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

FORM 10-K

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

For the fiscal year ended December 31, 2015 Commission File Number 1-13471

INSIGNIA SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Minnesota	**41-1656308**
(State or other jurisdiction of incorporation or organization)	(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

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 [X]

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 [X]

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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] 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 to this Form 10-K. [X]

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 [X]

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

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 registrant's most recently completed second fiscal quarter (June 30, 2015) was approximately $26,395,000 based upon the price of the registrant's Common Stock on such date.

Number of shares outstanding of Common Stock, $.01 par value, as of March 14, 2016 was 11,611,303.

DOCUMENTS INCORPORATED BY REFERENCE:
Portions of the registrant's definitive proxy for its 2016 Annual Meeting of Shareholders are incorporated into Part III.

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PART I.

Item 1. Business

General

Insignia Systems, Inc. (referred to in this Annual Report on Form 10-K as "Insignia," "we," "us," "our" and the "Company") is a developer and marketer of innovative in-store products, programs, and services that help consumer goods manufacturers and retail partners drive sales at the point of purchase. The Company was incorporated in 1990. Since 1998, the Company has focused on managing a retail network, made up of over 22,000 store locations, for the primary purpose of providing turn-key at-shelf market access for consumer packaged goods ("CPG") manufacturers' marketing programs. Insignia provides participating retailers with benefits including incremental revenue, incremental sales opportunities, increased shopper engagement in-store, and custom creative development and other in-kind services.

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

In October 2014, the Company announced the introduction of a new product, The Like Machine™, which is an innovative new media that harnesses the power of social media, consumer engagement, and word-of-mouth recommendation at the point of purchase. The Company licenses this product from TLM Holdings, LLC ("TLMH"), a company in which Insignia's Chief Sales and Marketing Officer, Tim Halfmann, is the majority owner and serves as a principal. In March 2016, the Company and TLMH signed a new distribution agreement for the sale of The Like Machine to Insignia's customers. This new agreement replaces the Company's prior license agreement with TLMH. Mr. Halfmann has resigned from Insignia, effective April 30, 2016 in order to focus his efforts more fully on The Like Machine product and its evolution going forward.

The Company's internet address is www.insigniasystems.com. The Company has made all of the reports it files with the SEC available free of charge on its Web site. The Company's Web site is not incorporated by reference into this Report on Form 10-K. Copies of reports can also be obtained free of charge by requesting them from Insignia Systems, Inc., 8799 Brooklyn Boulevard, Minneapolis, Minnesota 55445; Attention: CFO; telephone 763-392-6200.

Industry and Market Background

In 2013, Point-Of-Purchase Advertising International (POPAI), an industry non-profit trade association, conducted a Shopper Engagement Study that showed more than 76% of brand purchase decisions are made in-store. As a result, product manufacturers seek access to in-store vehicles that prompt consumers to consider, and remind them to buy, their brand. Insignia is usually engaged as part of an overall, mixed-media, brand marketing campaign. Our programs offer manufacturers the unique benefit of helping to "close the sale" at the point of purchase, within the brick-and-mortar retail environment.

Company Products

Insignia's POPSign Program and Brand-Equity Signage

Insignia's POPSign program is an in-store, shelf-edge, point-of-purchase advertising and promotion tactic designed to assist CPG manufacturers in achieving marketing objectives. Depending on the design and format, Insignia POPSigns can deliver information from manufacturers such as product uses and features, nutritional information, advertising taglines, product images, or usage photos. The differentiating feature of Insignia POPSigns is that store-specific prices from the retailer, and each retailer's unique logo, are combined on the sign. Signs are installed in close proximity to the manufacturer's product in participating stores, and are maintained in two-week cycle increments. The Company's

POPSign program offers special features and enhancements, such as ShapePOPS®, which is an enhancement to its Color POPSigns that were developed in 2011.

In addition to POPSigns, Insignia offers a brand-equity signage program (without featured price or retailer logo) in a subset of managed retailers. This program offers CPG customers expanded market access for their advertising objectives.

Manufacturers pay program rates based upon the directed number of cycles and retailer/store count. The Company collects and organizes data from the manufacturer as well as the participating retailers, designs and prints the signage, and delivers signage. Depending on the agreement with the retailer, either a third-party professional installer or store personnel use placement instructions to install the correct signage at the shelf during the correct timeframe.

Legacy Products

Insignia offers custom design, printing and store signage programs directly to retailers that seek effective ways to communicate with their shoppers in store. Products include adhesive and non-adhesive supplies in a variety of colors, sizes and weights. Prior to 1996, the Company's primary product offering was the Impulse Retail System, a system developed by an independent product design and development firm. The Company continues to sell cardstock, maintenance agreements and supplies related to the Impulse Retail System to U.S. and international customers. Cardstock for the Impulse Retail System is sold by the Company in a variety of sizes and colors that can be customized to include pre-printed custom artwork, such as a retailer's logo. Approximately 7% of 2015 revenues came from the sale of these legacy products. The Company expects this percentage to be comparable in 2016.

Marketing and Sales

The Company primarily markets and sells its programs to CPG manufacturers through a direct sales force. Insignia has direct relationships with many of the top 100 CPG manufacturers. Marketing support includes customized sales pitches, selling tools such as rich media presentations, and online marketing efforts. The Company also maintains direct relationships with retailers in its retail distribution network, through a direct field force as well as an in-house support team that helps enable our program at retail.

The participating retailer network is managed and maintained through direct relationships, and also through contracts with Valassis Sales and Marketing Services, Inc. (Valassis) and News America Marketing In-Store, LLC (News America).

In February 2014, the Company and Valassis entered into a new Retail Access and Distribution Agreement that replaced all prior agreements. Under this new agreement, Valassis is a non-exclusive reseller of the Company's POPSigns and the Company has access to all CPG manufacturers for the sale of POPSigns for total consideration of $250,000, which was paid in 2014.

During 2015 and 2014, foreign sales accounted for less than 1% of total net sales each year. The Company expects sales to foreign distributors will remain less than 1% of total net sales in 2016.

Competition

The Insignia POPSign program provided approximately 93% of the Company's total net sales for 2015. The POPSign program faces intense competition for the marketing expenditures of branded product manufacturers for at-shelf advertising-related signage. In particular, the Company faces significant competition from News America, which also provides at-shelf advertising and promotional signage. Although settlement of prior litigation with News America resulted in a 10-year agreement through 2021 that provides the Company with additional opportunities to compete by offering signs with price in specific parts of News America's retail network, the Company will continue to compete for advertising dollars with News America's other at-shelf advertising and other promotional signage offerings, as well as with other companies that offer digital advertising alternatives.

The Company believes the main strengths of the Insignia POPSign program in relation to its competitors are:

- Depending on manufacturer's objectives, benefits to the brand that range from sales lift, awareness building, program ROI, new tier generation, or support of retailer programs
- Managing and providing turn-key access to a national network of retailers in support of objectives listed above; including smaller regional or independent retailers, which tend to be under-served by our competitors and difficult to aggregate at the national level
- Variable messaging capabilities including bi-lingual targeting
- Shorter lead times on program execution

Intellectual Property: Patents and Trademarks

The Company has developed and uses a number of trademarks, service marks, slogans, logos and other commercial symbols to advertise and sell its products. The Company owns U.S. registered trademarks for Insignia Systems, Inc.® (and Design), Insignia POPS®, Insignia POPSign®, Insignia ShelfPOPS®, Stylus®, SIGNright®, Impulse®, DuraSign®, I-Care®, Color POPSign®, BannerPOPS®, BrandPOPS®, EquityPOPS®, CategoryPOPS®, and ShapePOPS®.

The Company licenses the right to use a patented barcode on the sign cards for the Company's Impulse Retail System. Revenues from this product line and royalties paid under the license agreement are not material in the aggregate.

Certain employees are required to enter into nondisclosure and invention assignment agreements. Customers, vendors and other third parties also must agree to nondisclosure restrictions to prevent unauthorized disclosure of our trade secrets or other confidential or proprietary information.

Product Development

Product and services enhancements are developed internally and externally and include proprietary data management, operations systems, and design guidance.

Customers

During the year ended December 31, 2015, one customer accounted for 37% of the Company's total net sales. At December 31, 2015, one customer represented 62% of the Company's total accounts receivable. During the year ended December 31, 2014, two customers accounted for 33% and 10% of the Company's total net sales. At December 31, 2014, one customer represented 48% of the Company's total accounts receivable.

The Company's results of operations fluctuate from quarter to quarter as a result of:

- Promotional timing chosen by CPG customers;
- Underlying performance and quality of featured product chosen by CPG customers;
- CPG customer budget fluctuations and amount allocated to in-store tactics vs. other tactics;
- Quantity and quality of retailers maintained through the Company's retail distribution network;
- Incentives offered to sales staff; and
- Minimum program level commitments to retailers.

Environmental Matters

We believe our operations are in compliance with all applicable environmental regulations within the jurisdictions in which we operate. The costs of compliance with these regulations have not been, and are not expected to become, material.

Employees

As of March 14, 2016, the Company had 63 employees, including 61 full-time employees. We believe relations with our employees are good.

Segment Reporting

The Company operates in a single reportable segment.

Item 1A. Risk Factors

Forward-Looking Statements

Statements made in this Annual Report on Form 10-K, in the Company's other SEC filings, in press releases and in oral statements to shareholders and securities analysts that are not statements of historical or current facts are "forward-looking statements." Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance of the Company to be materially different from the results or performance expressed or implied by such forward-looking statements. The words "anticipates", "believes," "expects," "intends," "seeks" and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made. These statements are subject to the risks and uncertainties that could cause actual results to differ materially and adversely from the forward-looking statements. These risks and uncertainties include, but are not limited to, the risks described below.

Our business faces significant risks, including the risks described below. If any of the events or circumstances described in the following risks occurs, our business, financial condition or results of operations could suffer, and the trading price of our common stock could decline.

Our Results Are Dependent on Our Manufacturing Partners' Continued Use of Our POPS Program

We are largely dependent on our POPS program, which represented approximately 93% of the total net sales in both 2015 and 2014. The POPS program is sold primarily to CPG manufacturers. During 2015, one customer accounted for approximately 37% of our total net sales and during 2014, two customers accounted for approximately 33% and 10% of our total net sales. Additionally, changes in economic conditions could result in reductions in advertising and promotional expenditures by branded product manufacturers, which may result in decreased spending for the in-store advertising services we offer. Should these manufacturers no longer perceive sufficient value in the POPS program, or if our POPS program does not continue to result in product sales increases, our business and results of operations would be adversely affected due to our heavy dependence on this program.

We Are Dependent on Our Contracts with Retailers and Our Ability to Renew Those Contracts When They Expire

On an ongoing basis, we negotiate renewals of various retailer contracts that allow us access to place signs at shelf in their stores. Some of our retailer contracts require us to guarantee minimum payments. If we are unable to offer guarantees at the required levels in the new contracts, and the contracts are not renewed because of that reason or because of other reasons, it will have an adverse effect on our operations and financial condition.

Our POPS business and results of operations could be adversely affected if the number of retailer partners decreases significantly, the quality of our retail distribution network decreases, or if the retailer partners fail to continue to maintain POPSigns at the shelf in their stores.

Our Results Are Dependent on the Success of Our Business Relationship with News America

Our results depend, in part, on the success of our sales and marketing efforts as News America's exclusive agent for signs with price into the News America network of retailers and upon our ability to successfully sell programs into this network. Additionally, if disputes with News America arise in the future regarding the operational aspects of our agreement, it could have an adverse effect on the Company.

We Face Significant Competition

We face significant competition from News America, who also provides at-shelf advertising and promotional signage. Although the settlement with News America resulted in a 10-year agreement through 2021 that provides us additional opportunities to compete by offering signs with price in News America's network, as News America's exclusive agent, we will continue to compete for advertising dollars with News America's other at-shelf advertising and promotional signage offerings. News America has significantly greater financial resources that can be used to develop and market their products. Should our competition succeed in obtaining more of the at-shelf advertising business from our current customers, our revenues and related operations would be adversely affected.

