

INSIGNIA SYSTEMS INC/MN  
Form 10-K/A  
January 29, 2010  
Table of Contents

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

**FORM 10-K/A**

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

For the year ended December 31, 2008

Commission File Number 1-13471

**INSIGNIA SYSTEMS, INC.**

(Exact name of registrant as specified in its charter)

**Minnesota**

(State or other jurisdiction of incorporation or organization)

**41-1656308**

(IRS Employer Identification No.)

**8799 Brooklyn Blvd.**

**Minneapolis, MN 55445**

(Address of principal executive offices)

**(763) 392-6200**

(Registrant's telephone number, including area code)

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

Title of each class:	Name of each exchange on which registered:
Common Stock, \$.01 par value	The NASDAQ Stock Market LLC

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

## Edgar Filing: INSIGNIA SYSTEMS INC/MN - Form 10-K/A

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of the last business day of the second quarter (June 30, 2008) was approximately \$23,726,000 based upon the last sale price of the registrant's Common Stock on such date.

Number of shares outstanding of Common Stock, \$.01 par value, as of January 22, 2010, was 15,374,457.

### **DOCUMENTS INCORPORATED BY REFERENCE:**

Insignia Systems, Inc. Proxy Statement which was filed for the Annual Meeting of Shareholders which was held on May 20, 2009 (Part III Items 10, 11, 12, 13 and 14)

### **EXPLANATORY NOTE**

This Form 10-K/A, consisting of Items 8 and 9A of Part II, Items 11 and 13 of Part III, Item 15 of Part IV and Exhibits 10.1, 23.1, 31.1, 31.2 and 32, is being filed to amend the registrant's Form 10-K for the year ended December 31, 2008, in response to a comment letter received from the Commission dated December 22, 2009.

---

TABLE OF CONTENTS

**PART II.**

<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u>	3
<u>Item 9A.</u>	<u>Controls and Procedures</u>	20

**PART III.**

<u>Item 11.</u>	<u>Executive Compensation</u>	22
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions and Director Independence</u>	30

**PART IV.**

<u>Item 15.</u>	<u>Exhibits and Financial Statement Schedules</u>	31
-----------------	---	----

***PART II.***

Item 8. Financial Statements and Supplementary Data

**INDEX TO FINANCIAL STATEMENTS**

The following are included on the pages indicated:

<u>Report of Independent Registered Public Accounting Firm</u>	4
<u>Balance Sheets as of December 31, 2008 and 2007</u>	5
<u>Statements of Operations for the years ended December 31, 2008, 2007 and 2006</u>	6
<u>Statements of Shareholders' Equity for the years ended December 31, 2008, 2007 and 2006</u>	7
<u>Statements of Cash Flows for the years ended December 31, 2008, 2007 and 2006</u>	8
<u>Notes to Financial Statements</u>	9

Table of Contents

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders  
Insignia Systems, Inc.

We have audited the accompanying balance sheets of Insignia Systems, Inc. (a Minnesota corporation) (the Company) as of December 31, 2008 and 2007, and the related statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Insignia Systems, Inc. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Minneapolis, Minnesota  
March 27, 2009

Table of Contents

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

As of December 31	2008	2007
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 11,052,000	\$ 7,393,000
Accounts receivable, net	2,767,000	2,155,000
Inventories	442,000	397,000
Deferred tax assets, net		164,000
Prepaid expenses and other	238,000	883,000
<b>Total Current Assets</b>	<b>14,499,000</b>	<b>10,992,000</b>
<b>Other Assets:</b>		
Property and equipment, net	1,054,000	375,000
Non-current deferred tax assets, net		1,967,000
Other	40,000	6,000
<b>Total Assets</b>	<b>\$ 15,593,000</b>	<b>\$ 13,340,000</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>Current Liabilities:</b>		
Current maturities of long-term liabilities	\$ 202,000	\$ 266,000
Accounts payable	2,770,000	1,369,000
Accrued liabilities		
Compensation	820,000	622,000
Employee stock purchase plan	65,000	98,000
Legal	365,000	208,000
Other commissions	1,742,000	152,000
Other	981,000	221,000
Deferred revenue	1,158,000	305,000
<b>Total Current Liabilities</b>	<b>8,103,000</b>	<b>3,241,000</b>
<b>Long-Term Liabilities, less current maturities</b>	<b>219,000</b>	<b>422,000</b>
<b>Commitments and Contingencies</b>		
<b>Shareholders Equity:</b>		
Common stock, par value \$.01:		
Authorized shares 40,000,000		
Issued and outstanding shares 15,069,000 in 2008 and 15,550,000 in 2007	151,000	156,000
Additional paid-in capital	31,881,000	32,025,000
Accumulated deficit	(24,761,000)	(22,504,000)
<b>Total Shareholders Equity</b>	<b>7,271,000</b>	<b>9,677,000</b>
<b>Total Liabilities and Shareholders Equity</b>	<b>\$ 15,593,000</b>	<b>\$ 13,340,000</b>

*See accompanying notes to financial statements.*

Table of Contents

**Insignia Systems, Inc.**  
**STATEMENTS OF OPERATIONS**

Year Ended December 31	2008	2007	2006
Services revenues	\$ 28,931,000	\$ 21,589,000	\$ 19,219,000
Products sold	2,475,000	2,842,000	2,675,000
Total Net Sales	31,406,000	24,431,000	21,894,000
Cost of services	12,929,000	9,170,000	8,494,000
Cost of goods sold	1,593,000	1,719,000	1,560,000
Total Cost of Sales	14,522,000	10,889,000	10,054,000
Gross Profit	16,884,000	13,542,000	11,840,000
<b>Operating Expenses:</b>			
Selling	8,521,000	5,664,000	4,838,000
Marketing	1,602,000	1,412,000	1,051,000
Warrant expense		1,521,000	
General and administrative	7,060,000	4,864,000	3,637,000
Total Operating Expenses	17,183,000	13,461,000	9,526,000
Operating Income (Loss)	(299,000)	81,000	2,314,000
<b>Other Income (Expense):</b>			
Interest income	234,000	247,000	123,000
Interest expense	(57,000)	(95,000)	(146,000)
Other income	3,000	1,000	105,000
Total Other Income	180,000	153,000	82,000
Income (Loss) Before Taxes	(119,000)	234,000	2,396,000
Income tax (expense) benefit	(2,138,000)	2,109,000	
<b>Net Income (Loss)</b>	<b>\$ (2,257,000)</b>	<b>\$ 2,343,000</b>	<b>\$ 2,396,000</b>
Net income (loss) per share:			
Basic	\$ (0.15)	\$ 0.15	\$ 0.16
Diluted	\$ (0.15)	\$ 0.14	\$ 0.15
Shares used in calculation of net income (loss) per share:			
Basic	15,484,000	15,411,000	15,093,000
Diluted	15,484,000	16,186,000	15,556,000

*See accompanying notes to financial statements.*

Table of Contents

**Insignia Systems, Inc.**  
STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-In Capital	Deficit	
<b>Balance at December 31, 2005</b>	15,002,000	\$ 150,000	\$ 29,165,000	\$ (27,243,000)	\$ 2,072,000
Issuance of common stock, net	150,000	2,000	133,000		135,000
Value of stock-based compensation			259,000		259,000
Net income				2,396,000	2,396,000
<b>Balance at December 31, 2006</b>	15,152,000	152,000	29,557,000	(24,847,000)	4,862,000
Issuance of common stock, net	398,000	4,000	471,000		475,000
Value of stock-based compensation			476,000		476,000
Value of warrants issued for services			1,521,000		1,521,000
Net income				2,343,000	2,343,000
<b>Balance at December 31, 2007</b>	15,550,000	156,000	32,025,000	(22,504,000)	9,677,000
Issuance of common stock, net	44,000		98,000		98,000
Repurchase of common stock, net	(525,000)	(5,000)	(733,000)		(738,000)
Value of stock-based compensation			491,000		491,000
Net loss				(2,257,000)	(2,257,000)
<b>Balance at December 31, 2008</b>	15,069,000	\$ 151,000	\$ 31,881,000	\$ (24,761,000)	\$ 7,271,000

