

INSIGNIA SYSTEMS INC/MN
Form DEF 14A
April 29, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant X

Filed by a Party other than the Registrant O

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

Insignia Systems Inc.
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:

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8799 Brooklyn Blvd., Minneapolis, MN 55445

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

June 9, 2015

TO THE SHAREHOLDERS OF INSIGNIA SYSTEMS, INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Insignia Systems, Inc. (the Company), a Minnesota corporation, will be held on Tuesday, June 9, 2015, at 9:00 a.m., Central Time, at Insignia Systems, Inc., 8799 Brooklyn Blvd., Minneapolis, Minnesota for the following purposes:

1. To elect as directors the eight nominees named in the attached Proxy Statement to serve for a one year term, and until their successors are elected;
2. To approve an amendment to the Company's 2013 Omnibus Stock and Incentive Plan to increase the number of shares reserved for issuance under the Plan from 900,000 to 1,100,000 shares;
3. To approve, by non-binding vote, the Company's executive compensation;

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4. To ratify the appointment of Baker Tilly Virchow Krause, LLP as the independent registered public accounting firm for the year ending December 31, 2015; and

5. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

The Board of Directors has set the close of business on April 17, 2015 as the record date for the determination of shareholders entitled to notice of and to vote at the meeting.

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

By Order of the Board of Directors

John Gonsior
Secretary

April 29, 2015

Minneapolis, Minnesota

**Important Notice Regarding Availability of Proxy Materials for the
Shareholder Meeting to be Held on June 9, 2015:**

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

<https://materials.proxyvote.com/45765Y>.

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Annual Meeting of Shareholders

June 9, 2015

PROXY STATEMENT

GENERAL INFORMATION

This Proxy Statement is furnished to the shareholders of Insignia Systems, Inc. (the *Company*) in connection with the solicitation of proxies by the Board of Directors (the *Board*) to be voted at the Annual Meeting of Shareholders (the *Annual Meeting*) to be held on June 9, 2015, and at any adjournment of the meeting.

**Important Notice Regarding the Internet Availability of Proxy Materials
for the Annual Meeting to be Held on June 9, 2015**

In accordance with rules and regulations adopted by the U.S. Securities and Exchange Commission (the *SEC*), we are furnishing our proxy materials on the Internet. *Proxy materials* means this Proxy Statement, our 2014 Annual Report and any amendments or updates to these documents. A Notice Regarding the Availability of Proxy Materials (*Notice of Internet Availability*) will be mailed to shareholders on or about April 29, 2015. The Notice of Internet Availability contains instructions on how to access our Proxy Statement and Annual Report and how to vote via the Internet, by telephone or by mail.

What is the purpose of the Annual Meeting?

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

1. The election of eight directors for the ensuing year and until their successors are elected;
2. Approval of an amendment to the Company's 2013 Omnibus Stock and Incentive Plan to increase the number of shares reserved for issuance under the Plan from 900,000 to 1,100,000 shares;
3. Approval of, by non-binding vote, the Company's executive compensation; and
4. Ratification of the appointment of Baker Tilly Virchow Krause, LLP as our independent registered public accounting firm for the year ending December 31, 2015.

What are the board's recommendations?

Our Board of Directors recommends that you vote:

- **FOR** election of the nominees for director (see Proposal Number One);
- **FOR** the amendment to increase the number of shares reserved for issuance under the 2013 Omnibus Stock and Incentive Plan from 900,000 shares to 1,100,000 shares (see Proposal Number Two)
- **FOR** the Company's executive compensation (see Proposal Number Three); and
- **FOR** ratification of the appointment of Baker Tilly Virchow Krause, LLP as our independent auditors for the year ending December 31, 2015 (see Proposal Number Four).

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Who is entitled to vote at the meeting?

As of the record date, April 17, 2015, there were 12,198,967 shares of common stock, par value \$.01 per share, outstanding and entitled to vote at the Annual Meeting. Each share of common stock is entitled to one vote. Only shareholders of record at the close of business on April 17, 2015, are entitled to vote at the Annual Meeting and at any continuation or adjournment thereof. The presence, in person or by proxy, including abstentions, of the holders of a majority of the shares of common stock entitled to vote at the Annual Meeting will constitute a quorum for the transaction of business.

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

Shareholder of Record. If your shares are registered directly in your name with our transfer agent, Wells Fargo Shareowner Services, you are considered, with respect to those shares, a shareholder of record (also known as a registered shareholder). The Notice of Internet Availability has been sent directly to you by us or our representative.

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

In accordance with New York Stock Exchange (NYSE) rules, brokers are NOT able to vote your shares with respect to the election of directors (Proposal One), approval of the amendment to increase shares for the 2013 Omnibus Stock and Incentive Plan (Proposal Two) or the advisory vote on executive compensation (Proposal Three) unless you provide voting instructions to them. We strongly encourage you to return your voting instruction form and exercise your right to vote.

How do I vote my shares?

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

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

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

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

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

Vote In Person: If you choose to vote your shares in person at the meeting, you must request a legal proxy. To do so, please follow the instructions at www.proxyvote.com or request a paper copy of the materials, which

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will contain the appropriate instructions. You may also request a paper or email copy of the documents by calling 1-800-579-1639 or email your request to: sendmaterial@proxyvote.com.

Any proxy may be revoked at any time before it is voted by written notice, mailed or delivered to the Secretary of the Company, or by revocation in person at the Annual Meeting. If not so revoked, the shares represented by such proxy will be voted in the manner directed by the shareholder. If no direction is made, signed proxies received from shareholders will be voted for the proposals set forth in the Notice of Annual Meeting of Shareholders.

How many shares must be present to hold the meeting?

Under Minnesota law and our Bylaws, a majority of the voting power of the shares entitled to vote at the Annual Meeting represent a quorum for the transaction of business. Votes cast by proxy or in person at the Annual Meeting will be tabulated at the Annual Meeting to determine whether or not a quorum is present. Abstentions will be treated as unvoted for purposes of determining the approval of the matter submitted to the shareholders for a vote but will be counted in determining whether a quorum is present at the meeting. If a broker indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter, those shares will not be considered as present and entitled to vote with respect to that matter.

