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

FORM 10-Q

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

for the quarterly period ended March 31, 2014

or

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

for the transition period from _____ to _____

Commission File Number: 1-13471

INSIGNIA SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization)

41-1656308

(IRS Employer Identification No.)

8799 Brooklyn Blvd.

Minneapolis, MN 55445

(Address of principal executive offices)

(763) 392-6200

(Registrant's telephone number, including area code)

Not applicable.

(Former name, former address and former fiscal year if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report(s)), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark 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 No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of shares outstanding of Common Stock, \$.01 par value, as of April 29, 2014 was 12,887,397.

Insignia Systems, Inc.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Balance Sheets – March 31, 2014 (unaudited) and December 31, 2013

Statements of Operations – Three months ended March 31, 2014 and 2013 (unaudited)

Statements of Cash Flows – Three months ended March 31, 2014 and 2013 (unaudited)

Notes to Financial Statements – March 31, 2014 (unaudited)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Item 4. Controls and Procedures

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Item 1A. Risk Factors

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

Item 3. Defaults upon Senior Securities

Item 4. Mine Safety Disclosures

Item 5. Other Information

Item 6. Exhibits

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****Insignia Systems, Inc.
CONDENSED BALANCE SHEETS**

	March 31, 2014 (Unaudited)	December 31 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 20,330,000	\$ 21,763,000
Accounts receivable, net	5,460,000	4,287,000
Inventories	407,000	307,000
Deferred tax assets	171,000	171,000
Income tax receivable	12,000	11,000
Prepaid expenses and other	294,000	324,000
Total Current Assets	26,674,000	26,863,000
Other Assets:		
Property and equipment, net	1,682,000	1,753,000
Other, net	3,135,000	2,956,000
Total Assets	\$ 31,491,000	\$ 31,572,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 2,695,000	\$ 2,636,000
Accrued liabilities	1,052,000	1,741,000
Income tax payable	141,000	22,000
Deferred revenue	395,000	261,000
Total Current Liabilities	4,283,000	4,660,000
Long-Term Liabilities:		
Deferred tax liabilities	284,000	284,000
Accrued income taxes	458,000	458,000
Total Long-Term Liabilities	742,000	742,000
Commitments and Contingencies	—	—
Shareholders' Equity:		
Common stock, par value \$.01:		
Authorized shares - 40,000,000		
Issued and outstanding shares - 12,879,000 at March 31, 2014 and 12,782,000 at December 31, 2013	129,000	128,000
Additional paid-in capital	21,162,000	20,982,000
Retained earnings	5,175,000	5,060,000
Total Shareholders' Equity	26,466,000	26,170,000
Total Liabilities and Shareholders' Equity	\$ 31,491,000	\$ 31,572,000

See accompanying notes to financial statements.

Insignia Systems, Inc.
STATEMENTS OF OPERATIONS
(Unaudited)

Three Months Ended March 31	2014	2013
Services revenues	\$ 5,951,000	\$ 6,967,000
Products revenues	452,000	429,000
Total Net Sales	6,403,000	7,396,000
Cost of services	3,415,000	3,571,000
Cost of goods sold	305,000	289,000
Total Cost of Sales	3,720,000	3,860,000
Gross Profit	2,683,000	3,536,000
Operating Expenses:		
Selling	1,351,000	1,395,000
Marketing	235,000	209,000
General and administrative	930,000	956,000
Total Operating Expenses	2,516,000	2,560,000
Operating Income	167,000	976,000
Other income	6,000	7,000
Income Before Taxes	173,000	983,000
Income tax expense	58,000	563,000
Net Income	\$ 115,000	\$ 420,000
Net income per share:		
Basic	\$ 0.01	\$ 0.03
Diluted	\$ 0.01	\$ 0.03
Shares used in calculation of net income per share:		
Basic	12,853,000	13,654,000
Diluted	13,091,000	13,684,000

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS
(Unaudited)