*See accompanying notes to financial statements.*



Table of Contents

**Insignia Systems, Inc.**  
**STATEMENTS OF CASH FLOWS**

Year Ended December 31	2008	2007	2006
<b>Operating Activities:</b>			
Net income (loss)	\$ (2,257,000)	\$ 2,343,000	\$ 2,396,000
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	370,000	266,000	207,000
Deferred income tax expense (benefit)	2,131,000	(2,131,000)	
Provision for bad debt expense			(31,000)
Stock-based compensation	491,000	476,000	259,000
Warrant expense		1,521,000	
Changes in operating assets and liabilities:			
Accounts receivable	(612,000)	770,000	(600,000)
Inventories	(45,000)	55,000	(4,000)
Prepaid expenses and other	611,000	55,000	(133,000)
Accounts payable	1,401,000	24,000	(425,000)
Accrued liabilities	2,672,000	476,000	(132,000)
Deferred revenue	853,000	(131,000)	(176,000)
Net cash provided by operating activities	5,615,000	3,724,000	1,361,000
<b>Investing Activities:</b>			
Purchases of property and equipment	(1,049,000)	(164,000)	(275,000)
Net cash used in investing activities	(1,049,000)	(164,000)	(275,000)
<b>Financing Activities:</b>			
Net change in line of credit		(186,000)	54,000
Payment of long-term liabilities	(267,000)	(241,000)	(201,000)
Proceeds from issuance of common stock, net	98,000	475,000	135,000
Repurchase of common stock, net	(738,000)		
Net cash provided by (used in) financing activities	(907,000)	48,000	(12,000)
Increase in cash and cash equivalents	3,659,000	3,608,000	1,074,000
Cash and cash equivalents at beginning of year	7,393,000	3,785,000	2,711,000
Cash and cash equivalents at end of year	\$ 11,052,000	\$ 7,393,000	\$ 3,785,000
<b>Supplemental disclosures for cash flow information:</b>			
Cash paid during the year for interest	\$ 17,000	\$ 53,000	\$ 103,000
Cash paid during the year for income taxes	\$ 8,000	\$ 60,000	\$

*See accompanying notes to financial statements.*

Table of Contents

**Insignia Systems, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

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

**Description of Business.** Insignia Systems, Inc. (the Company) markets in-store advertising products, programs and services to retailers and consumer packaged goods manufacturers. The Company's products include the Insignia Point-of-Purchase Services (POPS) in-store advertising program, thermal sign card supplies for the Company's SIGNright and Impulse systems, Stylus software and laser printable cardstock and label supplies.

**Revenue Recognition.** The Company recognizes revenue from Insignia POPSigns ratably over the period of service. The Company recognizes revenue related to equipment, software and sign card sales at the time the products are shipped to customers. Revenue associated with maintenance agreements is recognized ratably over the life of the contract. Revenue that has been billed and not yet earned is reflected as deferred revenue on the Balance Sheet. Revenues are recognized by the Company when persuasive evidence of an arrangement exists, shipment has occurred, the price is fixed, and collectability is reasonably assured.

**Cash and Cash Equivalents.** The Company considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value. At December 31, 2008, \$213,000 was invested in an overnight repurchase account, \$7,000,000 was invested in certificates of deposit and \$3,858,000 was invested in a short-term money market account. At December 31, 2007, \$1,345,000 was invested in an overnight repurchase account, \$6,000,000 was invested in certificates of deposit and \$5,000 was invested in a short-term money market account.

**Fair Value of Financial Instruments.** The financial statements include the following financial instruments: cash and cash equivalents, accounts receivable, accounts payable and long-term liabilities. The fair value of the long-term liabilities is estimated based on the use of discounted cash flow analysis using interest rates for other debt offered to the Company. The Company estimates the carrying value of the long-term liabilities approximates fair value. All other financial instruments approximate fair value because of the short-term nature of these instruments.

**Accounts Receivable.** The majority of the Company's accounts receivable is due from companies in the consumer packaged goods industry. Credit is extended based on evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are due within 30-60 days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts receivable outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes-off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Changes in the Company's allowance for doubtful accounts are as follows:

December 31	2008	2007
Beginning balance	\$ 10,000	\$ 10,000
Bad debt provision (recovery)		
Accounts written-off	(3,000)	
Ending balance	\$ 7,000	\$ 10,000

Table of Contents

**Insignia Systems, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

**Inventories.** Inventories are primarily comprised of parts and supplies for Impulse and SIGNright machines, sign cards, and rollstock. Inventory is valued at the lower of cost or market using the first-in, first-out (FIFO) method, and consists of the following:

December 31	2008	2007
Raw materials	\$ 107,000	\$ 82,000
Work-in-process	64,000	36,000
Finished goods	271,000	279,000
	\$ 442,000	\$ 397,000

**Property and Equipment.** Property and equipment is recorded at cost. Significant additions or improvements extending asset lives are capitalized, while repairs and maintenance are charged to expense when incurred. Depreciation is provided in amounts sufficient to relate the cost of assets to operations over their estimated useful lives. The straight-line method of depreciation is used for financial reporting purposes and accelerated methods are used for tax purposes. Estimated useful lives of the assets are as follows:

Production tooling	1-3 years
Machinery and equipment	5 years
Office furniture and fixtures	3 years
Computer equipment and software	3 years

Leasehold improvements are amortized over the shorter of the remaining term of the lease or estimated life of the asset.

**Impairment of Long-Lived Assets.** The Company records impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Impaired assets are then recorded at their estimated fair market value. There were no impairments during the years ended December 31, 2008, 2007 and 2006.

**Income Taxes.** Income taxes are accounted for under the liability method. Deferred income taxes are provided for temporary differences between the financial reporting and tax basis of assets and liabilities. Deferred taxes are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of the enactment. It is the Company's policy to provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities.

**Stock-Based Compensation.** Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* (SFAS 123R), which requires companies to measure and recognize compensation expense for all stock-based payments at fair value. We use the Black-Scholes option pricing model to determine the weighted average fair value of options and employee stock purchase plan rights. The determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as by assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors.

Table of Contents

**Insignia Systems, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

The expected terms of the options and employee stock purchase plan rights are based on evaluations of historical and expected future employee exercise behavior. The risk-free interest rate is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life at grant date. Volatility is based on historical and expected future volatility of the Company's stock. The Company has not historically issued any dividends and does not expect to in the future. SFAS 123R requires forfeitures to be estimated at the time of the grant and revised, if necessary, in subsequent periods if actual forfeitures differ from estimates.

If factors change and we employ different assumptions in the application of SFAS 123R to grants in future periods, the related compensation expense that we record under SFAS 123R may differ significantly from what we have recorded in the current periods.

**Advertising Costs.** Advertising costs are charged to operations as incurred. Advertising expenses were approximately \$11,000, \$9,000 and \$8,000 during the years ended December 31, 2008, 2007 and 2006.

**Net Income (Loss) Per Share.** Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average shares outstanding and excludes any dilutive effects of options, warrants and convertible securities. Diluted net income per share gives effect to all diluted potential common shares outstanding during the year. Options and warrants to purchase approximately 2,186,000, 1,396,000 and 1,086,000 shares of common stock with weighted average exercise prices of \$4.89, \$5.81 and \$6.29 were outstanding at December 31, 2008, 2007 and 2006 and were not included in the computation of common stock equivalents because their exercise prices were higher than the average fair market value of the common shares during the reporting periods.

For the year ended December 31, 2008, the effect of options and warrants was anti-dilutive due to the net loss incurred during the period. Had net income been achieved, approximately 381,000 of common stock equivalents would have been included in the computation of diluted net income per share for the year ended December 31, 2008.