How many votes are required to approve the proposals?

In general, each item of business properly presented at a meeting of shareholders at which a quorum is present must be approved by the vote of the holders of a majority of the shares present, in person or by proxy, and entitled to vote on that item of business. Under Minnesota law, however, directors are elected by the affirmative vote of the holders of a plurality of the shares present and entitled to vote.

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

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

As previously noted, if you hold your shares in street name, your bank or broker of record cannot vote your uninstructed shares for Proposals One, Two or Three in its discretion. Therefore, if you hold your shares in street name and you do not instruct your bank or broker how to vote, no votes will be cast on your behalf on those proposals.

Your bank or broker continues, however, to have discretion to vote any uninstructed shares on the ratification of the appointment of the Company's independent registered public accounting firm (Proposal Number Four).

Who pays for the cost of proxy preparation and solicitation?

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

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CORPORATE GOVERNANCE AND BOARD MATTERS

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

Election to the Board of Directors

All of the Company's directors are elected annually. Our Bylaws provide that the Board of Directors shall consist of between two and no more than eight members, as designated by resolution of the Board of Directors from time to time. Pursuant to the recommendation of the Nominating and Corporate Governance Committee and the requirements of the Standstill Agreement further described under the heading "Certain Relationships and Related-Party Transactions" below, the Board of Directors has set the size of the Board of Directors to be elected at the 2015 Annual Meeting at eight.

Majority Independent Board

The listing rules of the NASDAQ Stock Market ("NASDAQ Rules") require that a majority of our Board be independent directors as that term is defined in the rules. Our Board has determined seven of our eight current Board members to be independent directors. Our current independent directors are: Jacob J. Berning, David L. Boehnen, Edward A. Corcoran, Reid V. MacDonald, Nicholas J. Swenson, Gary L. Vars and Steven R. Zenz. Because he is an executive officer of the Company, Glen P. Dall, is not an independent director.

Meetings and Committees of the Board of Directors

Board Meetings; Attendance at Board and Annual Shareholder Meetings

The Board of Directors held eight meetings during 2014. Each director attended in excess of 90% of all meetings of the Board and committees of the Board on which he served. Each of the six directors then serving on the Board attended the 2014 Annual Meeting of Shareholders. Directors are expected to attend substantially all of the meetings of the Board and the committees on which they serve, as well as the annual meeting of shareholders, except for good cause. Directors who have excessive absences without good cause will not be nominated for re-election or, in extreme cases, will be asked to resign or be removed.

Committees

The Board of Directors has four committees: the Audit Committee, the Capital Allocation Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee.

Audit Committee.

Membership and Independence. The members of the Audit Committee are: Mr. Zenz (Chair), Mr. Boehnen and Mr. Corcoran, each of whom is an independent director as that term is defined by the NASDAQ Rules and independent as that term is defined by Rule 10A-3(b)(1) under the Securities Exchange Act of 1934.

Duties and Responsibilities. The Audit Committee provides independent objective oversight of the Company's financial reporting system. As part of its responsibilities, the Committee reviews and evaluates significant matters relating to the annual audit and the internal controls of the Company, reviews the scope and results of annual independent audits by, and the recommendations of, the Company's independent auditors, reviews the independent auditor's qualifications and independence and approves additional services to be provided by the

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auditors. The Audit Committee is solely responsible for appointing, setting the compensation of and evaluating the independent auditors.

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

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

Committee Meetings. The Committee held eight meetings during the past fiscal year. In addition to fulfillment of the Committee's regular duties and responsibilities, these meetings were designed to facilitate and encourage private communication between the Audit Committee and the Company's independent auditors. Please refer to the Report of the Audit Committee in this Proxy Statement beginning on page 26.

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

Capital Allocation Committee.

Membership. The members of the Capital Allocation Committee are: Mr. Boehnen, Mr. Swenson, Mr. Zenz and Mr. Seth Barkett, a Portfolio Manager at Groveland Capital, LLC.

Duties and Responsibilities. The Standstill Agreement, further described under *Certain Relationships and Related-Party Transactions* below, requires that the Company form and maintain a Capital Allocation Committee. The Committee's duties are: (i) to review and recommend to the Board for or against all investments in excess of \$1,000,000 and (ii) evaluate possible uses of excess capital and report to the Board on such evaluation. Any investment that is recommended by the Committee may be disapproved by the Board in its sole discretion and the Board may in its sole discretion determine to proceed with any investment recommended against by the Committee.

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The foregoing is a general summary of the Committee's duties and activities. The Capital Allocation Committee operates pursuant to a written charter, which is available on the *Investor Relations* section of the Company's website at www.inisigniasystems.com. References to the Company's website are for informational purposes and are not intended to, and do not, incorporate information found on the website into this Proxy Statement.

Committee Meetings. The Capital Allocation Committee held one meeting during the past fiscal year.

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Compensation Committee.

Membership and Independence. The members of the Compensation Committee are Mr. MacDonald (Chair), Mr. Corcoran, Mr. Swenson, Mr. Vars and Mr. Zenz, all of whom are independent directors as that term is defined by the NASDAQ Rules, including the independence criteria specific to compensation committee members, non-employee directors as that term is defined in Rule 16b-3 under the Securities Exchange Act of 1934, and outside directors as that term is used in Section 162(m) of the Internal Revenue Code.

Duties and Responsibilities. The Compensation Committee operates pursuant to a written charter, which is available on the *Investor Relations* section of the Company's website at www.insigniasystems.com. The Committee's main duties, as described in its charter, are: (i) to review and approve annual base salary and incentive compensation levels, employment agreements, and benefits of the Chief Executive Officer and other key executives; (ii) to review the performance of the Chief Executive Officer; (iii) to review and assess performance target goals established for bonus plans and determine if goals were achieved at the end of the plan year; (iv) to act as the administrative committee for the Company's stock plans, and any other incentive plans established by the Company; (v) to consider and approve grants of incentive stock options, non-qualified stock options, restricted stock or any combination to any employee; and (vi) to oversee the filing of required compensation-related reports or disclosures in the Company's SEC reports, proxy statement and other filings.