Our Results Are Dependent on Our Ability to Successfully Introduce New Product Offerings that Meet Customer Demands

Our ability to retain, increase and engage our customers and to increase our revenues will depend partially on our ability to create successful new products. We may modify our existing products or develop and introduce new and unproven products, including acquired products. If new or enhanced products fail to engage consumers, we may fail to attract or retain customers or to generate sufficient revenues, margins, or other value to justify our investments and our business may be adversely affected. In the future, we may invest in new products and initiatives to generate revenue, but there is no guarantee these approaches will be successful. If we are not successful with these new approaches, we may not be able to maintain or grow our revenues or recover any associated product development costs, and our financial results could be adversely affected.

We May be Subject to Major Litigation

We were involved in major litigation with News America between 2003 and 2011. During 2011, the Company and News America entered into a settlement agreement to resolve the antitrust and false advertising lawsuit that had been outstanding for several years. Although the Company obtained a significant settlement in 2011, if future disputes with News America, or other companies arise, it could have an adverse effect on our Company.

Our Customers and Retailers May Be Susceptible To Changes in Economic Conditions

Our revenues are affected by our customers' marketing and advertising spending and our revenues and results of operations may be subject to fluctuations based upon general economic conditions. Another economic downturn may reduce demand for our products and services or depress pricing of those products and services and have an adverse effect on our results of operations. Retailers may be impacted by changes in consumer spending as well, which may adversely impact our ability to renew contracts with our existing retailers as well as contract with new retailers on terms that are acceptable to us. In addition, if we are unable to successfully anticipate changing economic conditions, we may be unable to effectively plan for and respond to those changes, and our business could be negatively affected.

We Have a Limited Number of Key Personnel

Given the unique business we operate and the importance of customer relationships to our business, our future success is dependent, in large part, upon our ability to attract and retain highly qualified managerial, operational and sales personnel. Competition for talented personnel is intense, and we cannot be certain that we can retain our managerial, operational and sales personnel or that we can attract, assimilate or retain such personnel in the future. Our inability to attract and retain such personnel could have an adverse effect on our business, results of operations and financial condition. Further, the Company has one individual currently serving as both principal executive and principal financial officer.

Our Results of Operations May Be Subject To Significant Fluctuations

Our quarterly and annual operating results have fluctuated in the past and may vary in the future due to a wide variety of factors including:

- the addition or loss of contracts with retailers;
- the loss of customers or changes in timing and amount of our customers' spending with us;
- the timing of seasonal events for customers;
- the timing of new retail stores being added or removed;
- costs of evaluating and developing new products;
- the timing of additional selling, marketing and general and administrative expenses; and
- competitive conditions in our industry.

Due to these factors, our quarterly and annual net sales, expenses and results of operations could vary significantly in the future and this could adversely affect the market price of our common stock.

Investment in Our Stock Could Result in Fluctuating Returns

During 2015, the sale prices of our common stock as reported by the NASDAQ Stock Market ranged from a low of $2.04 to a high of $3.68. We believe factors such as the fluctuations in our quarterly and annual operating results described above, the market's acceptance of our services and products, the performance of our business relative to market expectations, as well as limited daily trading volume of our stock, and general volatility in the securities markets, could cause the market price of our common stock to fluctuate substantially. In addition, the stock markets have experienced price and volume fluctuations, resulting in changes in the market prices of the stock of many companies, which may not have been directly related to the operating performance of those companies.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company leased approximately 41,000 square feet of office and warehouse space in suburban Minneapolis, Minnesota. On September 14, 2015, the Company signed a First Amendment to extend its lease expiration from February 29, 2016 to March 31, 2021, effective January 1, 2016. This First Amendment reduced the space occupied within the original premises by approximately 17,000 square feet, bringing the revised square footage of the remaining space to approximately 24,000 square feet. The Company believes that its currently leased space will meet its foreseeable needs.

Item 3. Legal Proceedings

From time to time, the Company is subject to various legal matters in the normal course of business. The Company currently has no material pending legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

PART II.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock trades on the NASDAQ Capital Market® under the symbol ISIG. The following table summarizes the high and low sale prices per share of our common stock for the periods indicated as reported by NASDAQ.

2015	High	Low	2014	High	Low
First Quarter	$ 3.68	$ 2.73	First Quarter	$ 3.48	$ 2.67
Second Quarter	3.08	2.63	Second Quarter	3.34	2.70
Third Quarter	2.82	2.04	Third Quarter	3.33	2.78
Fourth Quarter	3.03	2.41	Fourth Quarter	4.45	2.75

As of March 14, 2016, the Company had one class of Common Stock held by approximately 93 owners of record.

Dividends

We have not historically paid dividends, other than a one-time dividend in 2011. Our Board of Directors intends to retain all earnings for use in the Company's business and does not anticipate paying cash dividends in the foreseeable future.

Share Repurchase Program

On October 30, 2015, the Board authorized the repurchase of up to $5,000,000 of the Company's common stock on or before October 30, 2017. The plan allows the repurchases to be made in open market or privately negotiated transactions. The plan does not obligate the Company to repurchase any particular number of shares, and may be suspended at any time at the Company's discretion.

On December 3, 2013, the Board of Directors had authorized the repurchase of up to $5,000,000 of the Company's common stock on or before December 3, 2015. The plan allowed the repurchases to be made in open market or privately negotiated transactions. The plan did not obligate the Company to repurchase any particular number of shares, and could be suspended at any time at the Company's discretion. This plan was terminated on November 3, 2015.

ISSUER PURCHASES OF EQUITY SECURITIES

Our share repurchase program activity for the three months ended December 31, 2015 was:

	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased under the Plans or Programs
October 1-31, 2015	48,488	$ 2.65	1,444,971	$ 864,000 (1)
November 1-30, 2015	200	$ 2.84	200	$ 4,999,000 (2)
December 1-31, 2015	5,757	$ 2.88	5,957	$ 4,983,000 (2)

(1) Share repurchase activity corresponds to the December 3, 2013 repurchase plan.
(2) Share repurchase activity corresponds to the October 30, 2015 repurchase plan.

Item 6. Selected Financial Data

Smaller reporting companies are not required to provide disclosure pursuant to this Item.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the financial statements and the related notes included in this Annual Report. This Annual Report contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those in such forward-looking statements as a result of many factors, including those discussed in "Forward-Looking Statements" and elsewhere in this Annual Report.

Results of Operations

The following table sets forth, for the periods indicated, certain items in the Company's Statements of Comprehensive Income as a percentage of total net sales.

For the Years Ended December 31	2015	2014
Net sales	100.0 %	100.0 %
Cost of sales	55.1	55.2
Gross profit	44.9	44.8
Operating expenses:		
Selling	15.9	22.1
Marketing	5.8	5.8
General and administrative	14.5	15.1
Total operating expenses	36.2	43.0
Operating income	8.7	1.8
Other income	0.3	0.2
Income before taxes	9.0	2.0
Income tax expense	3.6	1.2
Net income	5.4 %	0.8 %

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Net Sales. Net sales for the year ended December 31, 2015 increased 7.2% to $28,211,000, compared to $26,305,000 for the year ended December 31, 2014.

Service revenues for the year ended December 31, 2015 increased 7.8% to $26,391,000, compared to $24,473,000 for the year ended December 31, 2014. The increase was primarily due to a 15% increase in the number of signs placed, partially offset by a 7% decrease in average price per sign. Both of the factors above were primarily influenced by a third quarter sales promotion and changes in the overall POPS program mix. Revenue from pilot tests conducted for our new service offering, The Like Machine was not significant in 2015 or 2014.

Product sales for the year ended December 31, 2015 decreased 0.7% to $1,820,000, compared to $1,832,000 for the year ended December 31, 2014. The decrease was primarily due to lower sales of sign card supplies.

Gross Profit. Gross profit for the year ended December 31, 2015 increased 7.5% to $12,671,000, compared to $11,782,000 for the year ended December 31, 2014. Gross profit as a percentage of total net sales was relatively consistent at 44.9% for 2015, compared to 44.8% for 2014.

Gross profit from our service revenues for the year ended December 31, 2015 increased 8.4% to $12,154,000, compared to $11,212,000 for the year ended December 31, 2014. The increase in gross profit was primarily due to increased revenues, as our gross profit is highly dependent on sales levels. Gross profit as a percentage of service revenues increased to 46.1% for 2015, compared to 45.8% for 2014. The increase was primarily due to increased revenues, as our gross profit percentage is highly dependent on sales levels, partially offset by increased costs associated with the launch of The Like Machine.

Gross profit from our product sales for the year ended December 31, 2015 decreased 9.3% to $517,000, compared to $570,000 for the year ended December 31, 2014. Gross profit as a percentage of product sales decreased to 28.4% for 2015, compared to 31.1% for 2014. The decrease was primarily due to increased material costs.

Operating Expenses

Selling. Selling expenses for the year ended December 31, 2015 decreased 22.7% to $4,498,000, compared to $5,822,000 for the year ended December 31, 2014, primarily due to decreased staffing, staffing-related expenses, and travel and entertainment costs. Selling expenses as a percentage of total net sales decreased to 15.9% in 2015, compared to 22.1% in 2014, primarily due to increased revenues and the factors described above.

Marketing. Marketing expenses for the year ended December 31, 2015 increased 6.3% to $1,623,000, compared to $1,527,000 for the year ended December 31, 2014. The increase was primarily the result of increased staffing-related costs and data costs, partially offset by decreased promotional costs associated the launch of The Like Machine, and corporate marketing initiatives incurred in 2014. Marketing expenses as a percentage of total net sales was 5.8% in both 2015 and 2014, primarily due to increased revenues, partially offset by the factors described above.

General and Administrative. General and administrative expenses for the year ended December 31, 2015 increased 3.0% to $4,086,000, compared to $3,966,000 for the year ended December 31, 2014. The increase was primarily due to costs associated with the resignation of the Company's Chief Executive Officer, partially offset by decreased staffing costs. General and administrative expenses as a percentage of total net sales decreased to 14.5% in 2015, compared to 15.1% in 2014, primarily due to increased revenues, partially offset by the factors described above.

During 2015, the Company recorded a net charge of $265,000 to general and administrative expenses relating to the resignation of the Company's Chief Executive Officer. This net charge consisted of severance costs of $350,000, reduced by the effect of forfeitures of previously expensed unvested stock options and restricted stock unit awards that together totaled $85,000.

Other Income. Other income for the year ended December 31, 2015 was $76,000, compared to $42,000 for the year ended December 31, 2014. Other income is comprised of interest earned on cash, cash equivalents, and returns generated from available for sale investments.

Income Taxes. During the year ended December 31, 2015, the Company recorded an income tax expense of $1,006,000, compared to $298,000 for the year ended December 31, 2014. The effective tax rate was 39.6% and 58.5% for the years ended December 31, 2015 and 2014, respectively. The primary differences between the Company's December 31, 2015 and 2014 effective tax rates and the statutory federal rates are expenses related to stock-based compensation and nondeductible meals and entertainment. Our effective tax rate fluctuates between periods based on the level of permanent differences and other discrete items relative to the level of pre-tax income for the period.

Net Income. For the reasons stated above, the net income for the year ended December 31, 2015 was $1,534,000, compared to $211,000 for the year ended December 31, 2014.

Other Comprehensive Income. Other comprehensive income is comprised of unrealized gains and losses, net of tax, from available-for-sale investments.

Liquidity and Capital Resources

During the year ended December 31, 2015, cash and cash equivalents increased $1,286,000 from $7,237,000 at December 31, 2014 to $8,523,000 at December 31, 2015, with available-for-sale investments of $9,490,000 as of December 31, 2015, compared to $9,698,000 as of December 31, 2014.

