequences will be as described below. If outstanding awards are continued, assumed or replaced by the surviving or successor entity in connection with a corporate transaction, and if within 12 months after the corporate transaction a participant's employment or other service is involuntarily terminated without cause, (i) each of the participant's outstanding options and SARs will become exercisable in full and remain exercisable for one year, and (ii) each of the participant's unvested full value awards will fully vest. For these purposes, a performance-based full value award will be considered fully vested if the performance goals are deemed to have been satisfied at the target level of performance and the vested portion of the award at that level of performance is proportionate to the portion of the performance period elapsed prior to the participant's termination of employment or other service.

If any outstanding award is not continued, assumed or replaced in connection with a change in control involving a corporate transaction, then (i) all outstanding options and SARs will become fully exercisable for a period of time prior to the effective time of the corporate transaction and will then terminate at the effective time of the corporate transaction, and (ii) all full value awards will fully vest immediately prior to the effective time of the corporate transaction. In this scenario, performance-based full value awards will be considered fully vested in the same manner as described above, except that the proportionate vesting amount will be determined with respect to the portion of the performance period that elapsed prior to the corporate transaction. Alternatively, if outstanding awards are not continued, assumed or replaced, the GCN Committee may elect to cancel such awards in exchange for a payment with respect to each award in an amount equal to the excess, if any, between the fair market value of the shares subject to the award immediately prior to the effective date of such corporate transaction (which may be the fair market value of the consideration to be received in the corporate transaction for the same number of shares) over the aggregate exercise price (if any) for the shares subject to such award (or, if there is no excess, such award may be terminated without payment).

If a change in control of the Company occurs that does not involve a corporate transaction, and if within 12 months after the change in control a participant's employment or other service is involuntarily terminated without cause, (i) each of the participant's outstanding options and SARs will become exercisable in full and remain exercisable for one year, and (ii) each of the participant's unvested full value awards will fully vest. For these purposes, a performance-based full value award will be considered fully vested if the performance goals are deemed to have been satisfied at the target level of performance and the vested portion of the award at that level of performance is proportionate to the portion of the performance period elapsed prior to the participant's termination of employment or other service.

For purposes of the 2018 Plan, the following terms have the meanings indicated:

A "change in control" generally refers to a corporate transaction as defined below, the acquisition by a person or group of beneficial ownership of 50% or more of the voting power of our stock, or our incumbent directors ceasing to constitute a majority of the Board.

A "corporate transaction" generally means (i) a sale or other disposition of all or substantially all of the assets of the Company, or (ii) a merger, consolidation, share exchange or similar transaction involving the Company.

Effect of Termination of Employment. Unless otherwise set forth in an applicable award agreement, if a participant ceases to be employed by or provide other services to us and our subsidiaries, awards under the 2018 Plan will be treated as set forth in the 2018 Plan. Upon termination for cause, all unexercised option and SAR awards and all unvested portions of any other outstanding awards will be immediately forfeited without consideration. Upon

termination for any other reason, all unvested and unexercisable portions of any outstanding awards will be immediately forfeited without consideration. Upon termination for any reason other than cause, death or disability, the currently vested and exercisable portions of option and SAR awards may be exercised for a period of three months after the date of termination; however, if the participant dies during such three-month period, the vested and exercisable portions of the option and SAR awards may be exercised for a period of one year after the date of such termination. Upon termination due to death or disability, the currently vested and exercisable portions of option and SAR awards may be exercised for a period of one year after the date of termination. Under the 2018 Plan, "cause" is generally defined as (i) material failure to perform satisfactorily the duties reasonably required by the Company; (ii) material violation of any law, rule, regulation, court order or regulatory directive (other than traffic violations, misdemeanors or other minor offenses); (iii) material breach of the Company's business conduct or ethics code or of any fiduciary duty or nondisclosure, non-solicitation, non-competition or similar obligation owed to the Company or any affiliate; (iv) engaging in any act or practice that involves personal dishonesty on the part of the employee or demonstrates a willful and continuing disregard for the best interests of the Company and its affiliates; or (v) engaging in dishonorable or disruptive behavior, practices or acts which would be reasonably expected to harm or bring disrepute to the Company or any of its affiliates, their business or any of their customers, employees or vendors.