Three Months Ended March 31	2014	2013
Operating Activities:		
Net income	\$ 115,000	\$ 420,000
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	266,000	274,000
Stock-based compensation	36,000	77,000
Gain on sale of property and equipment	—	(12,000)
Changes in operating assets and liabilities:		
Accounts receivable	(1,173,000)	(2,338,000)
Inventories	(100,000)	(15,000)
Income tax receivable	(1,000)	(28,000)
Prepaid expenses and other	(10,000)	92,000
Accounts payable	(3,000)	496,000
Accrued liabilities	(689,000)	(770,000)
Income tax payable	119,000	563,000
Deferred revenue	134,000	347,000
Net cash used in operating activities	(1,306,000)	(894,000)
Investing Activities:		
Purchases of property and equipment	(84,000)	(16,000)
Proceeds from sale of property and equipment	—	13,000
Acquisition of selling rights	(188,000)	—
Net cash used in investing activities	(272,000)	(3,000)
Financing Activities:		
Proceeds from issuance of common stock	145,000	87,000
Net cash provided by financing activities	145,000	87,000
Decrease in cash and cash equivalents	(1,433,000)	(810,000)
Cash and cash equivalents at beginning of period	21,763,000	20,271,000
Cash and cash equivalents at end of period	\$ 20,330,000	\$ 19,461,000
Supplemental disclosures for cash flow information:		
Cash paid during the period for income taxes	\$ 22,000	\$ 30,000
Non-cash investing activities:		
Acquisition of selling rights in accounts payable	\$ 62,000	\$ —

See accompanying notes to financial statements.

Insignia Systems, Inc.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

1. Summary of Significant Accounting Policies.

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

Basis of Presentation. Financial statements for the interim periods included herein are unaudited; however, they contain all adjustments, including normal recurring accruals, which in the opinion of management, are necessary to present fairly the financial position of the Company at March 31, 2014, its results of operations for the three months ended March 31, 2014 and 2013, and its cash flows for the three months ended March 31, 2014 and 2013. Results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

The financial statements do not include certain footnote disclosures and financial information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America and, therefore, should be read in conjunction with the financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

The Summary of Significant Accounting Policies in the Company’s 2013 Annual Report on Form 10-K describes the Company’s accounting policies.

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

	March 31, 2014	December 31, 2013
Raw materials	\$ 103,000	\$ 71,000
Work-in-process	19,000	12,000
Finished goods	285,000	224,000
	\$ 407,000	\$ 307,000

Property and Equipment. Property and equipment consists of the following:

	March 31, 2014	December 31, 2013
Property and Equipment:		
Production tooling, machinery and equipment	\$ 3,908,000	\$ 3,826,000
Office furniture and fixtures	260,000	260,000
Computer equipment and software	913,000	896,000
Web site	65,000	65,000
Leasehold improvements	616,000	616,000
Construction in-progress	19,000	34,000
	5,781,000	5,697,000
Accumulated depreciation and amortization	(4,099,000)	(3,944,000)
Net Property and Equipment	\$ 1,682,000	\$ 1,753,000

Depreciation expense was approximately \$155,000 and \$174,000 in the three months ended March 31, 2014 and 2013, respectively.

Stock-Based Compensation. The Company measures and recognizes compensation expense for all stock-based awards at fair value using the Black-Scholes option pricing model to determine the weighted average fair value of options and employee stock purchase plan rights. The Company recognizes stock-based compensation expense on a straight-line method over the requisite service period of the award.

During the three months ended March 31, 2014 and 2013, no stock option awards were granted by the Company. The Company estimated the fair value of stock-based rights granted during the three months ended March 31, 2014 under the employee stock purchase plan using the following weighted average assumptions: expected life of 1.0 year, expected volatility of 50%, dividend yield of 0% and risk-free interest rate of 0.13%. The total fair value of stock-based rights granted under the employee stock purchase plan during the three months ended March 31, 2014 and 2013 was approximately \$10,000 and \$11,000, respectively. Total stock-based compensation expense recorded for the three months ended March 31, 2014 and 2013, was \$36,000 and \$77,000, respectively.

During the three months ended March 31, 2014, there were 49,670 stock options exercised, for which the Company received proceeds of \$62,000. During the three months ended March 31, 2013, there were 6,666 stock options exercised, for which the Company received proceeds of \$13,000.