Operating Activities: Net cash provided by operating activities during the year ended December 31, 2015 was $3,218,000. Net income of $1,534,000, plus non-cash adjustments of $1,498,000, less changes in operating assets and liabilities of $186,000 resulted in the $3,218,000 of cash provided by operating activities. The non-cash adjustments consisted of depreciation and amortization expense, changes in allowance for doubtful accounts, deferred income tax expense, stock-based compensation expense, and gain on the sale of property and equipment. The largest component of the change in operating assets and liabilities was accounts receivable, which increased by $890,000 as a result of the timing of collections. In the normal course of business, our accounts receivable, accounts payable, accrued liabilities and deferred revenue will fluctuate depending on the level of revenues and related business activity, as well as billing arrangements with customers and payment terms with retailers.

Investing Activities: Net cash used in investing activities during the year ended December 31, 2015 was $206,000. This was primarily related to purchases of property and equipment of $444,000, partially offset by net sales/maturities of investments of $208,000 and proceeds received from the sale of property and equipment of $30,000.

Financing Activities: Net cash used in financing activities during the year ended December 31, 2015 was $1,726,000, which related to the repurchase of common stock under the Company's share repurchase plans of $1,762,000 and a tax deficiency from stock-based awards of $12,000, partially offset by proceeds received from the issuance of common stock under our employee stock purchase plan and stock option exercises of $48,000.

The Company believes that based upon current business conditions and plans, its existing cash balance and future cash generated from operations will be sufficient for its cash requirements for at least the next twelve months. In the event additional financing is needed, the Company has a $7,500,000 line of credit in place, collateralized by its available-for-sale investments. Amounts borrowed, if any, would bear interest at the 30-day LIBOR rate plus 2% (effective rate of 2.43% as of December 31, 2015). There were no amounts outstanding on this line of credit at any point during the year ended December 31, 2015.

Critical Accounting Policies and Estimates

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

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements:

Revenue Recognition. The Company recognizes revenue from Insignia POPSigns ratably over the period of service, which is typically a two-week display cycle. We recognize revenue related to equipment 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 recognized is reflected as deferred revenue on our balance sheet.

Allowance for Doubtful Accounts. An allowance is established for estimated uncollectible accounts receivable. 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, the condition of the general economy and the industry as a whole and other relevant facts and circumstances. Unexpected changes in the aforementioned factors could result in materially different amounts.

Impairment of Long-Lived Assets. The Company periodically evaluates the carrying value of its long-lived assets for impairment indicators. If indicators of impairment are present, we evaluate the carrying value of the assets in relation to the future undiscounted cash flows of the underlying assets to assess recoverability of the assets. The estimates of these future cash flows are based on assumptions and projections believed by management to be reasonable and supportable. They require management's subjective judgments and take into account assumptions about revenue and expense growth rates. Impaired assets are then recorded at their estimated fair market value.

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

We recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

Stock-Based Compensation. We 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 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. Restricted stock units are valued at the closing market price of the Company's stock on the date of the grant.

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 volatility of the Company's stock. The Company has not historically issued any dividends beyond the one-time dividend in 2011 and does not expect to in the future. Forfeitures are 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 valuation of grants in future periods, the compensation expense that we record may differ significantly from what we have recorded in the current period.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance creating Accounting Standards Codification ("ASC") Section 606, "Revenue from Contracts with Customers". The new section will replace Section 605, "Revenue Recognition" and creates modifications to various other revenue accounting standards for specialized transactions and industries. The section is intended to conform revenue accounting principles with a concurrently issued International Financial Reporting Standards with previously differing treatment between United States practice and those of much of the rest of the world, as well as, to enhance disclosures related to disaggregated revenue information. The updated guidance is effective for annual reporting periods beginning after December 15, 2017, and interim periods within that reporting period. Early application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company is studying the implications of this guidance in order to evaluate the expected impact on its financial statements.

In July 2015, FASB issued Accounting Standards Update ("ASU") 2015-11, *Inventory (Topic 330) Related to Simplifying the Measurement of Inventory* applies to all inventory except inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. Inventory measured using first-in, first-out (FIFO) or average cost is covered by the new amendments. Inventory within the scope of the new guidance should be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments will take effect for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The new guidance should be applied prospectively, and earlier application is permitted as of the beginning of an interim or annual reporting period. The Company does not believe the standard will have a material impact on its financial statements.

In November 2015, FASB issued ASU 2015-17, *Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes* which requires that deferred tax assets and liabilities be classified as noncurrent in a classified balance sheet. The amendment takes effect for public entities for fiscal years beginning after December 15, 2016, with early adoption available. The Company adopted this guidance for year ended December 31, 2015 and reclassified comparative periods for consistency.

In February 2016, the FASB issued ASU 2016-2, *Leases*, under which lessees will recognize most leases on the balance sheet. This will generally increase reported assets and liabilities. For public entities, this ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2018. ASU 2016-2 mandates a modified retrospective transition method for all entities. We will begin the process of determining the impact that the updated accounting guidance will have on our financial statements.

Off-Balance Sheet Transactions

None.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Smaller reporting companies are not required to provide disclosure pursuant to this Item.

Item 8. Financial Statements and Supplementary Data

INDEX TO FINANCIAL STATEMENTS

The following are included on the pages indicated:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying balance sheets of Insignia Systems, Inc. (the Company) as of December 31, 2015 and 2014, and the related statements of comprehensive income, shareholders' equity and cash flows for the years then ended. 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 audits included consideration of its 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2015 and 2014 and the results of its operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
March 18, 2016

Insignia Systems, Inc.
BALANCE SHEETS

As of December 31	2015	2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 8,523,000	$ 7,237,000
Accounts receivable, net	8,392,000	7,492,000
Available for sale investments	9,490,000	9,698,000
Inventories	391,000	523,000
Income tax receivable	1,000	287,000
Prepaid expenses and other	492,000	715,000
Total Current Assets	27,289,000	25,952,000
Other Assets:		
Property and equipment, net	1,584,000	1,467,000
Other, net	2,841,000	3,056,000
Total Assets	$ 31,714,000	$ 30,475,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 3,355,000	$ 3,088,000
Accrued liabilities:		
Compensation	1,494,000	1,199,000
Other	715,000	719,000
Income tax payable	264,000	82,000
Deferred revenue	164,000	172,000
Total Current Liabilities	5,992,000	5,260,000
Long-Term Liabilities:		
Deferred tax liabilities	199,000	170,000
Accrued income taxes	528,000	486,000
Deferred rent	275,000	—
Total Long-Term Liabilities	1,002,000	656,000
Commitments and Contingencies	—	—
Shareholders' Equity:		
Common stock, par value $.01:		
Authorized shares - 40,000,000		
Issued shares - 11,721,000 in 2015 and 12,216,000 in 2014	116,000	122,000
Outstanding shares - 11,633,000 in 2015 and 12,191,000 in 2014		
Additional paid-in capital	17,810,000	19,177,000
Retained earnings	6,805,000	5,271,000
Accumulated other comprehensive loss	(11,000)	(11,000)
Total Shareholders' Equity	24,720,000	24,559,000
Total Liabilities and Shareholders' Equity	$ 31,714,000	$ 30,475,000

See accompanying notes to financial statements.

Insignia Systems, Inc.
STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31	**2015**	**2014**
Services revenues	$ 26,391,000	$ 24,473,000
Products revenues	1,820,000	1,832,000
Total Net Sales	28,211,000	26,305,000
Cost of services	14,237,000	13,261,000
Cost of goods sold	1,303,000	1,262,000
Total Cost of Sales	15,540,000	14,523,000
Gross Profit	12,671,000	11,782,000
Operating Expenses:		
Selling	4,498,000	5,822,000
Marketing	1,623,000	1,527,000
General and administrative	4,086,000	3,966,000
Total Operating Expenses	10,207,000	11,315,000
Operating Income	2,464,000	467,000
Other income	76,000	42,000
Income Before Taxes	2,540,000	509,000
Income tax expense	1,006,000	298,000
Net Income	$ 1,534,000	$ 211,000
Other comprehensive income, net of tax:		
Unrealized loss on available for sale securities	—	(11,000)
Comprehensive Income	$ 1,534,000	$ 200,000
Net income per share:		
Basic	$ 0.13	$ 0.02
Diluted	$ 0.13	$ 0.02
Shares used in calculation of net income per share:		
Basic	12,044,000	12,635,000
Diluted	12,216,000	12,873,000

See accompanying notes to financial statements.

Insignia Systems, Inc.
STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Loss	Total
Balance at January 1, 2014	12,782,000	$ 128,000	$ 20,982,000	$ 5,060,000	$ -	$ 26,170,000
Issuance of common stock, net	166,000	2,000	214,000	-	-	216,000
Repurchase of common stock, net	(787,000)	(8,000)	(2,442,000)	-	-	(2,450,000)
Value of stock-based compensation	30,000	-	403,000	-	-	403,000
Excess tax benefit from stock options	-	-	20,000	-	-	20,000
Net income	-	-	-	211,000	-	211,000
Other comprehensive loss, net of tax	-	-	-	-	(11,000)	(11,000)
Balance at December 31, 2014	12,191,000	$ 122,000	$ 19,177,000	$ 5,271,000	$ (11,000)	$ 24,559,000
Issuance of common stock, net	69,000	1,000	47,000	-	-	48,000
Repurchase of common stock, net	(664,000)	(7,000)	(1,755,000)	-	-	(1,762,000)
Value of stock-based compensation	37,000	-	353,000	-	-	353,000
Tax deficiency from stock-based awards	-	-	(12,000)	-	-	(12,000)
Net income	-	-	-	1,534,000	-	1,534,000
Balance at December 31, 2015	11,633,000	$ 116,000	$ 17,810,000	$ 6,805,000	$ (11,000)	$ 24,720,000

Insignia Systems, Inc.

STATEMENTS OF CASH FLOWS

Year Ended December 31	2015	2014
Operating Activities:		
Net income	$ 1,534,000	$ 211,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,156,000	1,177,000
Changes in allowance for doubtful accounts	(10,000)	72,000
Deferred income tax expense	29,000	57,000
Stock-based compensation	353,000	403,000
Gain on sale of property and equipment	(30,000)	(3,000)
Changes in operating assets and liabilities:		
Accounts receivable	(890,000)	(3,277,000)
Inventories	132,000	(216,000)
Income tax receivable	286,000	(276,000)
Prepaid expenses and other	224,000	(424,000)
Accounts payable	(73,000)	452,000
Accrued liabilities	291,000	177,000
Income tax payable	170,000	80,000
Accrued income taxes	42,000	28,000
Excess tax deficiency (benefit) from stock-based awards	12,000	(20,000)
Deferred revenue	(8,000)	(89,000)
Net cash provided by (used in) operating activities	3,218,000	(1,648,000)
Investing Activities:		
Purchases of property and equipment	(444,000)	(427,000)
Acquisition of selling rights and other	—	(542,000)
Purchase of investments	(5,441,000)	(12,474,000)
Proceeds received from sale or maturity of investments	5,649,000	2,765,000
Proceeds received from sale of property and equipment	30,000	14,000
Net cash used in investing activities	(206,000)	(10,664,000)
Financing Activities:		
Proceeds from issuance of common stock, net	48,000	216,000
Excess tax (deficiency) benefit from stock-based awards	(12,000)	20,000
Repurchase of common stock, net	(1,762,000)	(2,450,000)
Net cash used in financing activities	(1,726,000)	(2,214,000)
Increase (decrease) in cash and cash equivalents	1,286,000	(14,526,000)
Cash and cash equivalents at beginning of year	7,237,000	21,763,000
Cash and cash equivalents at end of year	$ 8,523,000	$ 7,237,000
Supplemental disclosures for cash flow information:		
Cash paid during the year for income taxes	$ 653,000	$ 482,000
Non-cash financing activities:		
Purchases of property and equipment included in accounts payable	$ 340,000	$ —
Tenant allowance in other assets and deferred rent	275,000	—

See accompanying notes to financial statements.