In pursuing its duties, the Committee has the authority to retain and has, from time to time, retained an outside compensation consultant to advise it on compensation matters. In 2013, the Committee retained Towers Watson to provide competitive market data relating to executive competitive pay levels and advice with respect to annual incentive plan design, equity compensation practices, and compensation of outside directors. The Committee also consults with the Chief Executive Officer and, from time to time, other senior management on compensation issues regarding the other executive officers.

Committee Meetings. The Compensation Committee held five meetings during the past fiscal year.

Nominating and Corporate Governance Committee.

Membership and Independence. The members of the Committee are Mr. Boehnen (Chair), Mr. Corcoran, Mr. MacDonald, Mr. Swenson and Mr. Vars, each of whom is an independent director as that term is defined in the NASDAQ Rules.

Duties and Responsibilities. Among other duties, the Committee is responsible for nominating the slate of directors to be considered for election at the Company's annual meeting of shareholders. In accordance with its committee charter, the Nominating and Corporate Governance Committee evaluates candidates for election as directors using the following criteria: education, reputation, experience, industry knowledge, independence, leadership qualities, personal integrity, diversity, and such other criteria as the Committee deems relevant. The Committee will consider candidates recommended by the Board, management, shareholders, and others. The charter authorizes the Committee to retain and pay advisors to assist it in identifying and evaluating candidates. For further information concerning the Committee's duties and responsibilities please refer to the Committee's charter, which is available in the *Investor Relations* section of the Company's website at www.insigniasystems.com.

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

Committee Meetings. The Committee held three meetings during the past fiscal year.

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Other Corporate Governance Matters

Leadership Structure

Mr. Dall has served as Chief Executive Officer since July 2013. Mr. Boehnen has served as the Chairman of the Board since August 2013. Our CEO and other executive management are responsible for setting the strategic direction of the Company and managing the day-to-day leadership and performance of the Company, while the Chairman provides guidance to the CEO and executive management, sets the agenda for meetings of the Board of Directors and presides over meetings of the full Board. The Board believes the current leadership structure strengthens the role of the Board in fulfilling its oversight responsibility and fiduciary duties to the Company's shareholders while recognizing the day-to-day management direction of the Company by Mr. Dall and other executive management.

Board's Role in Risk Oversight

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

Our Board is actively involved in overseeing risk management, and it exercises its oversight both through the full Board and through the four standing committees of the Board—the Audit, Capital Allocation, Compensation and Nominating and Corporate Governance Committees. The four standing committees exercise oversight of the risks within their areas of responsibility, as disclosed in the descriptions of each of the committees above and in the charters of each of the committees.

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

Shareholder Communications with the Board

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

it deems a response to be appropriate.

Code of Ethics

The Board of Directors has adopted a Code of Ethics which applies to all of our employees, directors and contractors to promote the highest honest and ethical conduct and compliance with laws, regulations and Company policies. The Code of Ethics is available in the *Investor Relations* section of the Company's website at www.insigniasystems.com.

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The following table summarizes the compensation of our non-employee directors for the year ended December 31, 2014.

Name	Fees Earned or Paid in Cash(1)	Stock Awards(2)	Option Awards(3)	All Other Compensation	Total
Jacob J. Berning(4)	\$ 5,167	\$	\$ 8,806	\$	\$ 13,973
David L. Boehnen	\$ 24,250	\$ 30,000	\$	\$	\$ 54,250
Edward A. Corcoran	\$ 17,250	\$ 15,000	\$	\$	\$ 32,250
Peter V. Derycz(5)	\$ 2,750	\$	\$	\$	\$ 2,750
Reid V. MacDonald	\$ 20,500	\$ 15,000	\$	\$	\$ 35,500
Nicholas J. Swenson(6)	\$ 6,750	\$	\$ 8,806	\$	\$ 15,556
Gary L. Vars	\$ 16,250	\$ 15,000	\$	\$	\$ 31,250
Steven R. Zenz	\$ 22,250	\$ 15,000	\$	\$	\$ 37,250

(1) Reflects annual board retainer and fees for attending Board, committee and conference call meetings earned during 2014.

(2) On May 21, 2014, the non-employee Boards were given a grant of unrestricted shares of the Company's common stock pursuant to our 2013 Omnibus Stock and Incentive Plan worth \$15,000 to each non-employee director and \$30,000 for the non-employee Chair based on the closing price of the Company's common stock on the date of grant.

(3) Represents non-qualified stock option awards granted pursuant to our 2013 Omnibus Stock and Incentive Plan during 2014. The dollar value of the options represents the estimated grant date fair value in accordance with FASB ASC Topic 718 pursuant to the Black-Scholes option pricing model, which requires several significant judgments and assumptions. Please refer to Note 8, Shareholders' Equity, to the Company's financial statements in its Form 10-K for the year ended December 31, 2014, for information regarding the assumptions used to determine the fair value of options granted. All options granted to the directors immediately vest upon grant. The aggregate number of option awards outstanding at December 31, 2014, for each director were as follows: Mr. Berning - 10,000; Mr. Boehnen - 34,700; Mr. Corcoran - 10,000; Mr. MacDonald - 10,000; Mr. Swenson - 10,000; Mr. Vars - 10,000; and Mr. Zenz - 10,000.

(4) Mr. Berning joined the Board in December 2014 and received a pro-rated portion of the annual retainer and a one-time grant of a non-qualified stock option to purchase up to 10,000 shares.

(5) Mr. Derycz's service on the Board ended in May 2014 pursuant to the eight year director service limit policy.

(6) Mr. Swenson joined the Board in November 2014 and received a pro-rated portion of the annual retainer a one-time grant of a non-qualified stock option to purchase up to 10,000 shares.

Narrative Discussion of Compensation of Directors

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During 2014, four non-employee directors received an annual retainer of \$10,000 per year and the Chairman of the Board received an annual retainer of \$15,000. Mr. Swenson joined the Board in November 2014 and received a pro-rated portion of the annual retainer in the amount of \$5,000. Mr. Berning joined the Board in December 2014 and received a pro-rated portion of the annual retainer in the amount of \$4,167. All outside directors also received \$1,000 for each Board meeting (\$250 for each conference call meeting) that they attended. In addition, the chair of each committee received \$1,000 for each in person meeting of the committee over which they presided. Members of committees received \$500 for each committee meeting they attended in person on days separate from regular Board meetings.