Weighted average common share outstanding for the years ended December 31, 2008, 2007 and 2006 were as follows:

Year ended December 31	2008	2007	2006
Denominator for basic net income (loss) per share weighted average shares	15,484,000	15,411,000	15,093,000
Effect of dilutive securities:			
Stock options		775,000	460,000
Denominator for diluted net income (loss) per share adjusted weighted average shares	15,484,000	16,186,000	15,556,000

**Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Table of Contents

**Insignia Systems, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

***New Accounting Pronouncements.***

***Fair Value Measurements:*** In September 2006, the FASB Statement issued FASB No. 157, *Fair Value Measurements* (SFAS 157) which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. This statement defines fair value, establishes a framework for measuring fair value, and expands the related disclosure requirements. However, on December 14, 2007, the FASB issued proposed FSP FAS 157-2 which would delay the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This proposed FSP partially defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. Furthermore, in October 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for that Asset is Not Active*, and was effective upon issuance. Effective for 2008, we adopted SFAS 157 except as it applies to those nonfinancial assets and nonfinancial liabilities as noted in proposed FSP FAS 157-2. The partial adoption of SFAS 157, FSP FAS 157-2 or FSP FAS 157-3 did not have a material impact on our consolidated financial position, results of operations or cash flows and we do not believe the adoption of FSP FAS 157-2 will be material to our consolidated financial statements.

***Business Combinations:*** In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS No. 141 (R)). SFAS No. 141 (R) requires an acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. SFAS No. 141 (R) is effective for fiscal years after December 15, 2008. We expect to adopt SFAS No. 141 (R) on January 1, 2009, and we do not expect it to have a material effect on its financial position or results of operations.

***Noncontrolling Interests in Consolidated Financial Statements:*** In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statement-amendments of ARB No. 51* (SFAS No. 160). SFAS No. 160 states that accounting and reporting for minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. The SFAS No. 160 also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This statement is effective as of the beginning of an entity's first fiscal year beginning after December 15, 2008, which corresponds to the Company's year beginning January 1, 2009. The Company currently believes that the adoption of SFAS No. 160 will have no material impact on its financial position or results of operations.

2. **Property and Equipment.** Property and equipment consists of the following at December 31:

	2008	2007
<b>Property and Equipment:</b>		
Production tooling, machinery and equipment	\$ 2,115,000	\$ 1,725,000
Office furniture and fixtures	250,000	191,000
Computer equipment and software	719,000	698,000
Web site	38,000	
Leasehold improvements	255,000	368,000
	3,377,000	2,982,000
Accumulated depreciation and amortization	(2,323,000)	(2,607,000)
Net Property and Equipment	\$ 1,054,000	\$ 375,000

Table of Contents

**Insignia Systems, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

3. **Line of Credit.** The Company had a Financing Agreement, Security Agreement and Revolving Note (collectively, the Credit Agreement ) with Marquette Business Credit, Inc. which was in effect through April 30, 2007. The Company did not renew the Credit Agreement and all borrowings were repaid as of April 30, 2007.
4. **Long-Term Liabilities.** In prior periods, the Company reached an agreement with a retailer for the deferred payment of certain obligations on an interest-free basis. These obligations are recorded as long-term liabilities with an imputed annual interest rate of 10.0%.

<b>December 31</b>	<b>2008</b>	<b>2007</b>
Uncollateralized three year liability, payable in monthly installments	\$ 23,000	\$ 290,000
Uncollateralized liability, due December 31, 2009	179,000	179,000
Uncollateralized liability, due December 31, 2010	219,000	219,000
Total	421,000	688,000
Less current maturities	(202,000)	(266,000)
	\$ 219,000	\$ 422,000

5. **Commitments and Contingencies.**

**Operating Leases.** The Company conducts its operations in a leased facility. In October 2007 the Company entered into agreements to terminate its previous facility lease and sublease effective July 31, 2008. On March 27, 2008, the Company entered into an operating lease for its current facility which is in effect from August 2008 through February 2016. The Company also leases equipment under operating lease agreements effective through September 2009. Rent expense under all of these leases, net of sub-lease rental income, was approximately \$546,000, \$527,000 and \$527,000 for the years ended December 31, 2008, 2007 and 2006.

Minimum future lease obligations under these leases, excluding operating costs, are approximately as follows for the years ending December 31:

2009	\$ 441,000
2010	446,000
2011	456,000
2012	465,000
2013	474,000
Thereafter	1,058,000

**Legal.** In August 2000, News America Marketing In-Store, Inc. (News America), brought suit against the Company in U.S. District Court in New York, New York. The case was settled in November 2002. The terms of the settlement agreement are confidential. The settlement did not impact the Company's operating results.

In October 2003, News America brought suit against the Company in U.S. District Court in New York, New York, alleging that the Company has engaged in deceptive acts and practices, has interfered with existing business relationships with retailers and prospective economic advantage, and has engaged in unfair competition. The suit sought unspecified damages and injunctive relief. In February 2007 the U.S. District Court in New York transferred this action to Minnesota where the claims became part of the lawsuit the Company filed against News America and Albertson's Inc. in 2004 (described below), and the New York action was subsequently dismissed.

Table of Contents

**Insignia Systems, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

On September 23, 2004, the Company brought suit against News America and Albertson's Inc. (Albertson's) in Federal District Court in Minneapolis, Minnesota, for violations of federal and state antitrust and false advertising laws, alleging that News America has acquired and maintained monopoly power through various wrongful acts designed to harm the Company in the in-store advertising and promotion products and services market. The suit seeks injunctive relief sufficient to prevent further antitrust injury and an award of treble damages to be determined at trial for the harm caused to the Company. On June 30, 2006 the Court denied the motions of News America and Albertson's to dismiss the suit. On September 20, 2006, the State of Minnesota through its Attorney General intervened as a co-plaintiff in the business disparagement portion of the Minnesota case. In December 2006, News America filed counterclaims in the Minnesota case that included claims similar to those in its New York action against Insignia and one of its officers, plus claims for damages for two alleged incidents of libel and slander. Motions to dismiss the counterclaims were argued in June 2007, and on September 28, 2007 the Court denied the motions to dismiss the counterclaims. The parties are now engaged in pre-trial discovery. Pursuant to Court order, all discovery and pre-trial matters must be completed by May 1, 2009. On February 4, 2008, the Court approved a consent decree entered into by News America and the State of Minnesota under which News America agreed to not violate Minnesota's statutes prohibiting commercial disparagement. On July 29, 2008, the Company and Albertson's entered into a settlement agreement and mutual release, in which they each agreed to release all claims against the other, and the Company agreed to dismiss its lawsuit against Albertson's.

The Company filed claims in December 2006 and January 2007 with its director's and officer's liability and general liability insurers related to the defense costs and insurance coverage for claims asserted against the Company and one of its officers in News America's counterclaims. On August 9, 2007, the Company filed a complaint against the insurers in Hennepin County District Court, State of Minnesota requesting a declaratory judgment that the insurers owe the Company and its officer such defense costs and insurance coverage. In December 2007, the Company settled its claim against one of the insurers, and in March 2009, the Company settled with the other insurer and received a payment of \$1,387,000 as part of the settlement.

Although management believes that News America's counterclaims are without merit, an evaluation of the likelihood of an unfavorable outcome and an estimate of the potential liability cannot be rendered at this time. If the Company is required to pay a significant amount in settlement or damages, it will have a material adverse effect on its operations and financial condition. In addition, a negative outcome of this litigation could affect long-term competitive aspects of the Company's business.

Management currently expects the amount of legal fees and expenses that will be incurred in connection with the ongoing lawsuits to be significant throughout 2009. During the year ended December 31, 2008, the Company incurred legal fees and expenses of \$4,086,000 related to the ongoing lawsuits. Legal fees and expenses are expensed as incurred and are included in general and administrative expenses in the statements of operations.

The Company is subject to various other legal proceedings in the normal course of business. Management believes the outcome of these proceedings will not have a material adverse effect on the Company's financial position or results of operations.

**Retailer Agreements.** The Company has contracts in the normal course of business with various retailers, some of which provide for fixed or store-based payments rather than sign placement-based payments. During the years ended December 31, 2008, 2007 and 2006, the Company incurred \$4,935,000, \$3,730,000 and \$3,502,000 of costs related to fixed and store-based payments. The amounts were recorded in Cost of Services in the Statements of Operations.

Table of Contents

**Insignia Systems, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

Aggregate commitment amounts under agreements with retailers are approximately as follows for the years ending December 31:

2009	\$ 2,988,000
2010	2,907,000
2011	141,000

On an ongoing basis the Company negotiates renewals of various retailer agreements. Upon the completion of future contract renewals, the annual commitment amounts for 2009 and thereafter could be in excess of the amounts above.