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Effective Date and Term of the 2018 Plan. The 2018 Plan will become effective on the date it is approved by the Company's shareholders. No awards will be made under the 2018 Plan prior to its effective date. Unless terminated earlier, the 2018 Plan will terminate on the tenth anniversary of the effective date. Awards outstanding under the 2018 Plan at the time it is terminated will continue in accordance with their terms and the terms of the 2018 Plan unless otherwise provided in the applicable agreements. The Board may suspend or terminate the 2018 Plan at any time.

Amendment of the Plan. The Board may amend the 2018 Plan from time to time, but no amendments to the 2018 Plan will be effective without shareholder approval if such approval is required under applicable laws, regulations or stock exchange rules. Termination, suspension or amendment of the 2018 Plan may not adversely affect any outstanding award without the consent of the affected participant, except for amendments necessary to comply with applicable laws or stock exchange rules.

U.S. Federal Income Tax Consequences

The following is a summary of the principal United States federal income tax consequences to the Company and to participants subject to U.S. taxation with respect to awards granted under the 2018 Plan, based on current statutes, regulations and interpretations.

Non-qualified Stock Options. If a participant is granted a non-qualified stock option under the 2018 Plan, the participant will not recognize taxable income upon the grant of the option. Generally, the participant will recognize ordinary income at the time of exercise in an amount equal to the difference between the fair market value of the shares acquired at the time of exercise and the exercise price paid. The participant's basis in the common stock for purposes of determining gain or loss on a subsequent sale or disposition of such shares generally will be the fair market value of our common stock on the date the option was exercised. Any subsequent gain or loss will be taxable as a capital gain or loss. The Company will generally be entitled to a federal income tax deduction at the time and for the same amount as the participant recognizes as ordinary income.

Incentive Stock Options. If a participant is granted an incentive stock option under the 2018 Plan, the participant will not recognize taxable income upon grant of the option. Additionally, if applicable holding period requirements (a minimum of two years from the date of grant and one year from the date of exercise) are met, the participant will not recognize taxable income at the time of exercise. However, the excess of the fair market value of the shares acquired at the time of exercise over the aggregate exercise price is an item of tax preference income potentially subject to the alternative minimum tax. If shares acquired upon exercise of an incentive stock option are held for the holding period described above, the gain or loss (in an amount equal to the difference between the fair market value on the date of sale and the exercise price) upon disposition of the shares will be treated as a long-term capital gain or loss, and the Company will not be entitled to any deduction. Except in the event of death, if the holding period requirements are not met, the incentive stock option will be treated as one that does not meet the requirements of the Code for incentive stock options and the tax consequences described for nonqualified stock options will generally apply.

Other Awards. The current federal income tax consequences of other awards authorized under the 2018 Plan generally follow certain basic patterns. An award of restricted stock results in income recognition by a participant in an amount equal to the fair market value of the shares received at the time the restrictions lapse and the shares vest, unless the participant elects under Code Section 83(b) to accelerate income recognition and the taxability of the award to the date of grant. Stock unit awards generally result in income recognition by a participant at the time payment of such an award is made in an amount equal to the amount paid in cash or the then-current fair market value of the shares received, as applicable. SAR awards result in income recognition by a participant at the time such an award is exercised in an amount equal to the amount paid in cash or the then-current fair market value of the shares received by the participant, as applicable. In each of the foregoing cases, the Company will generally have a corresponding

deduction at the time the participant recognizes ordinary income, subject to Code Section 162(m) with respect to covered employees.

Section 162(m) of the Code. Code Section 162(m) denies a deduction to any publicly-held corporation for compensation paid to certain “covered employees” in a taxable year to the extent that compensation to the covered employee exceeds \$1,000,000.