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Starting in 2013, the Company discontinued the practice of annual stock option grants and began compensating directors with an annual grant of unrestricted shares of the Company's common stock. In 2014, each non-employee director received a grant of unrestricted shares based on a target value of \$15,000. The non-employee Chair received a total grant of unrestricted shares based on a target value of \$30,000. These equity grants were made on May 21, 2014 pursuant to the 2013 Omnibus Stock and Incentive Plan. Each non-employee director was granted 4,950 vested shares, and the non-employee Chair was granted 9,901 vested shares, based on a closing price of \$3.03 for the Company's common stock on the date of grant.

PROPOSAL ONE ELECTION OF DIRECTORS

Nominations

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

Composition

In determining the nominees to be recommended for election to the Board, the Nominating and Corporate Governance Committee evaluates the current Board's composition, identifies the characteristics of the current Board and any required skills, experience and knowledge. The Committee evaluates the existing members of the Board and qualified candidates, if any, for service on the Board. The Committee then makes recommendations to the Board as to the slate of directors to be nominated for election at the annual shareholders' meeting.

When identifying and evaluating candidates for director, the Nominating and Corporate Governance Committee considers the general and specific qualifications, experience and characteristics which may have been approved by the Board or determined by the Committee from time to time including qualifications reflecting the individual's integrity, reputation, education, experience, industry knowledge, leadership qualities and independence. The Nominating and Corporate Governance Committee also considers diversity in a broad sense when evaluating a director nominee, taking into account various factors, including but not limited to, differences of viewpoint, professional experience, education, skill, race, gender and national origin.

When considering whether directors and nominees have the requisite judgment, experience, qualifications, attributes and skills, taken as a whole, to enable the Board of Directors to fulfill its responsibilities to ensure that the Company is governed in a manner consistent with the interests of the Company's shareholders, the Nominating and Corporate Governance Committee and the Board of Directors focused primarily on the information discussed in each of the directors' individual biographies set forth below.

Nominee Qualifications and Independence

The Nominating and Corporate Governance Committee has nominated six of the eight current members of the Board for re-election for a term of one year until their successors are elected and qualified and subject to prior death, resignation, retirement or removal from office. Due to the Board's adoption of a policy in February 2014 that limits a director's service on the Board to eight years, Mr. MacDonald will not stand for re-election. Additionally, Mr. Vars has chosen not to stand for re-election in order to pursue other interests. The Nominating and Corporate Governance Committee has additionally nominated Michael C. Howe and F. Peter Zaballos for election to fill the two vacancies. All of the nominees have consented to serve if elected. Seven of the eight nominees are independent directors as that term is defined in the NASDAQ Rules. As noted above, Mr. Dall is precluded from being considered an independent director because he is an executive officer of the Company.

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The Nominating and Corporate Governance Committee has determined that each nominee is qualified to serve as a director based upon the criteria set forth in the Nominating and Corporate Governance Committee Charter. Information about each nominee, including biographical data for at least the last five years and the particular experience, qualifications, attributes or skills that led the Board to conclude that this person should serve as a director for the Company, follows. Should one or more of these nominees become unavailable to accept nomination or election as a director (which is not anticipated), the individuals named as proxies on the enclosed proxy card will vote the shares that they represent for the election of such other persons as the Board may recommend, or the Board may reduce the number of directors to be elected. Unless otherwise instructed by the shareholder, the proxy holders will vote the proxies received by them for the Company's nominees named below.

Nominees and Nominee Attributes, Experience and Skills

Jacob J. Berning, 42, was selected by Air T, Inc. and elected to the Board in December 2014 pursuant to the Standstill Agreement, further described under "Certain Relationships and Related-Party Transactions" below, among the Company and Nicholas J. Swenson, Air T, Inc., Groveland Capital LLC and Groveland Hedged Credit Fund LLC. He has served as Marketing Vice President at The Schwan Food Company since September 2014. Mr. Berning has extensive leadership experience across a diverse set of businesses and teams in the consumer packaged goods industry. He has a BA degree from the University of Minnesota and an MBA (Finance and Marketing) from New York University. His 15 years of marketing experience working with a variety of different brands also includes time as Marketing Director of WhiteWave Foods Company from July 2011 to September 2014 and Marketing Manager at General Mills, Inc. from September 2003 to July 2011. These experiences provide knowledge and understanding of the industry representing the majority of our customer base. The Standstill Agreement also required that Mr. Berning be nominated for election to serve as a director at the Annual Meeting.

David L. Boehnen, 68, has been a member of the Board since December 2011 and became the Chairman of the Board on August 19, 2013. He is the Chair of the Nominating and Corporate Governance Committee and is a member of the Audit Committee. Mr. Boehnen is Of Counsel at the law firm of Dorsey & Whitney LLP, where he was a partner prior to joining SUPERVALU, Inc. in 1991. From 1997 through 2010, Mr. Boehnen served as Executive Vice President of SUPERVALU and was responsible for real estate and store development, corporate development, legal and government affairs. Mr. Boehnen retired from SUPERVALU in December 2010 and served as Senior Counselor to the CEO for one year thereafter. Mr. Boehnen holds an AB degree from the University of Notre Dame and a JD degree *with honors* from Cornell University Law School. Mr. Boehnen's extensive experience as an executive officer and leader in a publicly-held company in the grocery retail industry, an industry in which the Company conducts much of its business, provides an in-depth understanding of the business issues faced by the Company.

Edward A. Corcoran, 51, joined the Board in August 2012 and serves as a member of the Compensation and Nominating and Corporate Governance Committees. He is also a Director of Colliers International Thailand, a franchise real estate advisory and brokerage firm. In 2012, Mr. Corcoran was elected to the Board of Education for Hinsdale High School District 86, a district in Illinois with approximately 4,500 students. Since 2010, Mr. Corcoran has served in an investment and advisory capacity with Greentech Overseas, a company involved in the green technology space of the waste management industry. From 2000 to 2010, Mr. Corcoran served as the Founder, President and COO of Modern Asia Environmental Holdings Inc., a regional waste management company located in Southeast Asia. Prior to 2000, Mr. Corcoran served in executive and senior operational positions in various subsidiaries of Waste Management Inc., both domestically and in Asia. Mr. Corcoran holds a Bachelor of Science degree in Civil Engineering from Northwestern University and a Master of Science degree in Management from the Kellogg Graduate School of Management at Northwestern University. Mr. Corcoran has significant operational and management experience as an executive and a manager in small to medium-sized businesses. This experience, coupled with his entrepreneurial experience, brings skills to the Board in the areas of financial and performance measurements and innovation.