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

Options to purchase approximately 459,000 shares of common stock with a weighted average exercise price of \$4.36 were outstanding at March 31, 2014 and were not included in the computation of common stock equivalents for the three months ended March 31, 2014 because their exercise prices were higher than the average fair market value of the common shares during the reporting period. Options to purchase approximately 1,322,000 shares of common stock with a weighted average exercise price of \$3.45 were outstanding at March 31, 2013 and were not included in the computation of common stock equivalents for the three months ended March 31, 2013 because their exercise prices were higher than the average fair market value of the common shares during the reporting period.

Weighted average common shares outstanding for the three months ended March 31, 2014 and 2013 were as follows:

Three months ended March 31	2014	2013
Denominator for basic net income per share - weighted average shares	12,853,000	13,654,000
Effect of dilutive securities:		
Stock options	238,000	30,000
Denominator for diluted net income per share - weighted average shares	13,091,000	13,684,000

2. **Selling Arrangement.** In February 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 \$100,000 in each of the three months ended March 31, 2014 and 2013 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 Operations. The net carrying amount of the selling arrangement is recorded within Other Assets on the Company’s Condensed Balance Sheets.

3. **Income Taxes.** For the three months ended March 31, 2014, the Company recorded income tax expense of \$58,000, or 33.5% of income before taxes. For the three months ended March 31, 2013, the Company recorded income tax expense of \$563,000, or 57.3% of income before taxes. The decrease in the effective tax rate during the three months ended March 31, 2014 is primarily the result of the tax benefit of disqualifying dispositions of stock options, which decreased the effective tax rate for the three months ended March 31, 2014 by 7.2%. The income tax provision for the three months ended March 31, 2014 and 2013 is comprised of federal and state taxes. The primary differences between the Company’s March 31, 2014 and 2013 effective tax rates and the statutory federal rate are expenses related to stock-based compensation and nondeductible meals and entertainment.

As of March 31, 2014 and December 31, 2013, the Company has unrecognized tax benefits totaling \$458,000, including interest, which relates to state nexus issues. The amount of the unrecognized tax benefits, if recognized, that would affect the effective income tax rates of future periods is \$458,000. Due to the current statute of limitations regarding the unrecognized tax benefits, the unrecognized tax benefits and associated interest is not expected to change significantly in 2014.

4. **Concentrations.** During the three months ended March 31, 2014, two customers accounted for 31% and 15% of the Company’s total net sales. During the three months ended March 31, 2013, two customers accounted for 29% and 13% of the Company’s total net sales. At March 31, 2014, three customers accounted for 34%, 13% and 13% of the Company’s total accounts receivable. At December 31, 2013, two customers accounted for 47% and 14% 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.

5. **Retail Access and Distribution Agreement.** On February 21, 2014, the Company and Valassis Sales and Marketing Services, Inc. (“Valassis”) signed the Retail Access and Distribution Agreement (the “New Valassis Agreement”) that replaced all prior agreements. As a result of this new agreement, which was to be in effect through December 31, 2017, among other things, 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, in exchange for total consideration of \$500,000 to be paid by the Company in 2014.

On March 24, 2014, the Company received notice of termination from Valassis of the New Valassis Agreement which was terminated in accordance with its provisions for termination for either party’s

convenience. The amount due to Valassis related to the Company regaining selling rights is being amortized over the original term of the New Valassis Agreement, which is approximately four years. The Company paid Valassis \$188,000 related to the acquisition of these selling rights during the three months ended March 31, 2014. The termination will be effective on August 11, 2014, and all other material aspects of the agreement will remain in effect until that date and the Company will continue to have access to all consumer packaged goods manufacturers for the sale of POPS signs as noted above. We are currently focused on maximizing opportunities available to us as a result of this termination to minimize whatever financial impact may result from it, and potentially have a positive impact on the Company.