Section 409A of the Code. The foregoing discussion of tax consequences of awards under the 2018 Plan assumes that the award discussed is either not considered a “deferred compensation arrangement” subject to Section 409A of the Code, or has been structured to comply with its requirements. If an award is considered a deferred compensation arrangement subject to Section 409A but fails to comply, in operation or form, with the requirements of Section 409A, the affected participant would generally be required to include in income when the award vests the amount deemed “deferred,” would be required to pay an additional 20 percent income tax on such amount, and would be required to pay interest on the tax that would have been paid but for the deferral.

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Awards Under the 2018 Plan

Because the 2018 Plan will not become effective until it is approved by our shareholders, the GCN Committee has not yet approved any awards under, or subject to, the 2018 Plan. In addition, because all awards under the 2018 Plan are discretionary with the committee, neither the number nor types of future 2018 Plan awards to be received by or allocated to particular participants or groups of participants is presently determinable.

Required Vote; Effect of Proposal

The affirmative vote of the holders of a majority of the outstanding shares of our common stock of the entitled to vote on this item and present in person or by proxy at the Annual Meeting is required for approval of this proposal. Proxies solicited by the Board will be voted for approval of this proposal, unless otherwise specified. If shareholder approval is not obtained, then the 2013 Plan will remain in effect under its current terms and the 2018 Plan will not become effective.

THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE “FOR” THIS PROPOSAL FOUR.

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PROPOSAL FIVE –
APPROVAL OF AMENDMENT AND RESTATEMENT OF
INSIGNIA SYSTEMS, INC. EMPLOYEE STOCK PURCHASE PLAN

On May 21, 2018, the Board adopted, subject to shareholder approval, an amendment (the “Amendment”) to the Insignia Systems, Inc. Employee Stock Purchase Plan (the “ESPP”) to increase the number of shares of our common stock available for purchase under the ESPP by 300,000 shares. The Amendment is effective as of the date of shareholder approval.

The ESPP was originally adopted by the Board, was subsequently approved by our shareholders in 1993 and will continue until terminated by the board. As of the most recent amendment approved by shareholders in 2012, there were 1,400,000 shares of our common stock initially available for purchase under the ESPP. As of May 21, 2018, 85,721 shares of our common stock remained available for purchase under the ESPP. The Board believes that an increase in the shares available for purchase under the ESPP from 1,400,000 to 1,700,000 shares is necessary and advisable. The ESPP offers eligible employees the opportunity to acquire a stock ownership interest in the Company through periodic payroll deductions that are applied toward the purchase of shares of our common stock at a discount from the then-current market price. The ESPP is intended to qualify under Section 423 of the Internal Revenue Code of 1986, as amended (the “Code”). Shareholder approval of the Amendment is being sought in order to authorize the replenishment of the ESPP’s share reserve and to maintain the qualified status of the ESPP under Section 423 of the Code.

The full text of the ESPP, as proposed to be amended by the Amendment, is contained in Appendix B to this proxy statement. The significant features of the ESPP are summarized below.

Administration

The ESPP is administered by the GCN Committee. The committee has full authority to adopt rules and procedures to administer the ESPP, to interpret the provisions of the ESPP, to determine the terms and conditions of offerings under the ESPP, and to designate which of our subsidiaries may participate in the ESPP. All costs and expenses incurred for ESPP administration are paid by the Company.

Securities Subject to the ESPP

The maximum number of shares of our common stock that will be authorized for purchase under the ESPP after the Amendment is effective is 1,700,000. The shares are to be made available from authorized but unissued shares of our common stock. Any shares issued under the ESPP will reduce, on a one-for-one basis, the number of shares available for subsequent issuance under the ESPP. In the event of any change to our outstanding common stock, such as a recapitalization, stock split or similar event, appropriate adjustments will be made to the number and class of shares available under the ESPP and to the number, class and purchase price of shares subject to each outstanding purchase right.