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 operates in a single reportable segment. The Company's products include the Insignia Point-of-Purchase Services (POPS®) in-store marketing program, thermal sign card supplies for the Company's Impulse Retail System, and laser printable cardstock and label supplies. Additionally, in October 2014, the Company announced the introduction of a new product, The Like Machine™, which is an in-store consumer approval device. The Company licenses this product from TLM Holdings, LLC ("TLMH"), a company in which Insignia's Chief Sales and Marketing Officer, Tim Halfmann, is the majority owner and serves as a principal. In March 2016, the Company and TLMH signed a new distribution agreement for the sale of The Like Machine to Insignia's customers. This new agreement replaces the Company's prior license agreement with TLMH. Mr. Halfmann has resigned from Insignia, effective April 30, 2016 in order to focus his efforts more fully on The Like Machine product and its evolution going forward.

Revenue Recognition. 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. The Company recognizes revenue from Insignia POPSigns and The Like Machine ratably over the period of service. The Company recognizes revenue related to equipment 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. We account for taxes collected for customers on a net basis.

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance creating Accounting Standards Codification ("ASC") Section 606, "Revenue from Contracts with Customers". The new section will replace Section 605, "Revenue Recognition" and creates modifications to various other revenue accounting standards for specialized transactions and industries. The section is intended to conform revenue accounting principles with a concurrently issued International Financial Reporting Standards with previously differing treatment between United States practice and those of much of the rest of the world, as well as, to enhance disclosures related to disaggregated revenue information. The updated guidance is effective for annual reporting periods beginning after December 15, 2017, and interim periods within that reporting period. Early application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company is studying the implications of this guidance in order to evaluate the expected impact on its financial statements.

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, 2015, $7,815,000 was invested in an insured cash sweep account. At December 31, 2014, $6,329,000 was invested in an overnight repurchase account and $500,000 was invested in certificates of deposit. The balances in cash accounts, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Amounts held in checking accounts during the years ended December 31, 2015 and 2014, were fully insured under the Federal Deposit Insurance Corporation ("FDIC"). Amounts held in insured cash sweep accounts during the year ended December 31, 2015 were fully insured under the FDIC. Amounts held in repurchase accounts during the years ended December 31, 2015 and 2014, were secured by Federal Home Loan securities and were fully insured by the FDIC. Bank certificates of deposit at December 31, 2014, were held at various institutions with amounts at each institution at or below the $250,000 insured limit of the FDIC.

Fair Value of Financial Measurements. Fair value of financial instruments and selected non-financial assets and liabilities is measured in accordance with ASC 820-10, "Fair Value Measurements." Fair value is defined as the exit price, or the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants as of the measurement date. ASC 820-10 also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability, developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect management's assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances.

The hierarchy is divided into three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Certain of the Company's financial assets and liabilities are recorded at their carrying amounts that approximate fair value, based on their short-term nature. These financial assets and liabilities include cash and cash equivalents, accounts receivable and accounts payable. The Company measures its available-for-sale investments at fair value on a recurring basis and the fair value hierarchy used to determine these fair values is as follows as of December 31, 2015 and 2014:

		Fair Value Measurements Using		
	Total Carrying Value at December 31	Quoted Prices in Active Markests (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets as of December 31, 2015:				
Available-for-sale securities	9,490,000	—	9,490,000	—
Assets as of December 31, 2014:				
Available-for-sale securities	9,698,000	—	9,698,000	—

Available-for-sale securities in the preceding table are carried at fair value with unrealized gains and losses reported as a component of shareholders' equity as accumulated other comprehensive loss, net of tax. Fair value for available-for-sale securities is based on quoted prices for similar assets in active markets or quoted prices for identical or similar assets in markets in which there were fewer transactions. Amortization of premiums or discounts arising at acquisition, and gains or losses on the disposition of available-for-sale securities are reported as other income. Realized gains and losses, if any, are calculated on the specific identification method and are included in other income in the statements of comprehensive income.

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 30-90 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	2015	2014
Beginning balance	$ 89,000	$ 17,000
Bad debt provision	(5,000)	72,000
Accounts written-off	(5,000)	—
Ending balance	$ 79,000	$ 89,000

Inventories. Inventories are primarily comprised of parts and supplies for the Impulse machine, sign cards, and roll stock. 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	2015	2014
Raw materials	$ 69,000	$ 110,000
Work-in-process	4,000	8,000
Finished goods	318,000	405,000
	$ 391,000	$ 523,000

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, machinery and equipment	1 - 6 years
Office furniture and fixtures	3 years
Computer equipment and software	3 years
Web development	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 value. There were no impairment losses during the years ended December 31, 2015 and 2014.

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 the entire 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. The Company recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense.

Stock-Based Compensation. The Company measures and recognizes 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 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. Restricted stock units are valued at the closing market price of the Company's stock date of the grant.

The expected lives 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 term 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 beyond a one-time dividend in 2011 and does not expect to in the future. Forfeitures are estimated at the time of the grant and revised, if necessary, in subsequent periods if actual forfeitures differ from estimates.

Advertising Costs. Advertising costs are charged to operations as incurred. Advertising expenses were approximately $42,000 and $183,000 during the years ended December 31, 2015 and 2014, respectively.

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

Weighted average common shares outstanding for the years ended December 31, 2015 and 2014 were as follows:

Year ended December 31	2015	2014
Denominator for basic net income per share - weighted average shares	12,044,000	12,635,000
Effect of dilutive securities:		
Stock options and restricted stock units	172,000	238,000
Denominator for diluted net income per share - weighted average shares	12,216,000	12,873,000

Options to purchase approximately 613,000 shares of common stock with a weighted average exercise price of $3.79 were outstanding at December 31, 2015 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 year. Options to purchase approximately 592,000 shares of common stock with a weighted average exercise price of $4.24 were outstanding at December 31, 2014 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 year.

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.

2. **Investments**. The Company carries certain investments intended to increase the yield on available cash balances. The Company has classified all investments as current assets, as they are available to fund current operations. These investments are in debt securities, with an average maturity of approximately one year, and are classified as available-for-sale.

   These investments are accounted for in accordance with Accounting Standards Codification ("ASC") 320-10, "Investments — Debt and Equity Securities." At December 31, 2015 and 2014, the Company's investment balances consisted solely of available-for-sale securities and were carried at fair value in accordance with ASC 820-10.

3. **Line of Credit**. The Company maintains a line of credit, which is collateralized by its available-for-sales investments. The total availability under the line of credit is $7,500,000 and outstanding amounts would bear interest at the 30-day LIBOR rate plus 2% (effective rate of 2.43% as of December 31, 2015). There were no amounts outstanding on this line of credit at any time during the years ended December 31, 2015 and 2014.

4. **Selling Arrangement**. In 2011, the Company paid News America Marketing In-Store, LLC (News America) $4,000,000 in exchange for a 10-year arrangement to sell signs with price into News America's network of retailers as News America's exclusive agent. The $4,000,000 is being amortized on a straight-line basis over the 10-year term of the arrangement. Amortization expense, which was $400,000 for each of the years ended December 31, 2015 and 2014, and is expected to be $400,000 per year over the next five years, is recorded within cost of services in the Company's statements of comprehensive income. The net carrying amount of the selling arrangement is recorded within other assets on the Company's balance sheet. A summary of the carrying amount of this selling arrangement is as follows as of December 31:

	2015	2014
Gross cost	$ 4,000,000	$ 4,000,000
Accumulated amortization	(1,883,000)	(1,483,000)
Net carrying amount	$ 2,117,000	$ 2,517,000

5. **Retail Access and Distribution Agreement.** On February 21, 2014, the Company and Valassis Sales and Marketing Services, Inc. ("Valassis") entered into the Retail Access and Distribution Agreement (the "New Valassis Agreement") that replaced all prior agreements. As a result of this new agreement, Valassis was no longer a reseller of the Company's POPSign and the Company regained access to all consumer packaged goods manufacturers for the sale of POPSigns. The net amount paid to Valassis by the Company was $250,000, which is being amortized over the original term of the New Valassis Agreement, which is approximately four years. The net carrying amount of $128,000 is included in other assets on the Company's balance sheet as of December 31, 2015. Amortization expense related to this agreement was approximately $64,000 during the year ended December 31, 2015 and $59,000 during the year ended December 31, 2014.

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

Year ended December 31	2015	2014
Property and Equipment:		
Production tooling, machinery and equipment	$ 3,722,000	$ 3,976,000
Office furniture and fixtures	145,000	260,000
Computer equipment and software	1,233,000	1,065,000
Web site	40,000	40,000
Leasehold improvements	—	616,000
Construction in-progress	616,000	35,000
	5,756,000	5,992,000
Accumulated depreciation and amortization	(4,172,000)	(4,525,000)
Net Property and Equipment	$ 1,584,000	$ 1,467,000

Depreciation expense for the years ended December 31, 2015 and 2014 was $665,000 and $702,000, respectively.

7. **Commitments and Contingencies.**

Operating Leases. On September 14, 2015, the Company amended the lease for its headquarters to extend the term for five years, through March 31, 2021, and to reduce the square footage and rental rate per square foot effective January 1, 2016. Rent expense under the prior lease, excluding operating costs, was approximately $318,000 in the year ended December 31, 2015 and $445,000 in the year-ended December 31, 2014. During the year ended December 31, 2014, the Company abandoned a portion of its office space for the remaining lease term, which resulted in an expense of approximately $118,000.

In connection with the amended lease, the Company incurred costs related to the build-out of its facility and other relocation costs, as well as costs for new furniture and equipment, a portion of which will be funded by a tenant allowance of $275,000, which was recorded as deferred rent and other assets as of December 31, 2015.

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

2016	$ 151,000
2017	206,000
2018	211,000
2019	217,000
2020	222,000
Thereafter	57,000

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 resulting in minimum commitments each year in order to maintain the agreements. During the years ended December 31, 2015 and 2014, the Company incurred $3,661,000 and $2,585,000 of costs related to fixed and store-based payments, respectively. The amounts are recorded in cost of services in the Company's statements of comprehensive income.

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

2016	$ 3,101,000
2017	1,716,000
2018	246,000

On an ongoing basis the Company negotiates renewals of various retailer agreements. Upon the completion of future contract renewals, the annual commitment amounts for 2016 and thereafter are expected to be in excess of the amounts above.

Legal. The Company is subject to various legal matters in the normal course of business. The outcome of these matters is not expected to have a material effect on the Company's financial position or results of operations.

8. **Shareholders' Equity**.

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.

The following table summarizes the stock-based compensation expense that was recognized in the Company's statements of comprehensive income for the years ended December 31, 2015 and 2014:

Year ended December 31	2015	2014
Cost of sales	$ 34,000	$ 6,000
Selling	69,000	87,000
Marketing	15,000	12,000
General and administrative	235,000	298,000
	$ 353,000	$ 403,000

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

	2015	2014
Stock Options:		
Expected life (years)	3.4	3.6
Expected volatility	45 %	50 %
Dividend yield	0 %	0 %
Risk-free interest rate	1.2 %	1.0 %

	2015	2014
Stock Purchase Plan Options:		
Expected life (years)	1.0	1.0
Expected volatility	37 %	50 %
Dividend yield	0 %	0 %
Risk-free interest rate	0.3 %	0.1 %

The Company uses the graded attribution method to recognize expense for unvested options and restricted stock units. The amount of stock-based compensation recognized during a period is based on the value of the awards that are ultimately expected to vest. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company re-evaluates the forfeiture rate annually and adjusts it as necessary.