6. **Shareholders' Equity.** 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 allows the repurchases to be made in open market or privately negotiated transactions. For the three months ended March 31, 2014, the Company made no repurchases.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Company's financial statements and related notes. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated due to various factors discussed under "Cautionary Statement Regarding Forward-Looking Statements" and elsewhere in this Quarterly Report on Form 10-Q and the "Risk Factors" described in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, our Current Reports on Form 8-K and our other SEC filings.

Company Overview

Insignia Systems, Inc. (referred to in this Quarterly Report on Form 10-Q as "Insignia," "we," "us," "our" and the "Company") markets in-store advertising products, programs and services to consumer packaged goods manufacturers (customers) and retailers. The Company was incorporated in 1990. Since 1998, the Company has been focusing on providing in-store advertising services through the Insignia Point-Of-Purchase Services (POPS) in-store advertising program. Insignia POPS[®] includes the Insignia POPSign[®] program.

Insignia's POPSign is a national, account-specific, in-store, shelf-edge advertising program that we believe delivers significant sales increases. Funded by consumer packaged goods manufacturers, the program allows manufacturers to deliver vital product information to consumers at the point-of-purchase. The brand information is combined with each retailer's store-specific prices and is displayed on the retailer's unique sign format. We believe that combining manufacturer and retailer information produces a complete "call to action" that gets consumers the information they want and need to make purchasing decisions, while building store and brand equity.

For retailers, Insignia's POPSign program is a source of incremental revenue and is an in-store advertising program that delivers a complete "call to action" on a product-specific and store-specific basis. For consumer packaged goods manufacturers, Insignia's POPSign program provides access to what we believe is the optimum retail advertising site for their products – the retail shelf-edge. In addition, we believe manufacturers benefit from significant sales increases, short lead times, micro-marketing capabilities, such as store-specific and multiple language options, and a wide variety of program features and enhancements that provide unique advertising advantages.

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-Q. 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.

2014 Business Overview

Summary of Financial Results

For the quarter ended March 31, 2014, the Company generated revenues of \$6,403,000, as compared with revenues of \$7,396,000 for the quarter ended March 31, 2013. Net income for the quarter ended March 31, 2014 was \$115,000, as compared to \$420,000 for the quarter ended March 31, 2013.

At March 31, 2014, our cash and cash equivalents balance was \$20,330,000, as compared to \$21,763,000 at December 31, 2013. We have no debt and believe we have adequate liquidity to fund operations for at least the next twelve months.

Results of Operations

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

For the Three Months Ended March 31	2014	2013
Net sales	100.0 %	100.0 %
Cost of sales	58.1	52.2
Gross profit	41.9	47.8
Operating expenses:		
Selling	21.1	18.9
Marketing	3.7	2.8
General and administrative	14.5	12.9
Total operating expenses	39.3	34.6
Operating income	2.6	13.2
Other income	0.1	0.1
Income before taxes	2.7	13.3
Income tax expense	0.9	7.6
Net income	1.8 %	5.7 %

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

Net Sales. Net sales for the three months ended March 31, 2014 decreased 13.4% to \$6,403,000 compared to \$7,396,000 for the three months ended March 31, 2013.

Service revenues from our POPSign programs for the three months ended March 31, 2014 decreased 14.6% to \$5,951,000 compared to \$6,967,000 for the three months ended March 31, 2013. The decrease was primarily due to a decrease of 6.8% in the number of signs placed, which we believe was largely due to timing of spring holidays, as well a decrease of 8.4% in average price per sign, which was a result of program mix.

Product sales for the three months ended March 31, 2014 increased 5.4% to \$452,000 compared to \$429,000 for the three months ended March 31, 2013. The increase was primarily due to higher sales of laser sign card supplies.

Gross Profit. Gross profit for the three months ended March 31, 2014 decreased 24.1% to \$2,683,000 compared to \$3,536,000 for the three months ended March 31, 2013. Gross profit as a percentage of total net sales decreased to 41.9% for the three months ended March 31, 2014, compared to 47.8% for the three months ended March 31, 2013.