Eligibility and Participation

Any individual employed by the Company or any participating subsidiary corporation (including any corporation which subsequently becomes such at any time during the term of the ESPP) who is customarily expected to work more than 20 hours per week and at least five months in any calendar year is eligible to participate in the ESPP. As of May 21, 2018, approximately 60 employees, including our named executive officers, were eligible to participate in the ESPP, approximately 50% of whom were actively participating as of the same date. Eligible employees may enroll in

the ESPP and begin participating at the start of any purchase period.

Purchase Periods and Purchase Dates

Shares are purchased for participating employees automatically on the last day of a plan year, unless the participant elects in writing prior to such date not to complete the purchase. A participant may at any time during a plan year give notice that he or she does not wish to continue to participate, and all amounts withheld are then refunded with interest.

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Purchase Price

The purchase price of our common stock acquired on each purchase date will be no less than 85% of the lower of (i) the closing market price per share of our common stock on the first day of the applicable plan year or (ii) the closing market price per share of our common stock on the purchase date at the end of the applicable plan year.

The closing market price of our common stock on any relevant date under the ESPP will be deemed to be equal to the closing selling price per share on such date on the Nasdaq Capital Market. The closing sale price of our common stock on the Nasdaq Capital Market on May 18, 2018 was \$1.62 per share.

Payroll Deductions and Stock Purchases

Each participant may elect to have an amount of eligible compensation of at least \$10 withheld as a payroll deduction per pay period. The accumulated deductions will automatically be applied on each purchase date to the purchase of shares of our common stock at the purchase price in effect for that purchase date. For purposes of the ESPP, eligible compensation generally includes base salary, bonuses, commissions and overtime pay, and excludes allowances and income with respect to equity-based awards. Payroll deductions are limited to 10% of the participating employee's base pay for the plan year.

Special Limitations

The ESPP imposes certain limitations upon a participant's right to acquire our common stock, including the following:

Purchase rights may not be granted to any individual who owns stock (including stock purchasable under any outstanding purchase rights) possessing 5% or more of the total combined voting power or value of all classes of our stock or the stock of any of our subsidiaries.

A participant may not be granted rights to purchase more than \$25,000 worth of our common stock (valued at the time each purchase right is granted) for each calendar year in which such purchase rights are outstanding.

No participant may purchase more than 10,000 shares of our common stock during any plan year.

Termination or Modification of Purchase Rights

A participant may withdraw from the ESPP at any time, and his or her accumulated payroll deductions will be promptly refunded. A participant may only increase or decrease the amount of his or her payroll deductions as of the first payroll period in any purchase period. A participant's purchase right will immediately terminate upon his or her cessation of employment for any reason. Any payroll deductions that the participant may have made for the purchase period in which such cessation of employment occurs will be refunded and will not be applied to the purchase of common stock.

Shareholder Rights

No participant will have any shareholder rights with respect to the shares covered by his or her purchase rights until the shares are actually purchased on the participant's behalf through the ESPP.

Transferability

No purchase rights will be assignable or transferable by the participant, except by will or the laws of inheritance following a participant's death.

Corporate Transactions

If the Company is acquired by merger or through the sale of all or substantially all its assets, the Board may provide that (i) each right to acquire shares on any purchase date scheduled to occur after the date of the consummation of the acquisition transaction shall be continued or assumed or an equivalent right shall be substituted by the surviving or successor corporation or its parent or subsidiary, (ii) the ESPP shall be terminated, or (iii) the purchase period then in progress shall be shortened by setting a new purchase date.

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Share Proration

Should the total number of shares of common stock to be purchased pursuant to outstanding purchase rights on any particular purchase date exceed the number of shares remaining available for issuance under the ESPP at that time, then the GCN Committee will make a pro-rata allocation of the available shares on a uniform and nondiscriminatory basis, and the payroll deductions of each participant not used to purchase shares will be refunded.