**6. Shareholders Equity.**

**Private Placements and Warrants.** On December 18, 2002, the Company closed a private placement of \$7,500,000 of common stock to a small group of accredited investors at a price of \$9.19 per share, pursuant to a Securities Purchase Agreement. The price represented a 15% discount from the average closing bid price of the Company's common stock over the five days prior to the closing. As part of this offering, the Company also issued warrants to the investors entitling them to purchase an additional 244,827 shares of the Company's common stock at an initial exercise price of \$12.44 per share for a five-year period. Additionally, a warrant to purchase 40,805 shares with the same terms was issued to the Placement Agent. The warrant agreements were amended, effective December 29, 2003, to adjust the exercise price of the warrants to \$2.75 per share in exchange for certain terms of the warrant agreement being deleted in their entirety. During the year ended December 31, 2007, 110,122 of the warrants were exercised and the remaining 175,510 warrants expired on December 18, 2007.

On July 2, 2007, the Company issued a warrant to purchase 800,000 shares of the Company's common stock to Valassis Sales and Marketing Services, Inc. (Valassis) at a price of \$4.04 for a term of five years. The warrant was issued for services to develop and expand the Company's participating retailer network in conjunction with Amendment No. 2 to the Exclusive Reseller Agreement which defines the terms of the strategic sales alliance between the Company and Valassis. The Company recorded \$1,521,000 of expense related to the fair value of the warrant. The Black-Scholes option-pricing model was used to estimate the fair value of the warrant using an expected life of 5 years, volatility of 40%, a dividend yield of 0% and a risk-free interest rate of 4.9%. At December 31, 2008, the entire warrant was outstanding and exercisable.

**Stock-Based Compensation.** The Company's stock-based compensation plans are administered by the Compensation Committee of the Board of Directors, which selects persons to receive awards and determines the number of shares subject to each award and the terms, conditions, performance measures and other provisions of the award.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* (SFAS 123R), which requires companies to measure and recognize compensation expense for all stock-based payments at fair value. SFAS 123R is being applied on the modified prospective basis. Under the modified prospective approach, SFAS 123R applies to new awards and to awards that were outstanding on January 1, 2006 that are subsequently modified, repurchased or cancelled. Under the modified prospective approach, compensation cost recognized beginning in the first quarter of fiscal 2006 includes compensation cost for all share-based payments granted prior to, but not yet vested on January 1, 2006, and compensation cost for all share-based payments granted subsequent to January 1, 2006 based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. Prior periods were not restated to reflect the impact of adopting the new standard.



Table of Contents

**Insignia Systems, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

The following table summarizes the stock-based compensation expense which was recognized in the Statements of Operations for the years ended December 31, 2008, 2007 and 2006:

Year ended December 31	2008	2007	2006
Cost of sales	\$ 86,000	\$ 91,000	\$ 61,000
Selling	95,000	80,000	55,000
Marketing	65,000	58,000	32,000
General and administrative	245,000	247,000	111,000
	\$ 491,000	\$ 476,000	\$ 259,000

The Company uses the Black-Scholes option-pricing model to estimate fair value of stock-based awards with the following weighted average assumptions:

	2008	2007	2006
<i>Stock Options:</i>			
Expected life (years)	3.38	3.92	2.64
Expected volatility	75%	40%	63%
Dividend yield	0%	0%	0%
Risk-free interest rate	2.67%	4.77%	4.91%

The Company uses the straight-line attribution method to recognize expense for unvested options. The amount of share-based compensation recognized during a period is based on the value of the awards that are ultimately expected to vest. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company will re-evaluate the forfeiture rate annually and adjust it as necessary.

As of December 31, 2008, there was \$273,000 of total unrecognized compensation costs related to the outstanding stock options which is expected to be recognized over a weighted average period of 1.0 years.

**Stock Options.** Prior to 2003 the Company had a stock option plan (the 1990 Plan ) for its employees and directors under which substantially all of the shares reserved for issuance had been issued. During May 2003, the Company's shareholders approved the 2003 Incentive Stock Option Plan (the 2003 Plan ) and an aggregate of 350,000 shares of common stock were reserved for issuance. The shareholders approved an additional 650,000 shares for issuance in May of 2004, an additional 625,000 shares for issuance in May of 2005, an additional 250,000 for issuance in May of 2007 and an additional 500,000 for issuance in May of 2008. The 2003 Plan replaced the 1990 Plan. Options granted under the 1990 Plan will remain in effect until they are exercised or expire according to their terms. All current option grants are made under the 2003 Plan.

Under the terms of the stock option plans, the Company grants incentive or non-qualified stock options to employees and directors generally at an exercise price at or above 100% of fair market value at the close of business on the date of grant. The stock options expire five or ten years after the date of grant and generally vest over three years.

Table of Contents

**Insignia Systems, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

The following table summarizes activity under the Option Plans:

	Plan Shares Available for Grant	Plan Options Outstanding	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Balance at December 31, 2005	563,366	1,859,329	\$ 4.22	
Reserved				
Granted	(615,100)	615,100	1.24	
Exercised		(113,331)	1.52	\$ 179,000
Cancelled 2003 Plan	252,934	(252,934)	2.44	
Cancelled 1990 Plan		(61,066)	7.66	
Balance at December 31, 2006	201,200	2,047,098	3.59	
Reserved	250,000			
Granted	(513,100)	513,100	3.74	
Exercised		(142,616)	1.23	\$ 478,000
Cancelled 2003 Plan	96,968	(96,968)	1.60	
Cancelled 1990 Plan		(66,400)	8.17	
Balance at December 31, 2007	35,068	2,254,214	3.73	
Reserved	500,000			
Granted	(321,000)	321,000	1.93	
Exercised		(4,367)	1.24	\$ 3,000
Cancelled 2003 Plan	49,936	(49,936)	2.47	
Cancelled 1990 Plan		(23,200)	6.10	
Balance at December 31, 2008	264,004	2,497,711	\$ 3.50	

The numbers of options exercisable under the Option Plans were:

December 31, 2006	1,242,487
December 31, 2007	1,372,417
December 31, 2008	1,751,837

The following table summarizes information about the stock options outstanding at December 31, 2008:

Ranges of Exercise Prices	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Life	Weighted Average Exercise Price Per Share	Number Exercisable	Weighted Average Exercise Price Per share
\$0.58 \$ 0.96	310,401	6.51 years	\$ 0.91	302,067	\$ 0.91
0.97 1.31	656,433	6.70 years	1.24	511,305	1.25
1.32 1.95	350,547	8.91 years	1.92	67,047	1.94
1.96 3.32	42,067	4.71 years	3.09	29,406	3.19
3.33 4.28	551,331	7.58 years	3.80	255,745	3.86
4.29 5.80	84,999	4.27 years	5.74	84,334	5.75
5.81 8.90	309,933	1.81 years	7.82	309,933	7.82
8.91 11.36	192,000	2.72 years	9.61	192,000	9.61

Edgar Filing: INSIGNIA SYSTEMS INC/MN - Form 10-K/A

\$0.58	\$11.36	2,497,711	6.15 years	\$ 3.50	1,751,837	\$ 3.93
--------	---------	-----------	------------	---------	-----------	---------

Options outstanding under the Option Plans expire at various dates during the period October 2009 through May 2018. Options outstanding at December 31, 2008 had a weighted average remaining life of 6.15 years and an aggregate intrinsic value of \$21,000. Options exercisable at December 31, 2008 had a weighted average remaining life of 5.13 years and an aggregate intrinsic value of \$21,000. The weighted average grant-date fair value of options granted during the years ended December 31, 2008, 2007 and 2006, were \$1.01, \$1.38 and \$0.52.

Table of Contents

**Insignia Systems, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

**Employee Stock Purchase Plan.** The Company has an Employee Stock Purchase Plan (the Plan) that enables employees to contribute up to 10% of their compensation toward the purchase of the Company's common stock at 85% of market value. During the years ended December 31, 2008, 2007 and 2006, employees purchased 39,914, 164,040 and 57,460 shares under the Plan. At December 31, 2008, 155,663 shares are reserved for future employee purchases of common stock under the Plan. For the year ended December 31, 2008, the Company recognized \$67,000 of stock-based compensation expense related to the Plan.