As of December 31, 2015, there was approximately $120,000 of total unrecognized compensation costs related to the outstanding stock options, which is expected to be recognized over a weighted average period of 1.8 years.

As of December 31, 2015, there was approximately $149,000 of total unrecognized compensation costs related to restricted stock units, which is expected to be recognized over a weighted average period of 1.7 years.

Stock Options, Restricted Stock Units, and Other Stock-Based Compensation Awards. The Company maintains the 2003 Incentive Stock Option Plan (the “2003 Plan”) and the 2013 Omnibus Stock and Incentive Plan (the “2013 Plan”). The 2013 Plan replaced the 2003 Plan upon its ratification by shareholders in 2013. Awards granted under the 2003 Plan will remain in effect until they are exercised or expire according to their terms. Since May 2013, all equity awards are made under the 2013 Plan.

In May 2015, the 2013 Plan was amended to increase the total number of shares available to a total of 1,100,000 shares. Under the terms of the 2013 Plan, as amended, the Company may grant up to 1,100,000 awards in a variety of instruments including incentive or non-qualified stock options and restricted stock units to employees, consultants 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. Stock options expire 10 years after the date of grant and generally vest over three years. The Company issues new shares of common stock when stock options are exercised.

The following table summarizes activity under the 2003 and 2013 Plans:

	Plan Shares Available for Grant	Plan Options Outstanding	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Balance at December 31, 2013	95,968	1,251,442	$ 2.72	
Shares reserved	650,000	—		
Stock awards granted	(29,701)	—		
Restricted stock units granted	(25,000)	—		
Stock options granted	(426,000)	426,000	3.02	
Stock options exercised	—	(155,407)	1.94	$ 217,694
Cancelled or forfeited - 2013 Plan	42,500	(42,500)	3.03	
Cancelled of forfeited - 2003 Plan	—	(224,458)	2.95	
Balance at December 31, 2014	307,767	1,255,077	2.86	
Shares reserved	200,000	—		
Stock awards granted	(37,233)	—		
Restricted stock units granted	(99,000)	—		
Stock options granted	(200,000)	200,000	2.82	
Stock options exercised	—	(113,837)	1.90	$ 105,012
Cancelled or forfeited - 2013 Plan	279,000	(279,000)	2.87	
Cancelled or forfeited - 2013 Plan restricted stock units	27,000	—	2.89	
Cancelled of forfeited - 2003 Plan	—	(167,079)	4.13	
Balance at December 31, 2015	477,534	895,161	2.73	

The number of options exercisable under the Plans was:

December 31, 2015	653,840
December 31, 2014	710,598

The following table summarizes information about the stock options outstanding at December 31, 2015:

	Options Outstanding			Options Exercisable	
Ranges of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price Per Share	Number Exercisable	Weighted Average Exercise Price Per Share
\$1.61 - \$2.46	363,997	6.57 years	$ 1.78	352,331	$ 1.76
\$2.79 - \$4.22	480,164	7.73 years	3.16	250,509	3.35
\$5.49	51,000	4.41 years	5.49	51,000	5.49
	895,161	7.06 years	$ 2.73	653,840	$ 2.66

Options outstanding under the Plans expire at various dates during the period from January 2015 through December 2024. Options outstanding at December 31, 2015 had an aggregate intrinsic value of $404,000. Options exercisable at December 31, 2015 had a weighted average remaining life of 6.45 years and an aggregate intrinsic value of $395,000. The weighted average grant-date fair value of options granted during the years ended December 31, 2015 and 2014 were $0.94 and $1.13, respectively.

In June 2015 and May 2014, equity grants were made by the Company to the Board of Directors, pursuant to the 2013 Plan in the form of shares of common stock. The total number of shares granted to the Board of Directors was 37,233 and 29,701 during the years ended December 31, 2015 and 2014, respectively. The shares were issued at $2.82 per share in 2015 and $3.03 per share in 2014, based on the stock price on the date of grant, for a total value of $105,000 in 2015 and $90,000 in 2014, which is included in stock-based compensation.

The Company issued 99,000 restricted stock units, under the 2013 Plan, during the year ended December 31, 2015. The units were assigned a weighted average value of $2.71 per share, based on the stock price on the date of the grant, and vest over a weighted average of 2.3 years. The Company issued 25,000 restricted stock units during the year ended December 31, 2014. The units were assigned a value of $3.03 per share, based on the stock price on the date of the grant, and vest over three years.

Restricted stock unit transactions during the years ended December 31, 2015 and 2014 are summarized as follows:

	Number of Shares	Weighted average grant date fair value
Unvested shares at December 31, 2014	—	$ —
Granted	25,000	3.03
Vested	—	—
Forfeited or surrendered	—	—
Unvested shares at December 31, 2014	25,000	$ 3.03
Granted	99,000	2.71
Vested	(8,334)	3.03
Forfeited or surrendered	(27,000)	2.89
Unvested shares at December 31, 2015	88,666	2.72

Employee Stock Purchase Plan. The Company has an Employee Stock Purchase Plan (the "Plan") that enables employees to contribute up to 10% of their base compensation toward the purchase of the Company's common stock at 85% of its market value on the first or last day of the year. During the years ended December 31, 2015 and 2014, employees purchased 18,000 and 27,000 shares under the Plan. At December 31, 2015, 134,000 shares were reserved for future employee purchases of common stock under the Plan. For the years ended December 31, 2015 and 2014, the Company recognized $16,000 and $26,000, respectively, of stock-based compensation expense related to the Plan.

Stock Repurchase Plans. On December 3, 2013, the Board of Directors authorized the repurchase of up to $5,000,000 of the Company's common stock on or before December 3, 2015. The Plan allowed the repurchases to be made in open market or privately negotiated transactions. This plan was terminated on November 3, 2015.

On October 30, 2015, the Board authorized the repurchase of up to $5,000,000 of the Company's common stock on or before October 30, 2017. The plan allows the repurchases to be made in open market or privately negotiated transactions. The plan does not obligate the Company to repurchase any particular number of shares, and may be suspended at any time at the Company's discretion.

For the years ended December 31, 2015 and December 31, 2014, the Company repurchased approximately 664,000 and 787,000 shares at a total cost of $1,762,000 and $2,450,000, respectively.

9. **Income Taxes**. Income tax expense consists of the following:

Year Ended December 31	2015	2014
Current taxes - Federal	$ 903,000	$ 204,000
Current taxes - State	74,000	37,000
Deferred taxes - Federal	(4,000)	51,000
Deferred taxes - State	33,000	6,000
Income tax expense	$ 1,006,000	$ 298,000

The actual tax expense attributable to income before taxes differs from the expected tax expense computed by applying the U.S. federal corporate income tax rate of 34% as follows:

Year Ended December 31	2015	2014
Federal statutory rate	34.0 %	34.0 %
Stock-based awards	1.2	12.1
State taxes	2.1	2.3
Other permanent differences	0.7	5.3
Impact of uncertain tax positions	1.7	5.5
Other	(0.1)	(0.7)
Effective federal income tax rate	39.6 %	58.5 %

For the year ended December 31, 2015 the Company has adopted Accounting Standard Update (ASU) 2015-17 to present balance sheet classification of deferred income taxes as noncurrent. As of December 31, 2014, $52,000 of current deferred tax assets were reclassified to noncurrent deferred income tax liabilities. Components of resulting noncurrent deferred tax assets (liabilities) are as follows:

As of December 31	2015	2014
Deferred tax assets		
Accrued expenses	$ 126,000	$ 68,000
Stock-based awards	83,000	73,000
Reserve for bad debts	29,000	32,000
Inventory reserve	12,000	13,000
Net operating loss carryforwards	-	32,000
Other	9,000	7,000
Total deferred tax assets	$ 259,000	$ 225,000
Deferred tax liabilities		
Depreciation	$ (322,000)	$ (324,000)
Prepaid expenses	(84,000)	-
Prepaid compensation	(52,000)	(71,000)
Total deferred tax liabilities	(458,000)	(395,000)
Net deferred income tax liabilities	$ (199,000)	$ (170,000)

The Company evaluates all significant available positive and negative evidence, including the existence of losses in prior 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 has recorded a liability of $528,000 and $486,000 for uncertain tax positions taken in tax returns in previous years as of December 31, 2015 and 2014, respectively. This liability is reflected as Accrued Income Taxes on the Company’s Balance Sheets. The Company files income tax returns in the United States and numerous state and local tax jurisdictions. Tax years 2012 and forward are open for examination and assessment by the Internal Revenue Service. With limited exceptions, tax years prior to 2012 are no longer open in major state and local tax jurisdictions. The Company does not anticipate that the total unrecognized tax benefits will change significantly prior to December 31, 2016.

A reconciliation of the beginning and ending amount of the liability for uncertain tax positions is as follows:

Balance at January 1, 2014	$ 458,000
Increases due to current year positions	5,000
Increases due to interest	23,000
Balance at December 31, 2014	486,000
Increases due to current year positions	18,000
Increases due to interest	24,000
Balance at December 31, 2015	$ 528,000

10. **Employee Benefit Plans**. The Company sponsors 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, 2015 and 2014, the Company made matching contributions of $70,000 and $69,000, respectively.

11. **Concentrations.**

***Major Customers*.** During the year ended December 31, 2015, one customer accounted for 37% of the Company's total net sales. At December 31, 2015, one customer represented 62% of the Company's total accounts receivable. During the year ended December 31, 2014, two customers accounted for 33% and 10% of the Company's total net sales. At December 31, 2014, one customer represented 48% 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, 2015 and 2014.

12. **Severance Accrual.** During the year ended December 31, 2015, the Company recorded a net charge of $265,000 to general and administrative expenses relating to the resignation of the Company's Chief Executive Officer. This net charge consisted of severance costs of $350,000, reduced by the effect of forfeitures of previously expensed unvested stock options and restricted stock unit awards that together totaled $85,000. A severance accrual of $350,000 is included in accrued compensation on the Company's balance sheet as of December 31, 2015. This amount was paid in January 2016.

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

Quarterly data for the years ended December 31, 2015 and 2014 was as follows:

Year Ended December 31, 2015	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	$ 6,541,000	$ 6,673,000	$ 7,548,000	$ 7,449,000
Gross profit	2,802,000	2,986,000	3,499,000	3,384,000
Net income	96,000	250,000	561,000	627,000
Net income per share:				
Basic	$ 0.01	$ 0.02	$ 0.05	$ 0.05
Diluted	$ 0.01	$ 0.02	$ 0.05	$ 0.05
Year Ended December 31, 2014				
Net sales	$ 6,403,000	$ 6,344,000	$ 7,520,000	$ 6,038,000
Gross profit	2,683,000	2,903,000	3,709,000	2,487,000
Net income (loss)	115,000	70,000	424,000	(398,000)
Net income per (loss) share:				
Basic	$ 0.01	$ 0.01	$ 0.03	$ (0.03)
Diluted	$ 0.01	$ 0.01	$ 0.03	$ (0.03)

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosures

None.

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 acting President and Chief Financial Officer (principal executive and 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, 2015, pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Company’s principal executive and principle financial officer concluded that the Company’s disclosure controls and procedures as of December 31, 2015 were effective. Disclosure controls and procedures 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.

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 acting President and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2015. In conducting its evaluation, our management used the criteria set forth by the framework in the 2013 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, 2015.

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 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 occurred during the fourth quarter of 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 concerning the directors and executive officers of the Company and corporate governance is incorporated herein by reference to the Company's proxy statement for its 2016 Annual Meeting of Shareholders (the "Proxy Statement"), which is expected to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the close of the fiscal year for which this report is filed.

Item 11. Executive Compensation

The information required by Item 11 is incorporated herein by reference to the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 is incorporated herein by reference to the Proxy Statement.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by Item 13 is incorporated herein by reference to the Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 is incorporated herein by reference to the Proxy Statement.