POPSign program: Gross profit from our POPSign program revenues for the three months ended March 31, 2014 decreased 25.3% to \$2,536,000 compared to \$3,396,000 for the three months ended March 31, 2013. The decrease was primarily due to an overall decrease in sales, as our gross profit percentage is highly dependent on sales volume, combined with a decrease in the average sign rate. Gross profit as a percentage of POPSign program revenues for the three months ended March 31, 2014 decreased to 42.6% compared to

48.7% for the three months ended March 31, 2013. The decrease was primarily due to the factors described above.

Product sales: Gross profit from our product sales for the three months ended March 31, 2014 increased 5.0% to \$147,000 compared to \$140,000 for the three months ended March 31, 2013. The increase was primarily due to increased sales. Gross profit as a percentage of product sales was 32.5% for the three months ended March 31, 2014 compared to 32.6% for the three months ended March 31, 2013. The decrease was primarily due to increased shipping costs.

Operating Expenses

Selling. Selling expenses for the three months ended March 31, 2014 decreased 3.2% to \$1,351,000 compared to \$1,395,000 for the three months ended March 31, 2013. The decrease in the 2014 period was primarily due to lower commissions resulting from a decrease in sales.

Selling expenses as a percentage of total net sales increased to 21.1% for the three months ended March 31, 2014 compared to 18.9% for the three months ended March 31, 2013. The increase in selling expenses as a percentage of total net sales in the 2014 period was primarily due to fixed sales personnel costs combined with decreased sales.

Marketing. Marketing expenses for the three months ended March 31, 2014 increased 12.4% to \$235,000 compared to \$209,000 for the three months ended March 31, 2013. Increased marketing expense was primarily the result of increased marketing initiatives.

Marketing expenses as a percentage of total net sales increased to 3.7% for the three months ended March 31, 2014 compared to 2.8% for the three months ended March 31, 2013. The increase in marketing expenses as a percentage of total net sales in the 2014 period was primarily due to an overall decrease in sales and increased marketing initiatives.

General and administrative. General and administrative expenses for the three months ended March 31, 2014 decreased 2.7% to \$930,000 compared to \$956,000 for the three months ended March 31, 2013. The decrease in the 2014 period as compared to the 2013 period was primarily the result of decreased compensation-related expenses.

General and administrative expenses as a percentage of total net sales increased to 14.5% for the three months ended March 31, 2014 compared to 12.9% for the three months ended March 31, 2013. Increased expense as a percentage of total net sales in the 2014 period was primarily due to an overall decrease in sales.

Other Income. Other income for the three months ended March 31, 2014 was \$6,000 compared to \$7,000 for the three months ended March 31, 2013. Other income is comprised of interest earned on cash and cash equivalents balances.

Income Taxes. For the three months ended March 31, 2014, the Company recorded income tax expense of \$58,000, or 33.5% of income before taxes, compared to \$563,000, or 57.3% of income before taxes for the three months ended March 31, 2013. The decrease in the effective tax rate during the three months ended March 31, 2014 is primarily the result of the tax benefit of disqualifying dispositions of stock options, which decreased the effective tax rate for the three months ended March 31, 2014 by 7.2%. The income tax provision for the three months ended March 31, 2014 and 2013, is comprised of federal and state taxes. The primary differences between the Company's March 31, 2014 and 2013 effective tax rates and the statutory federal rate are expenses related to stock-based compensation and nondeductible meals and entertainment.

Net Income. For the reasons stated above, net income for the three months ended March 31, 2014 was \$115,000 compared to \$420,000 for the three months ended March 31, 2013.

Liquidity and Capital Resources

The Company has financed its operations with proceeds from public and private stock sales, sales of its services and products and legal settlement proceeds. At March 31, 2014, working capital was \$22,391,000

compared to \$22,203,000 at December 31, 2013. During the three months ended March 31, 2014, cash and cash equivalents decreased \$1,433,000 from \$21,763,000 at December 31, 2013, to \$20,330,000 at March 31, 2014.