Amendment and Termination

The ESPP may be terminated at any time by the Board, and will terminate upon the date on which all shares remaining available for issuance under the ESPP are sold pursuant to exercised purchase rights.

The Board may at any time amend or suspend the ESPP. However, the Board may not, without shareholder approval, amend the ESPP to (i) increase the number of shares issuable under the ESPP or (ii) effect any other change in the ESPP that would require shareholder approval under applicable law or to maintain compliance with Section 423 of the Code.

U.S. Federal Income Tax Consequences

The following is a summary of the principal United States federal income tax consequences to the Company and to participants subject to U.S. taxation with respect to participation in the ESPP. This summary assumes the ESPP qualifies as an “employee stock purchase plan” within the meaning of Section 423 of the Code, is not intended to be exhaustive and does not discuss the income tax laws of any city, state or foreign jurisdiction in which a participant may reside.

Under a qualified Code Section 423 arrangement, no taxable income will be recognized by a participant, and no deductions will be allowed to the Company, upon either the grant or the exercise of the purchase rights. Taxable income will not be recognized until either there is a sale or other disposition of the shares acquired under the ESPP or in the event the participant should die while still owning the purchased shares.

If a participant sells or otherwise disposes of the purchased shares within two years after the first day of the purchase period in which such shares were acquired, or within one year after the actual purchase date of those shares, then the participant will recognize ordinary income in the year of sale or disposition equal to the amount by which the closing market price of the shares on the purchase date exceeded the purchase price paid for those shares, and the Company will be entitled to an income tax deduction, for the taxable year in which such disposition occurs, equal in amount to such excess. The participant also will recognize a capital gain to the extent the amount realized upon the sale of the shares exceeds the sum of the aggregate purchase price for those shares and the ordinary income recognized in connection with their acquisition.

If a participant sells or otherwise disposes of the purchased shares more than two years after the first day of the purchase period in which the shares were acquired and more than one year after the actual purchase date of those shares, the participant will recognize ordinary income in the year of sale or disposition equal to the lower of (i) the amount by which the selling price of the shares on the sale or disposition date exceeded the purchase price paid for those shares or (ii) 15% of the closing market price of the shares on the first day of the purchase period in which the shares were acquired. Any additional gain upon the disposition will be taxed as a long-term capital gain. The Company will not be entitled to an income tax deduction with respect to such disposition.

If a participant still owns the purchased shares at the time of death, his or her estate will recognize ordinary income in the year of death equal to the lower of (i) the amount by which the closing market price of the shares on the date of death exceeds the purchase price or (ii) 15% of the closing market price of the shares on the first day of the purchase period in which those shares were acquired.

Plan Benefits

The benefits to be received by our executive officers and employees as a result of the ESPP are not determinable because the amounts of future purchases by participants are based on elective participant contributions.

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Required Vote; Effect of Proposal

The affirmative vote of the holders of a majority of the outstanding shares of our common stock of the entitled to vote on this item and present in person or by proxy at the Annual Meeting is required for approval of this proposal. Proxies solicited by the Board will be voted for approval of this proposal, unless otherwise specified. If shareholder approval is not obtained, then the ESPP will remain in effect under its current terms until the date the Board terminates the ESPP.

THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE “FOR” THIS PROPOSAL FIVE

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PROPOSAL SIX –
APPROVAL OF VOTING RIGHTS UNDER
MINNESOTA CONTROL SHARE ACQUISITION ACT

Description of the Minnesota Control Share Acquisition Act

The CSAA (a copy of which is attached hereto as Appendix C) limits the voting rights of a shareholder acquiring a substantial percentage of the voting shares of a corporation, unless holders of a majority of the voting power of the disinterested shares approve full voting rights for the substantial shareholder.

For the CSAA to apply, the shares of an “issuing public corporation,” such as the Company, must be acquired by an “acquiring person” in a “control share acquisition.”