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, 2015 and 2014
Statements of Comprehensive Income for the years ended December 31, 2015 and 2014
Statements of Shareholders' Equity for the years ended December 31, 2015 and 2014
Statements of Cash Flows for the years ended December 31, 2015 and 2014
Notes to Financial Statements

(a) Exhibits

Unless otherwise indicated, all documents incorporated into this Annual Report on Form 10-K by reference to a document filed with the SEC pursuant to the Exchange Act are located under SEC file number 1-13471.

Exhibit Number	Description	Incorporated By Reference To
+3.1	Composite Articles of Incorporation of Registrant, as amended through July 31, 2008	Filed herewith
+3.2	Composite stated Bylaws of Registrant, as amended through December 5, 2015	Filed herewith
*10.1	2003 Incentive Stock Option Plan, as amended	Exhibit 4.1 of the Registrant's Registration Statement on Form S-8, Reg. No. 333-182981
*10.2	Form of Incentive Stock Option Agreement under 2003 Incentive Stock Option Plan	Exhibit 10.1 of the Registrant's Form 8-K filed January 16, 2013
*10.3	2013 Omnibus Stock and Incentive Plan, as amended	Exhibit 10.2 of the Registrant's Form 10-Q for the quarterly period ended June 30, 2015
*10.4	Form of Incentive Stock Option Agreement under 2013 Omnibus Stock and Incentive Plan	Exhibit 10.1 of the Registrant's Form 8-K filed August 23, 2013
*10.5	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors under 2013 Omnibus Stock and Incentive Plan	Exhibit 10.2 of the Registrant's Form 8-K filed August 23, 2013
*10.6	Form of Stock Grant Agreement for Non-Employee Directors under 2013 Omnibus Stock and Incentive Plan	Exhibit 10.1 of the Registrant's Form 8-K filed December 16, 2013
*10.7	Form of Restricted Stock Unit Agreement for Employees under 2013 Omnibus Stock and Incentive Plan	Exhibit 10.1 of the Registrant's Form 8-K filed May 28, 2014
*10.8	Employee Stock Purchase Plan, as amended	Exhibit 4.2 of the Registrant's Registration Statement on Form S-8, Reg. No. 333-182981
*10.9	Change in Control Severance Agreement with John C. Gonsior dated June 13, 2011	Exhibit 10.4 of the Registrant's Form 8-K filed May 16, 2013

Exhibit Number	Description	Incorporated By Reference To
*10.10	Employment Agreement with John C. Gonsior dated May 13, 2013	Exhibit 10.3 of the Registrant's Form 8-K filed May 16, 2013
*10.11	Amended Change in Control Severance Agreement with Glen P. Dall dated September 1, 2010	Exhibit 10.2 of the Registrant's Form 8-K filed May 16, 2013
*10.12	Employment Agreement with Glen P. Dall dated May 13, 2013	Exhibit 10.1 of the Registrant's Form 8-K filed May 16, 2013
*10.13	Employment Agreement with Tim Halfmann dated April 28, 2014	Exhibit 10.1 of the Registrant's Form 10-Q for the quarterly period ended June 30, 2014
*10.14	Change in Control Severance Agreement with Tim Halfmann dated April 28, 2014	Exhibit 10.2 of the Registrant's Form 10-Q for the quarterly period ended June 30, 2014
*10.15	2014 Executive Officer Incentive Bonus Plan	Exhibit 10.1 of the Registrant's Form 8-K filed January 7, 2014
10.16	Lease Agreement between the Company and the Landlord (Opus Northwest L.L.C.) dated March 27, 2008 (Exhibits Omitted)	Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007
10.17	First Amendment to Industrial/Warehouse Lease Agreement with James Campbell Company LLC dated September 14, 2015	Exhibit 10.1 of the Registrant's Form 10-Q for the quarterly period ended September 30, 2015
^10.18	Amendment #1 dated December 6, 2006 to the Exclusive Reseller Agreement dated June 12, 2006 between Valassis Sales & Marketing Services, Inc. and the Company	Exhibit 10.1 of the Registrant's Form 10-K/A for the year ended December 31, 2008
^10.19	Amendment #2 dated July 2, 2007 to Exclusive Reseller Agreement dated June 12, 2006 between Valassis Sales & Marketing Services, Inc. and the Company	Exhibit 10.1 of the Registrant's Form 10-Q for the quarterly period ended June 30, 2007
^10.20	Exclusive Agreement for Sale and Implementation of Specified Signs with Price approved June 6, 2011	Exhibit 10.2 of the Registrant's Form 10-Q for the quarterly period ended June 30, 2011
^10.21	Settlement Agreement and Release with News America Marketing In-Store, LLC, dated February 9, 2011, including exhibits	Exhibit 10.1 of the Registrant's Form 10-Q/A for the quarterly period ended March 31, 2011
^10.22	Retail Access and Distribution Agreement with Valassis Sales and Marketing Services, Inc. dated February 21, 2014	Exhibit 10.1 of the Registrant's Form 10-Q for the quarterly period ended March 31, 2014
*10.23	2015 Executive Officer Incentive Bonus Plan	Exhibit 10.1 of the Registrant's Form 10-Q for the quarterly period ended March 31, 2015
10.24	Standstill Agreement dated December 5, 2015 with Nicholas J. Swenson, Air T, Inc., Groveland Capital LLC, Groveland Hedged Credit Fund LLC, Sardar Biglari, Philip L. Cooley, The Lion Fund II, L.P., and Biglari Capital Corp.	Exhibit 10.1 of the Registrant's Form 8-K filed December 7, 2015

Exhibit Number	Description	Incorporated By Reference To
14	Code of Ethics	Exhibit 14 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003
+23.1	Consent of Independent Registered Public Accounting Firm	
+31.1	Certification of President and CFO (Principal Executive and Financial Officer) pursuant to Section 302 of the Sarbanes Oxley Act of 2002	
++32	Certification of President and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002	
+101.1	The following materials from Insignia Systems, Inc.'s Annual Report on Form 10-K for the year ending December 31, 2015 are filed herewith, formatted in XBRL (Extensible Business Reporting Language): (i) Balance Sheets, (ii) Statements of Comprehensive Income, (iii) Statements of Cash Flows, (iv) Statements of Stockholders' Equity, and (v) Notes to Financial Statements.	

* Denotes a management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report pursuant to Item 15(b) of Form 10-K.

\+ Filed herewith.

++ Furnished herewith.

^ Portions of this exhibit are treated as confidential pursuant to a request for confidential treatment filed by Insignia with the SEC.

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.

Insignia Systems, Inc.

By: /s/ John C. Gonsior
John C. Gonsior
President and Chief Financial Officer

Dated: March 18, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John C. Gonsior John C. Gonsior	President and Chief Financial Officer, Secretary and Treasurer (principal executive, financial and accounting officer)	March 18, 2016
/s/ Sardar Biglari Sardar Biglari	Co-Chairman of the Board, Director	March 18, 2016
/s/ F. Peter Zaballos F. Peter Zaballos	Co-Chairman of the Board, Director	March 18, 2016
/s/ Jacob J. Berning Jacob J. Berning	Director	March 18, 2016
/s/ David L. Boehnen David L. Boehnen	Director	March 18, 2016
/s/ Philip L. Cooley Philip L. Cooley	Director	March 18, 2016
/s/ Edward A. Corcoran Edward A. Corcoran	Director	March 18, 2016
/s/ Michael C. Howe Michael C. Howe	Director	March 18, 2016
/s/ Nicholas J. Swenson Nicholas J. Swenson	Director	March 18, 2016
/s/ Steven R. Zenz Steven R. Zenz	Director	March 18, 2016

EXHIBIT 3.1

COMPOSITE ARTICLES OF INCORPORATION
OF
INSIGNIA SYSTEMS, INC.[1]

I, the undersigned, being a natural person of full age, for the purpose of forming a corporation under Minnesota Statutes, Chapter 302A, do hereby adopt the following Articles of Incorporation:

ARTICLE I - NAME

The name of the corporation shall be Insignia Systems, Inc.

ARTICLE II – REGISTERED OFFICE

The location and post office address of the corporation's registered office in the State of Minnesota shall be 8799 Brooklyn Blvd., Minneapolis, MN 55445.

ARTICLE III - STOCK

1. Authorized Shares. The authorized shares of stock of the corporation shall be 40,000,000 shares of common stock having a par value of $.01 per share.

2. No Preemptive Rights. No shareholder of the corporation shall have any preemptive or other right to acquire the common stock or any other securities of the corporation.

3. No Cumulative Voting. The shareholders of the corporation shall not be entitled to cumulate their votes in the election of directors.

ARTICLE IV - INCORPORATOR

The name and post office address of the incorporator are as follows:

James C. Diracles
3500 IDS Center
80 South Eighth Street
Minneapolis, MN 55402

[1] These Composite Articles of Incorporation of Insignia Systems, Inc. reflect the corporation's Articles of Incorporation, filed with the Secretary of State of Minnesota on January 2, 1990, and all subsequent amendments thereto, which were filed with the Secretary of State of the State of Minnesota on February 1, 1990, September 17, 1991, May 26, 1992, January 5, 1993, April 20, 1999, January 22, 2003, May 22, 2006 and July 31, 2008.

ARTICLE V - DIRECTORS

The following persons shall be the directors of the corporation until their successors are elected and have qualified, or until their earlier death, resignation, removal, or disqualification:

G.L. Hoffman
David Eiss

ARTICLE VI – LIABILITY OF DIRECTORS

To the fullest extent permitted by the Minnesota Business Corporation Act, as the same exists or may hereafter be amended, a director of this corporation shall not be personally liable to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director. A repeal or modification of this Article shall not apply to any act or omission by a director which occurs prior to the effective date of such repeal or modification.

EXHIBIT 3.2

COMPOSITE BYLAWS

OF

INSIGNIA SYSTEMS, INC.[1]

ARTICLE 1.
OFFICES

1.1 Offices. The address of the registered office of the corporation shall be designated in the Articles of Incorporation, as amended from time to time or a statement of the Board of Directors filed with the Secretary of State of Minnesota changing the registered office in the manner prescribed by law. The corporation may have offices at such places within or without the State of Minnesota as the Board of Directors shall from time to time determine or the business of the corporation requires.

ARTICLE 2.
MEETINGS OF SHAREHOLDERS

2.1 Regular Meetings. Regular meetings of the shareholders of the corporation entitled to vote shall be held on an annual or other less frequent basis as shall be determined by the Board of Directors or by the chief executive officer. At each regular meeting, the shareholders, voting as provided in the Articles of Incorporation and these Bylaws, shall elect qualified successors for directors whose terms are due to expire, and shall transact such other business as shall come before the meeting. No meeting shall be considered a regular meeting unless specifically designated as such in the notice of meeting.

2.2 Special Meetings. Special meetings of the shareholders entitled to vote may be called at any time by the Chairman of the Board (if any has been elected), the Chief Executive Officer, the Chief Financial Officer, or any two or more directors.

2.3 Meetings Held Upon Shareholder Demand. Regular meetings of shareholders may be demanded by a shareholder or shareholders pursuant to the provisions of Minnesota Statutes, Sections 302A.431, Subd. 2. Special meetings of shareholders may be called by one or more shareholders holding not less than ten percent (10%) of the voting power of all shares of the corporation entitled to vote, except that a special meeting for the purpose of considering any action to directly or indirectly facilitate or effect a business combination, including any action to change or otherwise affect the composition of the Board of Directors, for that purpose, when called by shareholders, must be called by shareholders holding twenty-five percent (25%) or more of the voting power of all shares entitled to vote.

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[1] These Composite Bylaws of Insignia Systems, Inc. reflect the corporation's Bylaws that were duly adopted by the Board of Directors on January 2, 1990, and all subsequent amendments thereto, which were duly adopted by the Board of Directors on November 26, 2001, February 20, 2007, December 5, 2014 and December 5, 2015.