Operating Activities: Net cash used in operating activities during the three months ended March 31, 2014, was \$1,306,000. The net income of \$115,000, plus non-cash adjustments of \$302,000 and changes in operating assets and liabilities of \$(1,723,000) resulted in the \$1,306,000 of cash used in operating activities. The largest component of the change in operating assets and liabilities was accounts receivable, which increased as a result of the timing of collections on these accounts. The non-cash adjustments consisted of depreciation and amortization expense and stock-based compensation expense. In the normal course of business, our accounts receivable, accounts payable, accrued liabilities and deferred revenue will fluctuate depending on the level of POPSign revenues and related business activity, as well as billing arrangements with customers and payment terms with retailers.

Investing Activities: Net cash used in investing activities during the three months ended March 31, 2014 was \$272,000, which was due to the acquisition of selling rights under the New Valassis Agreement and purchases of property and equipment. The Company paid an additional \$62,000 to Valassis in April 2014 under the terms of the New Valassis Agreement. The Company expects a similar level of capital expenditures in the future periods in 2014.

Financing Activities: Net cash provided by financing activities during the three months ended March 31, 2014 was \$145,000 related to proceeds received from the issuance of common stock under our employee stock purchase plan and stock option exercises.

The Company believes that based upon current business conditions, its existing cash balance and future cash generated from operations will be sufficient for its cash requirements for at least the next twelve months. However, there can be no assurances that this will occur or that the Company will be able to secure financing from public or private stock sales or from other financing agreements if needed.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are described in Note 1 to the annual financial statements as of and for the year ended December 31, 2013, included in our Form 10-K filed with the Securities and Exchange Commission on March 5, 2014. We believe our most critical accounting policies and estimates include the following:

- revenue recognition;
- allowance for doubtful accounts;
- impairment of long-lived assets;
- income taxes; and
- stock-based compensation.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements made in this Quarterly Report on Form 10-Q, in the Company's other SEC filings, in press releases and in oral statements to shareholders and securities analysts that are not statements of historical or current facts, are "forward-looking statements." Such forward-looking statements involve known and unknown risks, uncertainties and other factors which 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 "believes," "expects," "anticipates," "seeks" and similar expressions identify forward-looking

statements. Forward-looking statements include statements expressing the intent, belief or current expectations of the Company and members of our management team regarding, for instance: (i) our belief that our cash balance and cash generated by operations will provide adequate liquidity and capital resources for at least the next twelve months; (ii) that we are currently focused on maximizing opportunities available to us as a result of the termination of the New Valassis Agreement to minimize whatever financial impact may result from it, and potentially have a positive impact on the Company; (iii) that we expect fluctuations in accounts receivable and payable, accrued liabilities, and deferred revenue; and (iv) plans to repurchase Company stock. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this statement was made. These forward-looking statements are based on current information, which we have assessed and which by its nature is dynamic and subject to rapid and even abrupt changes.

The factors that could cause our estimates and assumptions as to future performance, and our actual results, to differ materially include the following: (i) the risk that management may be unable to fully or successfully implement its business plan to achieve and maintain increased sales and resultant profitability in the future; (ii) the risk that the Company will not be able to develop and implement new product offerings, including mobile, digital or other new offerings, in a successful manner; (iii) prevailing market conditions, including pricing and other competitive pressures, in the in-store advertising industry and, intense competition for agreements with retailers and consumer packaged goods manufacturers; (iv) potentially incorrect assumptions by management with respect to the financial effect of current strategic decisions, the effect of current sales trends on fiscal year 2014 results and the benefit of our relationships with News America and Valassis; (v) termination of all or a major portion of, or a significant change in terms and conditions of, a material agreement with a retailer, consumer packaged goods manufacturer, or News America; and (vi) other economic, business, market, financial, competitive and/or regulatory factors affecting the Company's business generally. Our risks and uncertainties also include, but are not limited to, the risks presented in our Annual Report on Form 10-K for the year ended December 31, 2013, any additional risks presented in our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K. We undertake no obligation (and expressly disclaim any such obligation) to update forward-looking statements made in this Form 10-Q to reflect events or circumstances after the date of this Form 10-Q or to update reasons why actual results would differ from those anticipated in any such forward-looking statements, other than as required by law.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

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

(b) Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

We described the most significant risk factors applicable to the Company in Part I, Item 1A “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2013. We believe there have been no material changes from the risk factors disclosed on Form 10-K.