Glen P. Dall, 53, has been our President and Chief Executive Officer and a member of the Board of Directors since July 17, 2013. Prior to his appointment to President and Chief Executive Officer, Mr. Dall had been the Company's President and Chief Operating Officer since May 2012,

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Executive Vice President and Chief Operating Officer since March 2012 and the Vice President of Corporate Development since September 2009. For 19 years prior to joining the Company, Mr. Dall served in various roles at Valassis Communications, Inc., most recently as a Director of CPG

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Sales from October 2007 to September 2009. As our President and Chief Executive Officer, and with over 23 years of experience in the in-store advertising industry, Mr. Dall brings to our Board a deep knowledge of Insignia Systems, its operations and the in-store advertising industry. Mr. Dall also provides to the Board management's views and perspectives on various matters. He holds a Bachelor of Science degree in Marketing from the University of Michigan.

Michael C. Howe, 62, has served as Principal at Howe Associates, Inc., an angel investment and consulting organization assisting clients with growth opportunities, organizational effectiveness and enhancement in enterprise-wide innovation, since September 2008. He has also served as the Chief Executive Officer of Verify Brand, LLC, thought leader and innovator in secure Unique Identification (sUID), authentication and track & trace solutions, since August 2013. From 2005 to 2008, he served as the President and Chief Executive officer of MinuteClinic, Inc. From 1995 to 2004, Mr. Howe's served in various roles at Arby's, Inc., most recently as President and Chief Executive Officer. Prior to 1995, he served in a variety of sales management positions at the KFC Division of Yum Brands, Helene Curtis, Inc. and The Procter & Gamble Company. Mr. Howe's proven ability to enhance shareholder value in diverse environments, skills in business and growth strategy, marketing leadership, identification of business opportunities and consumer trends will be a benefit to the Company. He served on the board of directors of IntegraMed America, Inc. Mr. Howe holds Bachelor of Accounting and Bachelor of Business Administration degrees from the University of Minnesota Duluth.

Nicholas J. Swenson, 46, was elected to the Board in November 2014 pursuant to the Standstill Agreement. He is also a member of the Nominating and Corporate Governance Committee, Compensation Committee, and the Capital Allocation Committee. Mr. Swenson has served as the Chief Executive Officer of Air T, Inc. (Nasdaq: AIRT) since October 2013, as well as Managing Member of Groveland Capital and Groveland Fund since March 2009. Mr. Swenson also currently serves as Chairman of the board of Pro-Dex, Inc. (Nasdaq: PDEX) and has been on PDEX's board of directors since August 2012. Mr. Swenson has worked in the investment management industry most of his career. He has an MBA (Finance) from the University of Chicago. His vast experience as a businessperson, investor and research analyst will be a benefit to the Company. The Standstill Agreement required that Mr. Swenson be nominated for election to serve as a director at the Annual Meeting.

F. Peter Zaballos, 56, has served as the Vice President of Marketing and Product at SPS Commerce since September 2012. Previously, he served as Vice President of Marketing from April 2012 to September 2012. From 2010 to 2011 he held the positions of Vice President, Product and Vice President, Marketing and Business Development at StudyBlue, a cloud service reaching more than a million high school and college students. His more than 15 years as a marketing executive and board experience provide knowledge and skills to the Board in the areas of brand development and marketing, product strategy, business development and innovation. Mr. Zaballos has a Bachelor of Science degree from the University of California, Berkeley, and a Master's degree (SM) in Management from the Massachusetts Institute of Technology (MIT), Sloan School of Management.

Steven R. Zenz, 61, has been a member of the Board since October 2013. He is also Chair of the Audit Committee. He is also a Director of NuAx, Inc. and Closys Corporation, early stage privately-held technology companies, as well as Metro Sales, Inc., a privately-held office equipment distributor. Mr. Zenz is a former partner of the audit and advisory firm KPMG, where served in various capacities in his 33 years with the firm, including partner in charge of the audit group and partner in charge of the firm's SEC and technical accounting practices in KPMG's Minneapolis, Minnesota and Des Moines, Iowa, offices as well as lead audit partner for many publicly-held company clients. Since 2011, Mr. Zenz has acted as a consultant on several merger and acquisition transactions providing advice on valuations, SEC filings, technical accounting and integration. He holds a Bachelor of Science degree in Accounting and a Masters of Business Taxation degree from the University of Minnesota. Mr. Zenz's deep financial expertise and SEC experience benefit the Company.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR ELECTION OF EACH OF THE EIGHT NOMINEES.

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PROPOSAL TWO
AMENDMENT TO 2013 OMNIBUS STOCK AND INCENTIVE PLAN

General Information

On February 24, 2015, the Board of Directors adopted, subject to shareholder approval, an amendment to the Company's 2013 Omnibus Stock and Incentive Plan (the "2013 Omnibus Plan"). The amendment provides for an increase in the total number of shares available under the 2013 Omnibus Plan from 900,000 shares to a total of 1,100,000 shares. The amendment does not modify the 2013 Omnibus Plan in any other respect.

As of April 17, 2015, there were 336,767 shares available for issuance under the 2013 Omnibus Plan. Additionally, as of April 17, 2015, there were options outstanding to purchase 469,500 shares under the 2013 Omnibus Plan. From its effectiveness on February 26, 2013 through April 17, 2015, 541,000 options have been granted, 25,000 restricted awards have been granted, no options have been exercised, 71,500 options have been terminated based on their terms, and 68,733 shares have been granted under the 2013 Omnibus Plan.