2.4 Place of Meetings. Meetings of the shareholders shall be held at the principal executive office of the corporation or at such other place, within or without the State of Minnesota, as is designated by the Board of Directors, except that a regular or special meeting called by or at the demand of a shareholder shall be held in the county where the principal executive office of the corporation is located.

2.5 Notice of Meetings. Except as otherwise specified in Section 2.6 or required by law, a written notice setting out the place, date and hour of any regular or special meeting shall be given to each holder of shares entitled to vote not less than ten (10) days nor more than sixty (60) days prior to the date of the meeting. Notice of any special meeting shall state the purpose or purposes of the proposed meeting, and the business transacted at all special meetings shall be confined to the purposes stated in the notice.

2.6 Waiver of Notice. A shareholder may waive notice of any meeting before, at or after the meeting, in writing, orally or by attendance. Attendance at a meeting by a shareholder is a waiver of notice of that meeting unless the shareholder objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not be lawfully considered at such meeting, and does not participate in the consideration of the item of such meeting.

2.7 Quorum and Adjourned Meeting. The holders of majority of the voting power of the shares entitled to vote at a meeting, represented either in person or by proxy, shall constitute a quorum for the transaction of business at any regular or special meeting of shareholders. If a quorum is present when a duly called or held meeting is convened, the shareholders present may continue to transact business until adjournment, even though a withdrawal of a number of shareholders originally present leaves less than the proportion or number otherwise required for a quorum. In case a quorum is not present at any meeting, those present shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the requisite number of shares entitled to vote shall be represented. At such adjourned meeting at which the required amount of shares entitled to vote shall be represented, any business may be transacted which might have been transacted at the original meeting.

2.8 Voting. At each meeting of the shareholders, every shareholder having the right to vote shall be entitled to vote in person or by proxy duly appointed by an instrument in writing subscribed by such shareholder. Each shareholder shall have one (1) vote for each share having voting power standing in the shareholder’s name on the books of the corporation except as may be otherwise provided in the terms of the share. Upon the demand of any shareholder, the vote for directors or the vote upon any question before the meeting shall be by ballot. All elections shall be determined and all questions decided by a majority vote of the number of shares entitled to vote and represented at any meeting at which there is a quorum except in such cases as shall otherwise be required by statute, the Articles of Incorporation or these Bylaws. Directors shall be elected by a plurality of the votes cast by holders of shares entitled to vote thereon.

2.9 Properly Brought Business. At the regular meeting, the shareholders shall elect directors of the corporation and shall transact such other business as may properly come before them. To be properly brought before the meeting, business must be of a nature that is appropriate for consideration at a regular meeting and must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the meeting by a shareholder. In addition to any other applicable requirements, for business to be properly brought before the regular meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, each such notice must be given, either by personal delivery or by United States mail, postage prepaid, to the secretary of the corporation, not less than sixty (60) days nor more than ninety (90) days prior to a meeting date corresponding to the previous year's regular meeting. Each such notice to the secretary shall set forth as to each matter the shareholder proposes to bring before the regular meeting (a) a brief description of the business desired to be brought before the regular meeting and the reasons for conducting such business at the regular meeting, (b) the name and address of record of the shareholders proposing such business, (c) the class or series (if any) and number of shares of the corporation which are owned by the shareholder, and (d) any material interest of the shareholder in such business. Notwithstanding anything in these Bylaws to the contrary, no business shall be transacted at the regular meeting except in accordance with the procedures set forth in this Article; provided, however, that nothing in this Article shall be deemed to preclude discussion by any shareholder of any business properly brought before the regular meeting, in accordance with these Bylaws. The amendment or repeal of this section or the adoption of any provision inconsistent therewith shall require the approval of the holders of shares representing at least two-thirds of the outstanding shares of the common stock.

2.10 Parliamentary Procedure. Meetings of shareholders generally shall follow accepted rules of parliamentary procedure, subject to the following:

(a) The chairman of the meeting shall have absolute authority over matters of procedure, and there shall be no appeal from the ruling of the chairman. If, in his or her absolute discretion, the chairman deems it advisable to dispense with the rules of parliamentary procedure as to any one meeting of shareholders or part thereof, he or she shall so state and shall clearly state the rules under which the meeting or appropriate part thereof shall be conducted.

(b) If disorder should arise which prevents the continuation of the legitimate business of the meeting, the chairman may quit the chair and announce the adjournment of the meeting; and upon his or her so doing, the meeting is immediately adjourned.

(c) The chairman may ask or require that anyone not a bona fide shareholder or proxy leave the meeting.

(d) A resolution or motion shall be considered for vote only if proposed by a shareholder or a duly authorized proxy and seconded by a shareholder or a duly authorized proxy other than the individual who proposed the resolution or motion.

2.11 Tabulation of Proxies. In the tabulation of votes cast by proxies, it shall not be necessary for proxies to execute a ballot on matters, voting instructions for which are contained on the form of proxy itself, and in the absence of a ballot executed by such proxies, the proxy itself will be deemed a written ballot and tabulated in accordance with the directions contained thereon. Where the proxy statement soliciting such proxy indicates that returned proxies containing no voting instructions regarding a particular item will be voted in a certain manner, then returned, executed proxies containing no voting instructions with respect to such item will be deemed written ballots voted in accordance with the recommendation contained on such proxy statement.

2.12 Closing of the Polls. The person presiding at the meeting of the shareholders may close the polls after the request for submission of proxies and ballots, upon the temporary adjournment of the meeting called to tabulate the proxies and ballots, or within a reasonable time thereafter. After the pools are closed, no proxy, revocation of proxy or ballot shall be accepted by or considered in the tabulation of proxies and ballots.

2.13 Adjourned Meeting to Report Election Result. In the event it becomes necessary to adjourn a meeting of shareholders beyond the day of the scheduled meeting in order to determine the results of any election or vote, said meeting may be adjourned from time to time by the person presiding or entitled to preside, with such meeting to be reconvened at the principal offices of the corporation. The only matter to be acted upon at such reconvened meeting shall be the acceptance and filing of the report from the inspectors of election.

ARTICLE 3.
DIRECTORS

3.1 General Powers. The business and affairs of the corporation shall be managed by or under the direction of a Board of Directors.

3.2 Number, Term and Qualifications. The Board of Directors consists of not less than two or more than nine directors, as may be designated by resolution of the Board of Directors from time to time. Each director shall serve until a successor shall have been duly elected and qualified, unless the director shall retire, resign, die or be removed.

3.3 Vacancies. Any vacancies occurring in the Board of Directors for any reason, and any newly created directorships resulting from an increase in the number of directors, may be filled by a majority of the directors then in office. Any directors so chosen shall hold office until their successors shall be elected and qualified subject, however, to prior retirement, resignation, death or removal from office.

3.4 Quorum and Voting. A majority of the directors currently holding office shall constitute a quorum for the transaction of business. In the absence of a quorum, a majority of the directors present may adjourn a meeting from time to time until a quorum is present. If a quorum is present when a duly called or held meeting is convened, the directors present may continue to transact business until adjournment even though the withdrawal of a number of directors originally present leaves less than the proportion or number otherwise required for a quorum. Except as otherwise required by law or the Articles of Incorporation, the acts of a majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors.

3.5 Board Meetings; Place and Notice. Meetings of the Board of Directors may be held from time to time at any place within or without the State of Minnesota that the Board of Directors may designate. In the absence of designation by the Board of Directors, Board meetings shall be held at the principal executive office of the corporation, except as may be otherwise unanimously agreed orally, or in writing, or by attendance. Any director may call a Board meeting by giving at least 24 hours notice to all directors of the date and time of the meeting. The notice need not state the purpose of the meeting, and may be given by mail, telephone, facsimile transmission, telegram, or in person. If a meeting schedule is adopted by the Board, or if the date and time of a Board meeting has been announced at a previous meeting, no notice is required.

3.6 Waiver of Notice. A director may waive notice of any meeting before, at or after the meeting, in writing, orally or by attendance. Attendance at a meeting by a director is a waiver of notice of that meeting unless the director objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened and does not participate thereafter in the meeting.

3.7 Absent Directors. A director may give advance written consent or opposition to a proposal to be acted on at a Board meeting. If the director is not present at the meeting, consent or opposition to a proposal does not constitute presence for purposes of determining the existence of a quorum, but consent or opposition shall be counted as a vote in favor of or against the proposal and shall be entered in the minutes of the meeting, if the proposal acted on at the meeting is substantially the same or has substantially the same effect as the proposal to which the director has consented or objected.

3.8 Compensation. Directors who are not salaried officers of the corporation shall receive such fixed sum and expenses per meeting attended or such fixed annual sum or both as shall be determined from time to time by resolution of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving this corporation in any other capacity and receiving proper compensation therefore.

3.9 Committees. The Board of Directors may, by resolution approved by affirmative vote of a majority of the Board, establish committees having the authority of the Board in the management of the business of the corporation only to the extent provided in the resolution.

Committees may include a special litigation committee consisting of one or more independent directors or other independent persons to consider legal rights or remedies of the corporation and whether those rights and remedies should be pursued. Each such committee shall consist of one or more natural persons (who need not be directors) appointed by the affirmative vote of a majority of the directors present. With the exception of special litigation committees and other special committees which under Minnesota law are not to be subject at all times to the direction and control of the Board. A majority of the members of a committee present at a committee meeting shall constitute a quorum for the transaction of business.

3.10 Telephone Meetings and Participation. A conference among directors by any means of communication through which the directors may simultaneously hear each other during the conference constitutes a Board meeting, if the same notice is given of the conference as would be required for a meeting, and if the number of directors participating in the conference would be sufficient to constitute a quorum at a meeting. Participation in a meeting by that means constitutes presence in person at the meeting. A director may participate in a Board meeting not heretofore described in this paragraph, by any means of communication through which the director, other directors so participating, and all directors physically present at the meeting may simultaneously hear each other during the meeting. Participation in a meeting by that means constitutes presence in person at the meeting. The provisions of this section shall apply to committees and members of committees to the same extent as they apply to the Board of Directors.

3.11 Authorization Without Meeting. Any action of the Board of Directors, or any committee of the Board, which may be taken at a meeting thereof, may be taken without a meeting if authorized by a writing signed by all of the directors, or in cases where the action need not be approved by the shareholders, by a written action signed by the number of directors that would be required to take the same action at a meeting of the Board or a committee thereof at which all directors were present.

3.12 Nomination for Election. Subject to the rights of holders of any class or series of stock having a preference over the common shares as to dividends or upon liquidation, nominations for the election of directors may be made by the Board of Directors or a committee appointed by the Board of Directors or by any shareholder entitled to vote generally in the election of directors. However, any shareholder entitled to vote generally in the election of directors may nominate one or more persons for election as directors at a meeting only if written notice of such shareholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the secretary of the corporation not less than sixty (60) days nor more than ninety (90) days prior to a meeting date corresponding to the previous year's regular meeting. Each such notice to the Secretary shall set forth: (i) the name and address of record of the shareholder who intends to make the nomination; (ii) a representation that the shareholder is a holder of record of shares of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) the name, age, business and residence addresses, and principal occupation or employment of each nominee; (iv) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (v) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission; and (vi) the consent of each nominee to serve as a director of the corporation if so elected. The corporation may require any proposed nominee to furnish such other information as may reasonably be required by the corporation to determine the eligibility of such proposed nominee to serve as a director of the corporation. The presiding officer of the meting may, if the facts warrant, determine that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. The amendment or repeal of this section or the adoption of any provision inconsistent therewith shall require the approval of the holders of shares representing at least two-thirds of the outstanding shares of the common stock.