An “acquiring person” is a person engaging in a “control share acquisition.” The definition of an “acquiring person” also includes a group of two or more persons or entities that act pursuant to an agreement or other relationship as a group.

A “control share acquisition” exists when an acquisition causes the acquirer to have voting power over: (a) at least 20% but less than 33-1/3% of the outstanding shares; (b) at least 33-1/3% but less than or equal to 50% of the outstanding shares; and (c) over 50% of the outstanding shares. Shares acquired in a control share acquisition in excess of any of the three thresholds (the “Shares Subject to the CSAA”) will not have voting rights, unless shareholders vote to accord the Shares Subject to the CSAA such voting rights by resolution adopted by (1) the affirmative vote of the holders of a majority of the voting power of all shares entitled to vote, including all shares held by the acquiring person, and (2) the affirmative vote of the holders of a majority of the voting power of all shares entitled to vote, excluding all “interested shares” (i.e., all shares held by the acquiring person, any officer of the issuing public corporation, or any director who is also an employee of the corporation).

For a vote to take place, the acquiring person must deliver to the corporation an information statement. The information statement must contain a number of items of information concerning the acquiring person and the acquiring person’s plans for the issuing public corporation. The following list of disclosures is required under the CSAA to afford the Board and the Company’s shareholders a meaningful opportunity to evaluate a control share acquisition:

Information about the acquiring person’s identity and background, including the identity and background of each member of the group constituting the acquiring person, and the identity and background of each affiliate and associate of each member of the group;

Reference to the statute section pursuant to which the disclosures are made;

The number and class or series of shares of the issuing public corporation beneficially owned, directly or indirectly, before the control share acquisition by each member of the acquiring person;

The number and class or series of shares acquired pursuant to the control share acquisition by each of the persons and specification of the statutory ranges of voting power in the election of directors that, except for the statutory provision, resulted from consummation of the control share acquisition; and

The terms of the control share acquisition, including but not limited to the source of funds or other consideration and the material terms of the financial arrangements for the control share acquisition, and any plans or proposals (including plans and proposals that are under consideration) to: (i) liquidate, dissolve, or sell all or a substantial part of the assets of the corporation, to merge it or exchange its assets with any other person; (ii) change the location of its principal place of business or its principal executive office or of a material portion of its business activities; (iii) change materially its management or policies of employment; (iv) change materially its charitable or community contributions or its policies, programs, or practices relating thereto; (v) change materially its relationship with suppliers or customers or the communities in which it operates; or (vi) make any other material change in its business, corporate structure, management or personnel, and other objective facts as would be substantially likely to affect the decision of a shareholder with respect to voting on the control share acquisition.

Material changes in such disclosed information must be disclosed promptly to the issuing public corporation by amending the information statement and delivering the amendment to the corporation's principal executive office. Increases or decreases in share ownership aggregating to 1% or more by all persons required to have their share ownership disclosed in the information statement are deemed material.

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Effect of the Approval

A vote to approve this proposal will accord full voting rights to all of the Shares Subject to the CSAA owned by the Shareholder Group and voting rights with respect to any additional shares that the Shareholder Group may acquire up to 33-1/3% of the Company's outstanding shares.

However, if a future acquisition by the Shareholder Group of the Company's common stock causes the Shareholder Group's beneficial ownership to equal or exceed 33-1/3%, an additional affirmative vote under the CSAA will be necessary to accord voting rights to the shares acquired by the Shareholder Group in excess of the 33-1/3% threshold.

To the Company's knowledge, the Shareholder Group beneficially owned 3,825,182 shares of the Company's outstanding common stock as of the record date, of which may be voted on Proposals 1 through 5 at the Annual Meeting and of which are subject to the voting restrictions imposed by the CSAA. If the Shares Subject to the CSAA are not accorded voting rights, such shares will regain those rights if transferred to persons other than the acquiring person or any of its affiliates or associates, so long as the transfer itself does not constitute a control share acquisition. If the shares are not transferred in such a manner and shareholder approval is not received under the CSAA, then pursuant to Subdivision 6 of the CSAA the Company may redeem all of the Shares Subject to the CSAA at a price equal to the fair market value of the shares at the time the Company calls them for redemption.