7. **Income Taxes.** The (provision) benefit for income taxes consists of the following:

Year Ended December 31	2008	2007	2006
Current taxes - Federal	\$	\$ (7,000)	\$
Current taxes - State		(7,000)	(15,000)
Deferred taxes - Federal		(185,000)	(189,000)
Deferred taxes - State		(16,000)	(17,000)
(Expense) benefit from adjustment of valuation allowance		(1,930,000)	2,337,000
(Provision) benefit for income taxes	\$ (2,138,000)	\$ 2,109,000	\$

Significant components of the deferred taxes are as follows:

As of December 31	2008	2007
<b>Current Deferred Tax Assets:</b>		
Net operating loss carryforwards	\$	\$ 550,000
Accrued expenses		99,000
Inventory reserve		27,000
Other		2,000
Current deferred tax assets before valuation allowance		128,000
Less valuation allowance		(128,000)
Current deferred tax assets	\$	\$ 164,000
<b>Long -Term Deferred Tax Assets:</b>		
Net operating loss carryforwards	\$ 7,632,000	\$ 7,182,000
Warrant expense		563,000
Accrued expenses		147,000
Depreciation		31,000
Stock options		78,000
Alternative minimum tax credits		34,000
Other		1,000
Long-term deferred tax assets before valuation allowance		8,486,000
Less valuation allowance		(8,486,000)
Long-term deferred tax assets	\$	\$ 1,967,000

Table of Contents

**Insignia Systems, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

At December 31, 2008, the Company had net operating loss carryforwards of approximately \$21,463,000, which are available to offset future taxable income. The Company has determined that these carryforwards are not currently subject to the limitations of Internal Revenue Code Section 382 which provides limitations on the availability of net operating losses to offset current taxable income if an ownership change has occurred. These carryforwards will begin expiring in 2010.

At December 31, 2008, the Company had indefinite-lived alternative minimum tax credit carryforwards of \$34,000.

The Company has established a valuation allowance due to uncertainties regarding the realization of deferred tax assets. During the year ended December 31, 2008, the Company recorded a \$1,930,000 net increase to the valuation allowance due to changes in the Company's expectations regarding its ability to realize certain deferred tax assets, which resulted from a determination that it was more likely than not that none of the deferred tax assets would be realized. During the year ended December 31, 2007, the Company recorded a \$2,337,000 net release to the valuation allowance due to changes in the Company's expectations regarding its ability to realize certain deferred tax assets, which resulted from a determination that it was more likely than not that a portion of the net deferred tax assets would be realized. The Company evaluates all significant available positive and negative evidence, including the existence of losses in recent years and its forecast of future taxable income, in assessing the need for a valuation allowance. The underlying assumptions the Company uses in forecasting future taxable income require significant judgment and take into account the Company's recent performance.

The Company will continue to assess the valuation allowance and to the extent it is determined that said allowance is no longer required, the tax benefit of the remaining deferred tax assets will be recognized in the future. Included as part of the Company's net operating loss carryforwards are approximately \$2,700,000 in tax deductions that resulted from the exercise of stock options. When these loss carryforwards are realized the corresponding changes in the valuation allowance will be recorded as additional paid-in capital.

The actual tax expense attributable to income from continuing operations differs from the expected tax expense (benefit) computed by applying the U.S. federal corporate income tax rate of 34% to the net income (loss) as follows:

Year Ended December 31	2008	2007	2006
Federal statutory rate	(34.0)%	34.0%	34.0%
Change in valuation allowance	1,618.3	(961.0)	(48.2)
Stock options	116.5	56.8	0.5
State taxes	79.9	(41.9)	(0.4)
Meals & entertainment	21.0	9.4	0.8
Expiration of carryforwards			13.3
Effective federal income tax rate	1,801.7%	(902.7)%	0.0%

On January 1, 2007, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* an interpretation of FASB Statement No 109 (FIN 48). As a result of implementation of FIN 48, the Company has determined that no liability is required to be recognized. The Company files income tax returns in the United States and numerous state and local tax jurisdictions. Tax years that are open for examination and assessment by the Internal Revenue Service are 2005 through 2008. With limited exceptions, tax years prior to 2004 are no longer open in major state and local tax jurisdictions.

Table of Contents

**Insignia Systems, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

8. **Employee Benefit Plans.** The Company has a Retirement Profit Sharing and Savings Plan under Section 401(k) of the Internal Revenue Code. The plan allows employees to defer up to 50% of their wages, subject to Federal limitations, on a pre-tax basis through contributions to the plan. During the years ended December 31, 2008 and 2007 the Company made a matching contribution of \$71,000 and \$66,000, respectively. During the year ended December 31, 2006 the Company made no matching contributions.

9. **Concentrations.**

**Major Customers.** During the year ended December 31, 2008, four customers accounted for 19%, 13%, 11% and 10% of the Company's total net sales. At December 31, 2008, these four customers represented 12%, 2%, 7% and 24% of the Company's total accounts receivable. During the year ended December 31, 2007, two customers accounted for 15% and 11% of the Company's total net sales. At December 31, 2007, these two customers represented 23% and 4% of the Company's total accounts receivable.

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

**Export Sales.** Export sales accounted for less than 1% of total net sales during the years ended December 31, 2008, 2007 and 2006.

10. **Quarterly Financial Data.** (Unaudited)

Quarterly data for the years ended December 31, 2008 and 2007 was as follows:

Year Ended December 31, 2008	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Net sales	\$ 6,563,000	\$ 7,578,000	\$ 8,597,000	\$ 8,668,000
Gross profit	3,534,000	4,294,000	4,499,000	4,557,000
Net income (loss)	(240,000)	410,000	(254,000)	(2,173,000)
Net income (loss) per share:				
Basic	\$ (0.02)	\$ 0.03	\$ (0.02)	\$ (0.14)
Diluted	\$ (0.02)	\$ 0.03	\$ (0.02)	\$ (0.14)

Year Ended December 31, 2007	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Net sales	\$ 6,065,000	\$ 6,969,000	\$ 6,461,000	\$ 4,936,000
Gross profit	3,358,000	4,160,000	3,608,000	2,416,000
Net income (loss)	427,000	1,198,000	(907,000)	1,625,000
Net income (loss) per share:				
Basic	\$ 0.03	\$ 0.08	\$ (0.06)	\$ 0.10
Diluted	\$ 0.03	\$ 0.07	\$ (0.06)	\$ 0.10

Item 9A. Controls and Procedures**Disclosure Controls and Procedures**

The Company's management carried out an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer and the Company's Chief Financial Officer (principal financial officer), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of December 31, 2008, pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Company's Chief Executive Officer and the Company's Chief Financial Officer (principal financial officer) concluded that the Company's disclosure controls and procedures as of December 31, 2008 were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and are designed to ensure that information required to be disclosed by us in these reports is accumulated and communicated to our management, as appropriate to allow timely decisions regarding disclosures.



Table of Contents

We will consider further actions and continue to evaluate the effectiveness of our disclosure controls and internal controls and procedures on an ongoing basis, taking corrective action as appropriate. Management does not expect that disclosure controls and procedures or internal controls can prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. While management believes that its disclosure controls and procedures provide reasonable assurance that fraud can be detected and prevented, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

**Management's Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2008. In conducting its evaluation, our management used the criteria set forth by the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management believes our internal control over financial reporting was effective as of December 31, 2008.

The certification of the Company's Principal Executive Officer and Principal Financial Officer attached as Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K include, in paragraph 4 of such certifications, information concerning the Company's disclosure controls and procedures and internal controls over financial reporting. Such certifications should be read in conjunction with the information contained in the Item 9A for a more complete understanding of the matters covered by such certifications.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

**Changes in Internal Control Over Financial Reporting**

No changes in the Company's internal control over financial reporting have occurred during the fourth quarter of 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



Table of Contents**PART III.****Item 11. Executive Compensation****Compensation of Directors**

During 2008, outside directors received a fee of \$10,000 per year and \$1,000 for each Board meeting (\$250 for each conference call meeting) that they attended. In addition, the Chair of each committee received \$1,000 for each meeting of the committee, and members of the committee received \$500 for each meeting of the committee that they attended. The 2003 Incentive Stock Option Plan provides for the grant to each non-employee director of a non-qualified option to purchase 10,000 shares of common stock at the time the director is first elected or appointed to the Board, and grants of non-qualified options for 5,000 shares each year that the director is re-elected. During 2008, the Chairman of the Board of Directors received a grant of a non-qualified option to purchase 25,000 shares of common stock rather than a grant of a non-qualified option to purchase 5,000 shares of common stock. The larger option grant to the Chairman was intended by the Board to compensate him for the additional responsibilities and duties he has assumed beyond those of the other directors. Among his other responsibilities, he leads the planning for all Board activities, sets the agenda and coordinates the schedule for all meetings, chairs all meetings, serves as spokesman for the Board, and maintains close communication with the Company's CEO between meetings. All grants have an exercise price equal to the closing market price on the date of grant.