The amendment to the 2013 Omnibus Plan will enable the Company to continue to grant awards as needed to attract, retain and motivate employees and other service providers. The 2013 Omnibus Plan is intended to enhance the Company's ability to provide key individuals with awards and incentives commensurate with their contributions and competitive with those offered by other employers, and to increase shareholder value by further aligning the interest of key individuals with the interests of the Company's shareholders by providing an opportunity to benefit from stock price appreciation that generally accompanies improved financial performance. The Board of Directors believes that the Company's long-term success is dependent upon the Company's ability to attract, retain and motivate highly qualified individuals who, by virtue of their ability and qualification, make important contributions to the Company.

If our shareholders do not approve the proposed amendment, the 2013 Omnibus Plan will remain in effect as originally adopted. In that case, we would be limited to issuing no more than 900,000 shares of our common stock pursuant to awards made under the 2013 Omnibus Plan. In light of our pattern of share usage during recent years, after taking into account grants for new personnel, we believe that the shares currently remaining available under the 2013 Omnibus Plan will likely be insufficient for planned award activity. In making this recommendation for the share reserve, the Compensation Committee considered several factors including historical award levels, future compensation levels and assumed fair value of award grants.

Summary Information about the Plan

The material terms of the 2013 Omnibus Plan, as proposed to be amended, are summarized below. The following summary is qualified in its entirety by reference to the full text of the 2013 Omnibus Plan as filed on Form 10-Q dated August 6, 2014.

Administration and Eligibility

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The Compensation Committee administers the 2013 Omnibus Plan and has full power and authority to determine when and to whom awards will be granted, and the type, amount, form of payment and other terms and conditions of each award, consistent with the provisions of the 2013 Omnibus Plan. In addition, the Compensation Committee can specify whether, and under what circumstances, awards to be received under the 2013 Omnibus Plan may be deferred automatically or at the election of either the holder of the award or the Compensation Committee, if any such deferral complies with or is exempt from Section 409A of the Internal Revenue Code (Code). Subject to the provisions of the 2013 Omnibus Plan, the Compensation Committee may amend or waive the terms and conditions, or accelerate the exercisability, of an outstanding award. The Compensation Committee has authority to interpret the 2013 Omnibus Plan and to establish rules and regulations for the administration of the 2013 Omnibus Plan.

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Eligible recipients under the 2013 Omnibus Plan include any employee, officer, consultant, advisor or director providing services to us or to any of our affiliates, who is selected by the Compensation Committee of the Board. As of April 17, 2015, approximately 70 employees and seven non-employee directors were eligible to participate in the 2013 Omnibus Plan.

Term of the 2013 Omnibus Plan

Unless discontinued or terminated by the Board, the 2013 Omnibus Plan will expire on February 26, 2023. No awards may be made after that date. However, unless otherwise expressly provided in an applicable award agreement, any award granted under the 2013 Omnibus Plan, and before expiration of the plan, may extend beyond the end of such period through the award's normal expiration date.

Shares Available for Issuance under the 2013 Omnibus Plan

As proposed to be amended, the total number of shares of our common stock that may be issued under all equity-based awards made under the 2013 Omnibus Plan is 1,100,000. Certain awards under the 2013 Omnibus Plan are subject to further limitations as follows:

- In any single calendar year, no person may be granted under the 2013 Omnibus Plan any stock options, Stock Appreciation Rights (SARs) or other awards, the value of which is based solely on an increase in the value of our common stock after the date of grant of the award, that exceed 500,000 shares of common stock in the aggregate.
- In any single calendar year, the maximum aggregate amount payable under performance awards to any employee who is covered by Section 162(m) of the Code is \$1,000,000 in value under the 2013 Omnibus Plan, whether paid in cash, shares or other property, with that dollar amount to increase after 2014 by 5% per year.
- During the ten-year term of the 2013 Omnibus Plan, the maximum number of shares of common stock that may be awarded in the form of grants of restricted stock, restricted stock units and other stock awards is 500,000.
- During the ten-year term of the 2013 Omnibus Plan, our non-employee directors, as a group, may not be granted awards in the aggregate of more than 25% of the shares of common stock available for awards under the 2013 Omnibus Plan.
- During the ten-year term of the 2013 Omnibus Plan, the maximum number of shares of common stock that may be awarded in the form of incentive stock option grants that are subject to the provisions of Section 422 or 424 of the Code is 5,000,000.

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The Compensation Committee may adjust the number of shares of common stock and share limits described above in the case of a stock dividend or other distribution, including a stock split, merger or other similar corporate transaction or event, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be provided under the 2013 Omnibus Plan. Adjustments of such limits otherwise requires prior shareholder approval.

If any shares of our common stock subject to any award or to which an award relates are forfeited or are reacquired by us, or if any award terminates without the delivery of any shares, the shares previously set aside for such awards will be available for future awards under the 2013 Omnibus Plan.

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Types of Awards Available under the 2013 Omnibus Plan

The 2013 Omnibus Plan permits the granting of:

- Stock options (including both incentive and non-qualified stock options);

- SARs;

- Restricted stock and restricted stock units;

- Performance awards of cash or stock; and

- Other stock grants.

Under the 2013 Omnibus Plan, awards may be granted alone, in addition to, in combination with or in substitution for, any other award granted under the 2013 Omnibus Plan or any of our other compensation plans. Awards can be granted for no cash consideration or for cash or other consideration as determined by the Compensation Committee or as required by applicable law. Awards may provide that upon the grant or exercise thereof, the holder will receive cash, shares of our common stock or other securities, or property, or any combination of these in a single payment, in installments or on a deferred basis.

The exercise price per share of common stock under any stock option and the grant price of any SAR may not be less than the fair market value of a share of common stock on the date of grant of such option or SAR. Fair market value is generally defined in the plan as the closing price on the date of grant. On April 17, 2015, the closing sale price of share of common stock on the NASDAQ Stock Market was \$3.00. Determinations of fair market value under the 2013 Omnibus Plan will be made in accordance with methods and procedures established by the Compensation Committee and intended to comply with or be exempt from Section 409A of the Code. The term of awards will not be longer than ten years from the date of grant.

Stock Options. The holder of an option will be entitled to purchase a number of shares of our common stock at a specified exercise price during a specified time period, all as determined by the Compensation Committee. The option exercise price may be payable either in cash or, at the discretion of the Compensation Committee, in other securities or other property having a fair market value on the exercise date equal to the exercise price. Those securities may include shares of common stock already held by the person exercising the option or, in the case of a non-qualified option, shares to be received upon exercise of the option.