Control Share Acquisition by Shareholder Group

On January 19, 2018, the Shareholder Group submitted an information statement to the Company disclosing that the Shareholder Group had acquired common stock of the Company that caused the total ownership by the Shareholder Group to increase to approximately 29.91% of shares outstanding. A copy of the information statement, including all amendments to date, is attached hereto as Appendix D. The acquisition of shares by the Shareholder Group equal to and in excess of 20% constitutes a control share acquisition under the CSAA and such shares are deemed Shares Subject to the CSAA. As a result, the CSAA requires that the Company bring this Proposal before the Annual Meeting, and the Shareholder Group is prohibited by the CSAA from voting the Shares Subject to the CSAA unless the shareholders of the Company vote in favor of reinstating such rights. To the Company's knowledge, as of the record date, the Shareholder Group collectively beneficially owned approximately % of the issued and outstanding shares of the Company's common stock.

On March 23, 2018, the Company received a letter from Air T containing proposals for certain governance changes, including changes to the composition of the Board. The letter was filed with the SEC on behalf of the Shareholder Group as an exhibit to a Schedule 13D/A filed on the same date. On April 6, 2018, the Company received from the Shareholder Group written notice of the nomination of five director candidates, including Ms. Clarridge and Mr. Unterseher, for election at the 2018 Annual Meeting. After substantial and continuous engagement among representatives of the Company and representatives of the Shareholder Group, the Company and the Shareholder Group entered into the Cooperation Agreement on May 17, 2018. See "Certain Relationships and Related Party Transactions" on page 36. The Cooperation Agreement provides that the Board will not recommend to shareholders that they vote against this Proposal 6 but shall remain fully neutral on the proposal, and the Company will not take any action to make any solicitation in opposition to this proposal.

Recommendation by the Board of Directors

Consistent with the Board's obligations under the Cooperation Agreement, the Board is not recommending that shareholders vote against, and is remaining neutral with respect to, this Proposal 6.

Required Vote; Effect of Proposal

For this Proposal 6 to accord voting power to the Shares Subject to the CSAA, both the First Approval and Second Approval are required. See “How many votes are required to approve the proposals?” on page 3.

Proxies solicited by the Board will not be voted on this Proposal 6 unless a “for” or “against” vote is specified. If shareholder approval is not obtained, then the Shares Subject to the CSAA will not be accorded voting rights and the Company would have the option to call for redemption all of the Shares Subject to the CSAA within 30 days after the Annual Meeting, as described further above.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table presents information provided to the Company as to the beneficial ownership of common stock as of May 18, 2018, by: (i) persons known to the Company to hold 5% or more of such stock; (ii) each of the directors of the Company; (iii) each of the Named Executive Officers; and (iv) by all directors and current executive officers as a group. The address of each director and executive officer is 8799 Brooklyn Boulevard, Minneapolis, Minnesota 55445. Beneficial ownership includes shares available for purchase under options and subject to settlement under restricted stock units within 60 days after May 18, 2018. Unless otherwise indicated, each person had sole voting power and sole investment power for all such shares beneficially held.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Shares
Shareholders / Shareholder Groups		
Air T, Inc., et al. 3524 Airport Road Maiden, NC 28650	3,825,182(2)	32.0%
Cable Car Capital LLC 1449 Washington Street #6 San Francisco, CA 94109	1,014,943(3)	8.5%
Renaissance Technologies LLC 800 Third Avenue New York, NY 10022	642,000(4)	5.4%
Directors and Executive Officers		
Jacob J. Berning	19,742	*
Suzanne L. Clarridge	—	—
Kristine A. Glancy	103,446	*
Loren A. Unterseher	10,000	*