ARTICLE 4.
OFFICERS

4.1 Number and Designation. The corporation shall have one or more natural persons exercising the functions of the offices of chief executive officer and chief financial officer. The Board of Directors may elect or appoint such other officers or agents as it deems necessary for the operation and management of the corporation including, but not limited to, a Chairman of the Board, a President, one or more Vice Presidents, a Secretary and a Treasurer, each of whom shall have the powers, rights, duties and responsibilities set forth in these Bylaws unless otherwise determined by the Board. Any of the offices or functions of those offices may be held by the same person.

4.2 Election, Term of Office and Qualification. At the first meeting of the Board following each election of directors, the Board shall elect officers, who shall hold office until the next election of officers or until their successors are elected or appointed and qualify; provided, however, that any officer may be removed with or without cause by the affirmative vote of a majority of the Board of Directors present (without prejudice, however, to any contract rights of such officer).

4.3 Resignation. Any officer may resign at any time by giving written notice to the corporation.

4.4 Vacancies in Office. If there is a vacancy in any office of the corporation, by reason of death, resignation, removal or otherwise, such vacancy may, or in the case of a vacancy in the office of chief executive officer or chief financial officer shall, be filled for the unexpired term by the Board of Directors.

4.5 Chief Executive Officer. Unless provided otherwise by a resolution adopted by the Board of Directors, the chief executive officer (a) shall have general active management of the business of the corporation; (b) shall, when present and in the absence of the Chairman of the Board, preside at all meetings of the shareholders and Board of Directors; (c) shall see that all orders and resolutions of the Board are carried into effect; (d) shall sign and deliver in the name of the corporation any deeds, mortgages, bonds, contracts or other instruments pertaining to the business of the corporation, except in cases in which the authority to sign and deliver is required by law to be exercised by another person or is expressly delegated by the Articles, these Bylaws or the Board to some other officer or agent of the corporation; (e) shall maintain records of and certify proceedings of the Board and shareholders; and (f) shall perform such other duties as may from time to time be assigned to him by the Board.

4.6 Chief Financial Officer. Unless provided otherwise by a resolution adopted by the Board of Directors, the chief financial officer: (a) shall keep accurate financial records for the corporation; (b) shall deposit all monies, drafts and checks in the name of and to the credit of the corporation in such banks and depositories as the Board of Directors shall designate from time to time; (c) shall endorse for deposit all notes, checks and drafts received by the corporation as ordered by the Board, making proper vouchers therefore; (d) shall disburse corporate funds and issue checks and drafts in the name of the corporation, as ordered by the Board; (e) shall render to the chief executive officer and the Board of Directors, whenever requested, an account of all of his transactions as chief financial officer and of the financial condition of the corporation; and (f) shall perform such other duties as may be prescribed by the Board of Directors or the chief executive officer from time to time.

4.7 Chairman of the Board. The Board of Directors may, at its discretion, elect a Chairman of the Board. The Chairman of the Board shall not be the chief executive officer of the Company unless he or she is so designated by the Board. If a Chairman of the Board is elected, he or she shall preside at all meetings of the shareholders and of the Board, unless the Board otherwise determines.

4.8 President. Unless otherwise determined by the Board, the President shall be the chief executive officer. If an officer other than the President is designated chief executive officer, the President shall perform such duties as may from time to time be assigned to the President by the Board. If the office of Chairman of the Board is not filled, the President shall also perform the duties set forth in Section 4.7.

4.9 Vice President. Each Vice President shall have such powers and shall perform such duties as may be specified in these Bylaws or prescribed by the Board of Directors. In the event of absence or disability of the President, the Board of Directors may designate a Vice President or Vice Presidents to succeed to the power and duties of the President.

4.10 Secretary. The Secretary shall, unless otherwise determined by the Board, be secretary or and attend all meetings of the shareholders and Board of Directors, and may record the proceedings of such meetings in the minute book of the corporation and, whenever necessary, certify such proceedings. The Secretary shall give proper notice of meetings of shareholders and shall perform such other duties as may be prescribed by the Board of Directors or the chief executive officer from time to time.

4.11 Treasurer. Unless otherwise determined by the Board, the Treasurer shall be the chief financial officer of the corporation. If an officer other than the Treasurer is designated chief financial officer, the Treasurer shall perform such duties as may be prescribed by the Board of Directors or the chief executive officer from time to time.

4.12 Delegation. Unless prohibited by the Articles of Incorporation, these Bylaws or a resolution approved by the affirmative vote of a majority of the directors present, an officer elected or appointed by the Board may, without the approval of the Board, delegate some or all of the duties and power of his office to other persons.

ARTICLE 5.
INDEMNIFICATION

5.1 Liability and Indemnification. No director shall be personally liable to the corporation or to its shareholders for monetary damages for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the laws of the State of Minnesota as the same may exist or may hereafter be amended.

Any person (an "Indemnitee") who at any time shall serve or shall have served as a director, officer, employee or agent of the corporation, or of any other enterprise at the request of the corporation, and the heirs, executors and administrators of such person shall be indemnified by the corporation in accordance with, and to the fullest extent permitted by, the provisions of the Minnesota Business Corporation Act, as it may be amended from time to time.

5.2 Insurance. The corporation shall have power to purchase and maintain insurance on behalf of any Indemnitee, whether or not the corporation would have the power to indemnify him or her against such liability under the provisions of the Minnesota Business Corporation Act.

5.3 Prepayment of Expenses. The corporation shall pay the expenses (including attorneys' fees) incurred by the Indemnitee in defending any proceeding in advance of its final disposition, provided, however, that to the extent required by law such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the Indemnitee to repay all amounts advanced if it should be ultimately determined that the Indemnitee is not entitled to be indemnified under this Article 5 or otherwise.

5.4 Claims. If a claim for indemnification or payment of expenses under this Article 5 is not paid in full within sixty (6) days after written claim therefore by the Indemnitee has been received by the corporation, the Indemnitee may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the corporation shall have the burden of proving that the Indemnitee is not entitled to the required indemnification or payment of expenses under applicable law.

5.5 Nonexclusivity of Rights. The rights conferred on any Indemnitee by this Article 5 shall not be exclusive of any other rights which such Indemnitee may have or hereafter acquire under any statute, provision of the articles of incorporation, these Bylaws, agreement, vote of shareholders or disinterested directors or otherwise.

5.6 Amendment or Repeal. Any repeal or modification of the provisions of this Article 5 shall not adversely affect any right or protection hereunder of any Indemnitee in respect of any act or omission occurring prior to the time of such repeal or modification.

5.7 Other Indemnification and Prepayment of Expenses. This Article 5 shall not limit the right of the corporation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to persons other than Indemnitees when and as authorized by appropriate corporate action.

ARTICLE 6.
SHARES AND THEIR TRANSFER

6.1 Certificate of Stock. Shares of the corporation's stock may be certificated or uncertificated, as provided under Minnesota law. All certificates of stock of the corporation shall be numbered and shall be entered in the books of the corporation as they are issued. They shall exhibit the holder's name and shares and shall be signed by the Chairman and by the President. Any or all of the signatures on the certificate may be a facsimile.

6.2 Stock Record. As used in these Bylaws, the term "shareholder" shall mean the person, firm or corporation in whose name outstanding shares of capital stock of the corporation are currently registered on the stock record books of the corporation. The corporation shall keep, at its principal executive office or at another place or places within the United States determined by the Board, a share register not more than one year old containing the names and addresses of the shareholders and the number and classes of shares held by each shareholder. The corporation shall also keep at its principal executive office or at another place or places within the United States determined by the Board, a record of the dates on which certificates representing shares were issued. Every certificate surrendered to the corporation for exchange or transfer shall be cancelled and no new certificate or certificates shall be issued in exchange for any existing certificate until such existing certificate shall have been so cancelled (except as provided for in Section 6.4 of this Article 6).

6.3 Transfers of Stock. Transfer of stock shall be made on the books of the corporation only by the record holder of such stock, or by attorney lawfully constituted in writing, and, in the case of stock represented by a certificate, upon surrender of the certificate.

6.4 Lost Certificate. Any shareholder claiming a certificate of stock to be lost or destroyed shall make an affidavit or affirmation of that fact in such form as the Board of Directors may require, and shall, if the directors so require, give the corporation a bond of indemnity in form and with one or more sureties satisfactory to the Board of at least double the value, as determined by the Board, of the stock represented by such certificate in order to indemnify the corporation against any claim that may be made against it on account of the alleged loss or destruction of such certificate, whereupon a new certificate may be issued in the same tenor and for the same number of shares as the one alleged to have been destroyed or lost.

ARTICLE 7.
GENERAL PROVISIONS

7.1 Record Dates. In order to determine the shareholders entitled to notice of and to vote at a meeting, or entitled to receive payment of a dividend or other distribution, the Board of Directors may fix a record date which shall not be more than sixty (60) days preceding the date of such meeting or distribution. In the absence of action by the Board, the record date for determining shareholders entitled to notice of and to vote at a meeting shall be at the close of business on the tenth day preceding the day on which notice is given, and the record date for determining shareholders entitled to receive a distribution shall be at the close of business on the day on which the Board of Directors authorizes such distribution.

7.2 Distributions; Acquisitions of Shares. Subject to the provisions of law, the Board of Directors may authorize the acquisition of the corporation’s shares and may authorize distribution whenever and in such amounts as, in its opinion, the condition of the affairs of the corporation shall render it advisable.

7.3 Fiscal Year. The fiscal year of the corporation shall be established by the Board of Directors.

7.4 Seal. The corporation shall have no corporate seal.

ARTICLE 8.
AMENDMENTS OF BYLAWS

8.1 Amendments. Unless the Articles of Incorporation provide otherwise, these Bylaws may be altered, amended, added to or repealed by the affirmative vote of a majority of the members of the Board of Directors. Such authority in the Board of Directors is subject to the power of the shareholders to change or repeal such Bylaws. The Board of Directors shall not make or alter any Bylaws fixing a quorum for meetings of shareholders, prescribing procedures for removing directors or filling vacancies on the Board, or fixing the number of directors or their classifications, qualifications or terms of office, but the Board may adopt or amend a Bylaw to increase the number of directors.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 18, 2016, with respect to the financial statements included in the Annual Report of Insignia Systems, Inc. on Form 10-K for the year ended December 31, 2015. We hereby consent to the incorporation by reference of said report in the following Registration Statements of Insignia Systems, Inc. on Forms S-8:

File No. 333-205961, effective July 30, 2015
File No. 333-197933, effective August 7, 2014
File No. 333-188761, effective May 22, 2013
File No. 333-182981, effective August 1, 2012
File No. 333-178116, effective November 22, 2011
File No. 333-168715, effective August 10, 2010
File No. 333-161311, effective August 13, 2009
File No. 333-153031, effective August 15, 2008
File No. 333-145506, effective August 16, 2007
File No. 333-136591, effective August 14. 2006
File No. 333-127606, effective August 16, 2005
File No. 333-120504, effective November 15, 2004
File No. 333-107087, effective July 16, 2003
File No. 333-41240, effective July 12, 2000

/s/ Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
March 18, 2016

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER

I, John C. Gonsior, certify that:

1. I have reviewed this report on Form 10-K of Insignia Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within the Company, particularly during the period in which this report is being prepared; and

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 18, 2016

/s/ John C. Gonsior
John C. Gonsior
President and Chief Financial Officer
(principal executive and financial officer)

Exhibit 32

SECTION 1350 CERTIFICATION

The undersigned certify pursuant to 18 U.S.C. § 1350, that:

1. The accompanying Annual Report on Form 10-K for the year ended December 31, 2015, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the accompanying Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 18, 2016

/s/ John C. Gonsior
John C. Gonsior
President and Chief Financial Officer
(principal executive and financial officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Annual Report on Form 10-K or as a separate disclosure document.

A signed original of this written statement required by 18 U.S.C. § 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.