Stock Appreciation Rights. The holder of a SAR is entitled to receive the excess of the fair market value (calculated as of the exercise date or, at the Compensation Committee's discretion, as of any time during a specified period before or after the exercise date) of a specified number of shares of our common stock over the grant price of the SAR. SARs vest and become exercisable in accordance with a vesting schedule established by the Compensation Committee.

Restricted Stock and Restricted Stock Units. The holder of restricted stock will own shares of our common stock subject to restrictions imposed by the Compensation Committee (including, for example, restrictions on the right to transfer or vote the restricted shares or to receive any dividends with respect to the shares) for a specified time period determined by the Compensation Committee. The holder of restricted stock units will have the right, subject to any restrictions imposed by the Compensation Committee, to receive shares of our common stock, or a cash payment equal to the fair market value of those shares, at some future date determined by the Compensation Committee. The vesting period for these awards shall be determined by the Compensation Committee in its discretion. The Compensation Committee also may permit accelerated vesting in the case of a participant's death, disability or retirement, or a change in control of Insignia. If the participant's employment or service terminates during the vesting period for any other reason, the restricted stock and restricted stock units will be forfeited, unless the Compensation Committee determines that it would be in our best interest to waive the remaining restrictions.

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Performance Awards. Performance awards granted under the 2013 Omnibus Plan are intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code, and to comply with or be exempt from Section 409A of the Code. Performance awards give participants the right to receive payments in cash, stock or property based solely upon the achievement of certain performance goals during a specified performance period. The Compensation Committee must designate all participants for each performance period, and establish performance goals and target awards for each participant no later than 90 days after the beginning of each performance period and within the parameters of Section 162(m) of the Code. Performance goals must be based solely on one or more of the following business criteria:

- Revenue;
- Cash flow;
- Gross profit;
- Earnings before interest and taxes;
- Earnings before interest, taxes, depreciation and amortization;
- Net earnings;
- Earnings per share;
- Margins, including gross profit, operating and net income margins;
- Returns, including return on assets, equity, investment, capital and revenue and total shareholder return;
- Stock price;
- Working capital;
- Market share;
- Cost reductions;
- Customer satisfaction;
- Completion of key projects; and
- Strategic plan development and implementation.

The measure of performance may be set by reference to an absolute standard or a comparison to specified companies or groups of companies, or other external measures, and may be applied at individual and/or organizational levels.

Other Stock Awards. The Compensation Committee may grant unrestricted shares of our common stock, subject to terms and conditions determined by the Compensation Committee and the 2013 Omnibus Plan limitations.

Change in Control

In the event of a Change in Control (as defined in the 2013 Omnibus Plan), the Compensation Committee may, on a participant-by-participant basis (i) cause any outstanding awards to become vested and immediately exercisable, in whole or in part; (ii) cause any outstanding option to become fully vested and immediately exercisable for a reasonable period in advance of the Change in Control and, to the extent not exercised prior to that change in control, cancel that option upon closing of the change in control; (iii) cancel any unvested award or unvested portion thereof, with or without consideration; (iv) cancel any award in exchange for a substitute award; (v) redeem any restricted stock or RSU for cash and/or other substitute consideration with value equal to the fair market value of an unrestricted share on the date of the change in control; (vi) cancel any option in exchange for cash and/or other substitute consideration with a value equal to: (A) the number of shares subject to that option, multiplied by the difference, if any, between the fair market value per share on the date of the Change in Control and the exercise price of that option; provided that if the fair market value per share on the date of the Change in Control does not exceed the exercise price of any such option, the Compensation Committee may cancel that option without any payment of consideration; and/or (vii) take such other action as the Compensation Committee determines to be reasonable under the circumstances; provided that the Compensation Committee may only use discretion to the extent permitted under Section 409A of the Code.

The Compensation Committee, in its sole discretion, has the authority to determine the application of the foregoing provisions.

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Award Transfers Generally Prohibited

Unless otherwise provided by the 2013 Omnibus Plan, no award (other than shares of unrestricted stock) granted under the 2013 Omnibus Plan, and no right under any such award, will be transferable by a participant without consideration except by will or by the laws of descent and distribution.

Award Repricing Prohibited Without Prior Shareholder Approval

Without the approval of our shareholders, no option or SAR may be amended to reduce its initial exercise or grant price, and no option or SAR may be canceled and replaced with an option, SAR or other award having a lower exercise price, except in connection with a stock dividend or other distribution, including a stock split, merger or other similar corporate transaction or event, in order to prevent dilution or enlargement of the benefits, or potential benefits intended to be provided under the 2013 Omnibus Plan.

2013 Omnibus Plan Amendments; Award Amendments

The Board or the Compensation Committee may amend, alter, suspend, discontinue or terminate the 2013 Omnibus Plan at any time, except that prior shareholder approval will be required for any amendment to the 2013 Omnibus Plan required under applicable law, including the rules and regulations of the NASDAQ Stock Market.

Subject to the provisions of the 2013 Omnibus Plan or an award agreement, the Compensation Committee may not amend any outstanding award agreement without the participant's consent, if the action would adversely affect the participant's rights.

Federal Income Tax Consequences of Awards under the 2013 Omnibus Plan

The 2013 Omnibus Plan has been designed to meet the requirements of Section 162(m) of the Code regarding the deductibility of executive compensation and to minimize the risk of premature income taxes and related penalties on participating employees under Section 409A of the Code. The following description is a summary, and not a comprehensive description, of certain federal income tax consequences relating to awards that the Company may grant under the 2013 Omnibus Plan. The description does not address all tax consequences that may apply to an award or specific tax consequences that may apply to a participant who receives an award because of the participant's individual circumstances. The description is based on current statutes, regulations, and interpretations, all of which are subject to change, and any change of which may have a significant effect on the following description. The description does not include state or local income tax consequences, which also may be significant.

Grant of Options and SARs. The grant of a stock option or SAR is not expected to result in any taxable income for the recipient.