**Director Compensation**

The following table summarizes the compensation paid by the Company to non-employee directors for the fiscal year ended December 31, 2008.

Name <sup>(1)</sup>	Fees Earned or Paid in Cash <sup>(2)</sup>	Option Awards <sup>(3)</sup>	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Donald J. Kramer	\$ 19,000	\$ 25,621	\$	\$	\$	\$ 44,621
Peter V. Derycz	\$ 14,750	\$ 4,247	\$	\$	\$	\$ 18,997
Reid V. MacDonald	\$ 15,000	\$ 4,247	\$	\$	\$	\$ 19,247
W. Robert Ramsdell <sup>(4)</sup>	\$ 18,083	\$ 4,247	\$	\$	\$	\$ 22,330
Gordon F. Stofer	\$ 21,000	\$ 4,247	\$	\$	\$	\$ 25,247

- (1) Scott F. Drill, the Company's President and Chief Executive Officer, is not included in this table as he is an employee of the Company and thus received no compensation for his service as a director.
- (2) Reflects annual board retainer, and fees for attending board and committee meetings earned during 2008.
- (3) Valuation is based on the stock-based compensation expense which the Company recognized during 2008 for financial statement purposes under FAS 123(R) for awards granted in 2008 and prior years utilizing assumptions discussed in Note 6 to the Company's financial statements for the year ended December 31, 2008, but disregarding the estimate of forfeitures. The valuation in the table is equal to the grant date fair value for all directors except Mr. Kramer, for whom the grant date fair value was \$23,699.
- (4) W. Robert Ramsdell resigned from the Company's Board of Directors on August 29, 2008.

Table of Contents

The following table shows the aggregate number of shares underlying outstanding stock options held by the Company's non-employee directors as of December 31, 2008.

Name	Shares Underlying Outstanding Stock Option Awards	Exercisable	Unexercisable
Donald J. Kramer	180,000	167,500	12,500
Peter V. Derycz	20,000	20,000	
Reid V. MacDonald	15,000	15,000	
Gordon F. Stofer	45,000	45,000	

**EXECUTIVE COMPENSATION****Compensation Discussion and Analysis****Overview and Philosophy**

The Compensation Committee of the Board of Directors (the "Committee") operates pursuant to a Charter adopted by the Board of Directors on February 24, 2003 and amended on February 20, 2007. The Charter includes a mission statement which states that the Committee's mission is to ensure that the Company's executive officers are compensated consistent with the following philosophy and objectives: (1) to support the Company's overall business strategy and objectives; (2) to attract, retain and motivate the best executives in the Company's industry; (3) to promote the Company's pay-for-performance philosophy; and (4) to ensure that the Company's compensation programs and practices are of the highest quality and designed with full consideration of all accounting, tax, securities law, and other regulatory requirements.

The main duties of the Committee, as described in the Charter, are as follows: (1) review and approve annual base salary and incentive compensation levels, employment agreements, and benefits of the Chief Executive Officer and other key executives; (2) review the performance of the Chief Executive Officer; (3) review and assess performance target goals established for bonus plans and determine if goals were achieved at the end of the plan year; (4) act as the administrative committee for the Company's stock plans, and any other incentive plans established by the Company; (5) consider and approve grants of incentive stock options, non-qualified stock options, restricted stock or any combination to any employee; and (6) prepare the Report of the Compensation Committee for inclusion in the Annual Proxy Statement. The Committee has, from time to time, retained Towers Watson (formerly Towers Perrin) to advise it on compensation matters. The Committee also consults with the Chief Executive Officer on compensation issues regarding the other executive officers.

The Company's executive compensation program is designed to attract, retain, motivate and fairly reward the high performing individuals who will help the Company achieve and maintain a competitive position in its industry. The program is also intended to ensure the accomplishment of the Company's financial objectives and to align the interests of employees, including management, with those of long-term shareholders. The Company accomplishes these objectives by linking compensation to individual and Company performance, setting compensation at competitive levels, rewarding officers for financial growth of the Company, tying incentive compensation to performance objectives that are clearly defined and challenging but achievable, and increasing salaries and incentive compensation with position and responsibility. In 2008, our executive compensation program was comprised of three elements: base salary, non-equity incentive compensation in the form of an annual bonus or commission, and long-term, equity-based incentive compensation.

Table of Contents

The Compensation Committee Charter authorizes the Committee to retain outside consultants and advisors to assist the Committee. In February 2007, the Committee retained Towers Watson, a national executive compensation consulting firm, to conduct an executive compensation review focused on the following areas: executive competitive pay level testing, annual incentive plan design issues, and total potential dilution. Towers Watson delivered a report to the Committee in February 2007 that included its assessment, based on Watson Wyatt's 2006-2007 Industry Report on Top Management Compensation and William Mercer's 2006 Executive Compensation Survey, and proxy data from the Company's 21 publicly-traded peer companies, that the Company's total cash compensation for its executive officers was slightly below competitive norms when compared to external market data. Based on its assessment, Towers Watson recommended that the Committee consider normal increases to base salary and adoption of an annual incentive compensation plan for all of the executive officers.

**Base Salary**

The original base salaries of the executive officers were set by their offer letters and are subject to upward or downward adjustment at the Compensation Committee's discretion. The Committee intends that base salary be in the median range of salary levels for equivalent positions at comparable companies nationwide. Each officer's actual salary within this competitive framework depends on the individual's performance, responsibilities, experience, leadership and potential future contribution to the success of the Company. Officers do not necessarily receive increases every year.

In its February 2007 report, Towers Watson stated that the base salaries of the Company's executive officers were slightly below the external median market data they reviewed, and that normal increases (3% to 6%), were appropriate if justified by performance. In 2008 the Committee viewed Towers Watson's 2007 report as continuing to be relevant, and did not retain Towers Watson or any other consultant to advise the Committee in setting base salaries for 2008. The Committee consulted with Towers Watson on a limited and informal basis regarding base salary adjustments in 2008. Based on the Towers Watson report, and an assessment of each of the officers using the above criteria, the Committee awarded a \$10,000 increase in base salary for 2008 to each of the executive officers other than Mr. Jones, who received no increase, because he received a significant salary increase when he was appointed Senior Vice President in 2007.

**Annual Incentives**

The Compensation Committee believes strongly that the Company's executive compensation arrangements should closely align the interests of management with the interests of our shareholders. In addition, the Committee believes that incentive compensation should represent an inducement for performance that meets or exceeds challenging targets. The Committee intends to challenge the Company's management by continuing to set aggressive targets, which would provide an appropriate return for the Company's shareholders, but which are also achievable.

In 2008, Scott Drill, the Company's Chief Executive Officer was covered by the CEO Bonus Plan, which paid him a bonus of one percent of POPS revenue between \$19,000,000 and \$24,000,000, plus 3.75% of the gross margin on POPS revenue between \$24,000,000 and \$29,000,000. The CEO Bonus Plan was based on a bonus plan that the Company previously used to motivate its previous chief sales officer to increase POPS revenue and gross margin on POPS revenue. When that person left the Company at the end of 2005, Mr. Drill assumed most of his duties, and the Committee determined at that time that it was appropriate to use the same type of annual bonus plan for Mr. Drill to motivate him to increase POPS revenue and gross margin and align his interests with those of the Company's shareholders. The revenue and gross margin targets utilized by the Committee in the CEO Bonus Plan were tied to the Company's 2008 budget. The percentage of POPS revenue and gross margin payable to Mr. Drill under the plan were determined by the Committee to be sufficient to motivate him and reward him for reaching the applicable targets. Mr. Drill earned a bonus of \$100,419 for 2008 under the plan, consisting of \$50,000 from the revenue-based part, and \$50,419 from the gross margin-based part.