Exercise of Options and SARs. When the holder of a non-qualified stock option exercises the option, the holder must recognize ordinary income equal to the excess of the fair market value of the shares of our common stock acquired on the date of exercise over the exercise price, and we will generally be entitled at that time to an income tax deduction for the same amount. The holder of an incentive stock option generally will have no taxable income upon exercising the option (except that an alternative minimum tax liability may arise), and we will not be entitled to an income tax deduction. Upon exercising a SAR, the amount of any cash received and the fair market value on the exercise date of any shares of our common stock received are taxable to the recipient as ordinary income and generally deductible by us.

Disposition of Shares Acquired Upon Exercise of Options and SARs. The tax consequence upon a person's disposition of shares of common stock acquired through the exercise of an option or SAR will depend on how long the shares have been held, and whether the shares were acquired by exercising an incentive stock option or by exercising a non-qualified stock option or SAR. Generally, there will be no tax consequence to us in connection with a person's disposition of shares of common stock acquired under an option or SAR, except that we may be entitled

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to an income tax deduction in the case of the disposition of shares acquired under an incentive stock option before the applicable incentive stock option holding periods set forth in the Code have been satisfied.

Awards Other Than Options and SARs. As to other awards granted under the 2013 Omnibus Plan that are payable either in cash or shares of our common stock that are either transferable or not subject to substantial risk of forfeiture, the holder of the award must recognize ordinary income equal to (a) the amount of cash received or, as applicable; (b) the excess of (i) the fair market value of the shares received (determined as of the date of receipt) over (ii) the amount (if any) paid for the shares by the holder of the award. We will generally be entitled at that time to an income tax deduction for the same amount.

As to an award that is payable in shares of our common stock that are restricted from transfer and subject to substantial risk of forfeiture, unless a special election is made by the holder of the award under the Code, the holder must recognize ordinary income equal to the excess of (i) the fair market value of the shares received (determined as of the first time the shares become transferable or not subject to substantial risk of forfeiture, whichever occurs earlier) over (ii) the amount (if any) paid for the shares by the holder of the award. We will generally be entitled at that time to an income tax deduction for the same amount.

Our Income Tax Deduction. Subject to the usual rules concerning reasonable compensation, and assuming that, as expected, performance awards paid under the 2013 Omnibus Plan are qualified performance-based compensation within the meaning of Section 162(m) of the Code, we will generally be entitled to a corresponding income tax deduction at the time a participant recognizes ordinary income from awards made under the 2013 Omnibus Plan. However, we will not receive any income tax deduction when a participant recognizes capital gain income upon disposition of shares of common stock received pursuant to an incentive stock option or any other form of award.

Delivery of Shares for Tax Obligation. Under the 2013 Omnibus Plan, the Compensation Committee may permit participants receiving or exercising awards, subject to the discretion of the Compensation Committee and upon such terms and conditions as it may impose, to deliver to us shares of common stock (either shares received upon the receipt or exercise of the award, or shares previously owned by the holder of the option) to satisfy federal and state income tax obligations.

Section 162(m) of the Code. Section 162(m) of the Code limits the federal income tax deductions a publicly held company can claim for compensation in excess of \$1,000,000 paid to certain executive officers. Qualified performance-based compensation is not counted against the \$1,000,000 deductibility limit. Under the 2013 Omnibus Plan, options or SARs granted with an exercise price at least equal to 100% of the fair market value of the underlying shares at the date of grant may satisfy the requirements for treatment as qualified performance-based compensation. In addition, awards that are conditioned upon achievement of certain performance goals may satisfy the requirements for treatment as qualified performance-based compensation. A number of other requirements must be met, however, in order for those awards to so qualify. Accordingly, there can be no assurance that awards under the 2013 Omnibus Plan will be fully deductible under all circumstances.

Section 409A of the Code. The Compensation Committee will administer and interpret the 2013 Omnibus Plan and all award agreements in a manner intended to satisfy the requirements of Section 409A of the Code, so as to minimize the risk of any adverse tax results thereunder to a holder of an award. If any provision of the 2013 Omnibus Plan or any award agreement would result in such adverse consequences, the Compensation Committee may amend that provision or take other reasonably necessary action to minimize the participants' risk of any adverse tax results; no such action shall be deemed to impair or otherwise adversely affect the rights of a holder of an award under the 2013 Omnibus Plan.

Future Awards to be Granted under the 2013 Omnibus Plan

As of the date hereof, the Compensation Committee has not approved any awards in excess of the original share reserve under the 2013 Omnibus Plan and therefore has not approved awards in reliance on the proposed amendment to increase the share reserve. The number and types of awards that will be granted in the future under the 2013

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Omnibus Plan are not determinable, as the Compensation Committee will make these determinations in its sole discretion.

Equity Compensation Plan Information

The following table presents certain information regarding our equity compensation plans, the 2003 Stock Plan, the 2013 Omnibus Plan and our Employee Stock Purchase Plan, as of December 31, 2014.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans
Equity compensation plans approved by security holders	1,255,077(1) \$	2.86	460,152(2)
Equity compensation plans not approved by security holders	—	—	—
Total	1,255,077 \$	2.86	460,152

(1) This number includes 498,500 options exercisable under the 2013 Omnibus Plan. The 2003 Stock Plan expired on February 24, 2013, but 756,577 options remain exercisable until December 2022.

(2) This number includes 152,385 shares available for issuance under our Employee Stock Purchase Plan. The Company maintains the Employee Stock Purchase Plan, pursuant to which eligible employees, including named executive officers, can contribute up to ten percent of their base pay per year to purchase shares of Common Stock. The shares are issued by the Company at a price per share equal to 85% of market value on the first day of the offering period or the last day of the plan year, whichever is lower. This number also includes 307,767 shares available for issuance under the 2013 Omnibus Plan.

Registration with the Securities and Exchange Commission

The Company intends to file a Registration Statement on Form S-8 covering the issuance of the additional shares under the 2013 Omnibus Plan with the SEC pursuant to the Securities Act of 1933, as amended, promptly after approval of the amendment to the 2013 Omnibus Plan by the Company's shareholders.

Board Voting Recommendation; Vote Required

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Upon the recommendation of the Compensation Committee, the Board approved an amendment to the Company's 2013 Omnibus Stock and Incentive Plan to increase the number of shares reserved for issuance und