Table of Contents

In its February 2007 report, Towers Watson recommended that the Committee establish an annual incentive plan for the executive officers other than Mr. Drill that would allow them to receive annual bonuses based upon the Company's achievement of revenue and earnings targets. After reviewing the Towers Watson report, the Committee approved the 2007 Executive Incentive Plan, and in 2008 approved the 2008 Executive Incentive Plan. The 2008 plan covered the Company's CFO, Senior Vice President of Marketing Services, Senior Vice President of Operations, Vice President of Information Technology, and Controller. The plan allowed the officers to earn bonuses equal to the sum of: (a) an increasing percentage of salary based upon increases in Company POPS revenue between \$21,500,000 and \$24,500,000, plus (b) an increasing percentage of salary based upon increases in Company net income between \$2,000,000 and \$3,100,000. The POPS revenue targets were set by the Committee based on the Company's budget for 2008, and the net income targets were set by the Committee at amounts exceeding budget. The performance ranges and the percentage payout ranges were based on the recommendations in the Towers Watson report, and the Committee's assessment of the percentage payouts appropriate for each officer based on his experience, responsibilities, and ability to contribute to achieving the performance targets. Set forth below is a table showing the separate parts and total bonus paid to each of the officers named in the Summary Compensation Table:

**2008 Executive Incentive Plan**

<b>Name</b>	<b>Applicable Percentage of Salary Based Upon POPS Revenue</b>	<b>Bonus Based on POPS Revenue</b>	<b>Applicable Percentage of Salary Based Upon Net Income</b>	<b>Bonus Based on Net Income</b>	<b>Total Bonus</b>
Justin W. Shireman	15%	\$ 26,250	0%	\$	\$ 26,250
Scott J. Simcox	15%	\$ 30,000	0%	\$	\$ 30,000
A. Thomas Lucas	15%	\$ 24,960	0%	\$	\$ 24,960

Alan M. Jones, the Senior Vice President of CPG and Retail Sales, did not participate in the 2008 Executive Incentive Plan. In lieu of being covered by the plan, he was covered in 2008 by a commission plan that paid him one percent of all POPS revenue from consumer packaged good manufacturers (CPGs). His commission plan was substantially the same as in prior years.

**Long-term Incentives**

The 1990 Stock Plan and the 2003 Incentive Stock Option Plan are the basis of the Company's long-term incentive plans for executive officers and other key employees. The objective of the plans is to align executives' long-term interests with those of the shareholders by creating a direct incentive for executives to increase shareholder value. The stock option grants allow executives to purchase shares of Company stock at a price equal to the fair market value of the stock on the date of grant over a term of five to ten years. The options generally vest and become exercisable over a period of up to three years following the date of grant. The award of option grants is consistent with the Company's objective to include in total compensation a long-term equity interest for executive officers, with greater opportunity for reward if long-term performance is sustained. The Committee granted options to the named executive officers on May 21, 2008 as shown in the Grants of Plan-Based Awards table.

The Company also maintains the Employee Stock Purchase Plan, pursuant to which eligible employees 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.

Table of Contents

The Compensation Committee recommended and the Company's Board of Directors adopted the Senior Management Litigation Incentive Plan, which was approved by the shareholders at the Annual Meeting on May 21, 2008. The Company's Board of Directors terminated the Plan on December 8, 2009 and no payments were made under the Plan.

**Conclusion**

The Committee believes that the executive compensation strategy promotes the overall corporate objectives of increasing earnings and shareholder value.

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on our reviews and discussion with management, the Compensation Committee has approved inclusion of the Compensation Discussion and Analysis in this Form 10-K/A.

**Submitted by the Compensation Committee:**

Gordon Stofer, Chairman

Donald Kramer

Reid MacDonald

Table of Contents**SUMMARY COMPENSATION TABLE**

The following table shows, for our Chief Executive Officer, our Chief Financial Officer and each of the other three executive officers, together referred to as our named executive officers, information concerning compensation earned for service in all capacities during the fiscal year ended December 31, 2008.

Name and Position	Year	Salary	Bonus <sup>(1)</sup>	Option Awards <sup>(2)</sup>	Non-Equity Incentive Plan Compensation <sup>(3, 4)</sup>	All Other Compensation <sup>(5)</sup>	Total
Scott F. Drill	2008	\$ 310,000	\$	\$ 91,623	\$ 100,419	\$ 22,978	\$ 525,020
President, Chief Executive Officer and Secretary	2007	300,000		98,802	25,886	19,304	443,992
	2006	275,000		54,794	42,187	17,971	389,952
Justin W. Shireman	2008	\$ 175,000	\$	\$ 35,361	\$ 26,250	\$ 559	\$ 237,170
Vice President of Finance, Chief Financial Officer and Treasurer	2007	165,000		36,087	16,765	516	218,368
	2006	140,000		23,964		464	164,428
Scott J. Simcox	2008	\$ 193,967	\$	\$ 40,241	\$ 30,000	\$ 11,770	\$ 275,978
Senior Vice President, Marketing Services	2007	184,167		43,131	19,306	12,263	258,867
	2006	160,175		25,232		12,326	197,733
A. Thomas Lucas	2008	\$ 164,267	\$	\$ 32,933	\$ 24,960	\$ 516	\$ 222,676
Senior Vice President, Operations	2007	153,333		33,337	16,257	516	203,443
	2006	135,500		21,380		472	157,352
Alan M. Jones	2008	\$ 150,000	\$	\$ 34,196	\$	\$ 288,496	\$ 472,692
Senior Vice President, CPG and Retail Sales	2007	150,000		26,914		213,073	389,987
	2006	135,000		5,778		228,434	369,212

- (1) Only discretionary bonuses are disclosed in the Bonus column. Bonuses based upon the achievement of certain performance targets are reported in the Non-Equity Incentive Plan Compensation column.
- (2) Valuation is based on the stock-based compensation expense which the Company recognized during 2008 for financial statement purposes under FAS 123(R) for awards granted in 2008 and prior years utilizing assumptions discussed in Note 6 to the Company's financial statements for the year ended December 31, 2008, but disregarding the estimate of forfeitures.
- (3) Amounts under the Non-Equity Incentive Plan Compensation column were earned by Mr. Drill under the 2008 CEO Bonus Plan, 2007 CEO Bonus Plan and 2006 CEO Bonus Plan, and were based upon the achievement of certain revenue and gross margin performance targets.
- (4) Amounts under the Non-Equity Incentive Plan Compensation column were earned by Mr. Shireman, Mr. Simcox and Mr. Lucas under the 2008 Executive Incentive Plan and the 2007 Executive Incentive Plan, and were based upon the achievement of certain revenue and corporate net income performance targets.
- (5) For Mr. Drill the amount represents car allowance, taxable medical reimbursements and premiums paid for group term life insurance. For Mr. Simcox the amount represents car allowance and premiums paid for group term life insurance. For Mr. Shireman and Mr. Lucas the amounts represent premiums paid for group term life insurance. For Mr. Jones the amounts represent premiums paid for group term life insurance and commissions earned based upon sales targets.

Table of Contents**GRANTS OF PLAN-BASED AWARDS**

The following table summarizes the 2008 grants of equity and non-equity plan-based awards to the named executive officers.

Name	Grant Date	Estimated Future Payouts, Under Non-Equity Incentive Plan Awards			All Other Option Awards: Number of Securities Underlying Options (#)	Exercise Or Base Price Of Option Awards (\$/Share)		Grant Date Fair Value Of Stock And Option Awards (\$) <sup>(1)</sup>
		Threshold	Target	Maximum				
Scott F. Drill	05/21/2008	N/A	N/A	N/A	20,000	\$	1.92	\$ 22,300
Justin W. Shireman	05/21/2008	N/A	N/A	N/A	20,000	\$	1.92	\$ 20,389
Scott J. Simcox	05/21/2008	N/A	N/A	N/A	20,000	\$	1.92	\$ 20,389
A. Thomas Lucas	05/21/2008	N/A	N/A	N/A	20,000	\$	1.92	\$ 20,389
Alan M. Jones	05/21/2008	N/A	N/A	N/A	20,000	\$	1.92	\$ 20,389

- (1) Valuation is based on the grant date fair value of those awards determined pursuant to FAS 123(R) utilizing assumptions discussed in Note 6 to the Company's financial statements for the year ended December 31, 2008. The actual compensation cost recognized by the Company during fiscal 2008 for these awards in addition to the cost of equity awards granted in prior years are listed in the Option Awards column of the Summary Compensation Table

**Option Grant Policies**

Options granted under the 2003 Incentive Stock Option Plan are granted at an exercise price determined by the Compensation Committee (the Committee) on the date of grant equal to the fair market value on the date of grant. No options have been granted under the 1990 Stock Option Plan since 2003. The Committee considers grants to key employees (including executives) annually at its meeting in conjunction with the annual shareholder meeting (typically May of each year) and at other times if appropriate.

**POTENTIAL CHANGE IN CONTROL PAYMENTS**

The following table presents the estimated total amounts that would be paid out to the named executive officers for a qualifying termination following a change in control (assuming a change in control occurred on December 31, 2008).

Name	Payment Amount
Scott F. Drill	\$ 620,000
Justin W. Shireman	\$ 350,000
Scott J. Simcox	\$ 400,000
A. Thomas Lucas	\$ 333,000
Alan M. Jones	\$ 876,000

Table of Contents

Messrs. Drill, Shireman, Simcox, Lucas and Jones have Change in Control Agreements with the Company which provide that, following a change in control of the Company, they will receive severance payments equal to two years' salary (gross earnings for Mr. Jones) if they are terminated without cause, or if they voluntarily terminate for good reason, defined in the agreement to include demotion, reduction in salary or benefits, relocation, and certain other events. In addition, Mr. Drill's agreement provides that he will receive his severance payment if he voluntarily terminates his employment for any reason following a hostile takeover of the Company. Benefits under the agreements are payable in a lump sum.

**OUTSTANDING EQUITY AWARDS AT FISCAL 2008 YEAR-END**

The following table sets forth certain information concerning equity awards to the named executive officers at December 31, 2008.

Name	Grant Date	Option Awards		Option Exercise Price	Option Expiration Date
		Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable		
Scott F. Drill	05/17/2001	75,000		\$7.87	05/17/2011
	05/22/2002	50,000		\$9.30	05/22/2012
	05/20/2003	35,000		\$5.80	05/20/2013
	05/20/2004	60,000		\$1.31	05/20/2014
	05/18/2005	100,000		\$0.96	05/18/2015
	05/16/2006	66,667	33,333	\$1.19	05/16/2016
	05/23/2007	33,334	66,666	\$3.75	05/23/2017
	05/21/2008		20,000	\$1.92	05/21/2018
Justin W. Shireman	05/20/2003	10,000		\$6.06	05/20/2013
	02/19/2004	5,000		\$1.95	02/19/2014
	05/20/2004	15,000		\$1.31	05/20/2014
	05/18/2005	40,000		\$0.96	05/18/2015
	12/01/2005	20,000		\$0.58	12/01/2015
	05/16/2006	33,334	16,666	\$1.19	05/16/2016
	05/23/2007	11,667	23,333	\$3.75	05/23/2017
	05/21/2008		20,000	\$1.92	05/21/2018
Scott J. Simcox	04/11/2000	10,000		\$4.28	04/11/2010
	05/17/2001	10,000		\$7.87	05/17/2011
	05/22/2002	10,000		\$9.30	05/22/2012
	05/20/2003	7,500		\$5.80	05/20/2013
	02/19/2004	5,000		\$1.95	02/19/2014
	05/20/2004	20,000		\$1.31	05/20/2014
	05/18/2005	35,000		\$0.96	05/18/2015
	05/16/2006	46,667	23,333	\$1.19	05/16/2016
	05/23/2007	15,000	30,000	\$3.75	05/23/2017
	05/21/2008		20,000	\$1.92	05/21/2018
A. Thomas Lucas	04/11/2000	10,000		\$4.28	04/11/2010
	05/17/2001	10,000		\$7.87	05/17/2011
	05/22/2002	10,000		\$9.30	05/22/2012
	05/20/2003	7,500		\$5.80	05/20/2013
	02/19/2004	5,000		\$1.95	02/19/2014
	05/20/2004	20,000		\$1.31	05/20/2014
	05/18/2005	35,000		\$0.96	05/18/2015
	05/16/2006	33,334	16,666	\$1.19	05/16/2016
	05/23/2007	11,667	23,333	\$3.75	05/23/2017
	05/21/2008		20,000	\$1.92	05/21/2018



Edgar Filing: INSIGNIA SYSTEMS INC/MN - Form 10-K/A

Alan M. Jones	04/11/2000	3,333		\$4.28	04/11/2010
	02/19/2002	8,000		\$8.40	02/19/2012
	02/19/2004	3,599		\$1.95	02/19/2014
	05/16/2006	20,000	10,000	\$1.19	05/16/2016
	05/23/2007	15,000	30,000	\$3.75	05/23/2017
	05/21/2008		20,000	\$1.92	05/21/2018

29

Table of Contents**2008 OPTION EXERCISES**

The following table sets forth certain information concerning options exercised by the named executive officers for the year ended December 31, 2008.

Name	Option Awards	
	Number Of Shares Acquired On Exercise	Value Realized On Exercise
Scott F. Drill		
Justin W. Shireman		
Scott J. Simcox		
A. Thomas Lucas		
Alan M. Jones		

**EQUITY COMPENSATION PLAN INFORMATION**

The following table provides information as of December 31, 2008, for compensation plans under which securities may be issued.

PLAN CATEGORY	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders	3,297,711	\$ 3.63	419,667
Equity compensation plans not approved by security holders			
Total	3,297,711	\$ 3.63	419,667 <sup>(1)</sup>

- (1) Does not include 250,000 shares reserved for issuance under the 2003 Incentive Stock Option Plan and 250,000 shares reserved for issuance under the Employee Stock Purchase Plan, which are subject to shareholder approval at the Annual Meeting on May 20, 2009. See Items II and III. Also, does not reflect 59,634 shares issued January 2, 2009 from the Employee Stock Purchase Plan.

**Item 13. Certain Relationships and Related Transactions and Director Independence**

All of the Company's directors are independent as that term is defined in the NASDAQ Stock Market Listing Rules. In addition, each director who is a member of the Audit Committee satisfies the additional independence requirements that apply to directors who serve on Audit Committees under the NASDAQ Stock Market Listing Rules.

There were no related party transactions between January 1, 2008 and the date of this Amended Annual Report on Form 10-K/A, and there are currently no proposed related party transactions, that are required to be disclosed by this Item 13.

Table of Contents

The Company's Audit Committee Charter assigns to the Audit Committee the responsibility to review and approve all related party transactions.

**PART IV.**

**Item 15. Exhibits and Financial Statement Schedules**

The following financial statements of Insignia Systems, Inc. are included in Item 8:

Report of Independent Registered Public Accounting Firm  
 Balance Sheets as of December 31, 2008 and 2007  
 Statements of Operations for the years ended December 31, 2008, 2007 and 2006  
 Statements of Shareholders' Equity for the years ended December 31, 2008, 2007 and 2006  
 Statements of Cash Flows for the years ended December 31, 2008, 2007 and 2006  
 Notes to Financial Statements

(a) Exhibits

Exhibit Number	Description	Incorporation By Reference To
10.1	Amendment #1 dated December 6, 2006 to Exclusive Reseller Agreement dated June 12, 2006 between Valassis Sales & Marketing Service, Inc. and the Company	Filed herewith ( <b>Confidential treatment has been requested for portions of the Amendment pursuant to Rule 24b-2.</b> )
23.1	Consent of Inclusion of Independent Registered Public Accounting Firm	Filed herewith
31.1	Certification of Principal Executive Officer	Filed herewith
31.2	Certification of Principal Financial Officer	Filed herewith
32	Section 1350 Certification	Filed herewith

Table of Contents

## **SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

By: /s/ Scott F. Drill  
Scott F. Drill  
President and CEO

Dated: January 29, 2010