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

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are included herewith:

<u>Exhibit Number</u>	<u>Description</u>
10.1	Retail Access and Distribution Agreement dated February 21, 2014*
31.1	Certification of Principal Executive Officer
31.2	Certification of Principal Financial Officer
32	Section 1350 Certification
101.1	The following materials from Insignia Systems, Inc.’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 are furnished herewith, formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Balance Sheets; (ii) Statements of Operations; (iii) Statements of Cash Flows; and (iv) Notes to Financial Statements.

*Confidential treatment has been requested for portions of this exhibit.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 1, 2014

Insignia Systems, Inc.

(Registrant)

/s/ Glen P. Dall

Glen P. Dall

President and Chief Executive Officer

(principal executive officer)

/s/ John C. Gonsior

John C. Gonsior

Vice President, Finance and

Chief Financial Officer

(principal financial officer)

EXHIBIT INDEX

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+	Filed herewith.
++	Furnished herewith.

*Confidential treatment has been requested for portions of this exhibit.

RETAIL ACCESS AND DISTRIBUTION AGREEMENT

THIS RETAIL ACCESS AND DISTRIBUTION AGREEMENT (this “Agreement”) is entered into on February 21, 2014 (the “Effective Date”), by and between Insignia Systems, Inc., a Minnesota corporation (“Insignia”), with its principal place of business at 8799 Brooklyn Blvd., Minneapolis, MN 55445, and Valassis In-Store Solutions, Inc., a Delaware corporation (“Valassis”), with its principal place of business at 19975 Victor Parkway, Livonia, MI 48152.

RECITALS:

Insignia sells, markets, develops, manufactures and distributes Signs with Price to CPGs and has relationships with certain Retailers for the distribution of Signage sold to CPGs and installation at such Retailers’ locations (the “Insignia Retailers”). Valassis sells and markets Equity Signs to CPGs and has relationships with certain Retailers for the distribution of Signage sold to CPGs and installed at such Retailers’ locations (the “Valassis Retailers”). The parties desire to set forth the terms and conditions under which: (i) Valassis may sell Equity Signs to CPGs for installation in certain of the Insignia Retailers, which will be produced by Insignia and installed by a Third Party Installer, into certain Insignia Retailers (the “Insignia Extended Retailer Network,” as further defined herein); (ii) Insignia shall produce and arrange for the installation of such Signage as further set forth herein and (iii) Insignia may sell Signs with Price to CPGs for installation into certain of the Valassis Retailers. This Agreement expressly intends to supersede all prior agreements between the parties hereto.

AGREEMENT:

In consideration of the foregoing and the agreements contained herein, the parties agree as follows:

1. **Definitions.** For purposes of this Agreement, the terms below shall have the following meanings:

(a) “Affiliate” when used with reference to a person, means any person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, or owns greater than fifty percent (50%) of the voting power, in the specified person (the term “control” for this purpose, shall mean the ability, whether by the ownership of shares or other equity interest, by contract or otherwise, to elect a majority of the directors of a corporation, independently to select the managing partner of a partnership or the manager or managers of a limited liability company, or otherwise to have the power independently to remove and then select a majority of those persons exercising governing authority over an entity, and control shall be conclusively presumed in the case of the direct or indirect ownership of fifty percent (50%) or more of the equity interests in the specified person).

(b) “Confidential Information” means any non-public information of a party which is known (or reasonably should be known by the recipient) to be confidential information of the discloser, including any written or electronic information marked “Confidential,” “Proprietary” or in some other manner to indicate its confidential nature. Confidential Information includes, but is not limited to, information concerning business and marketing plans; business know-how, methods and processes; cost, pricing, rates and payment amounts relating to each party’s

business, CPGs, Valassis Retailers, Insignia Retailers (including, in each case, the identity of and contact information for CPG and Retailer personnel), compliance or other program results; and amounts of business and the value and terms and conditions of Signage contracts that either party has within their respective retailer networks as defined herein. From time to time, Valassis and Insignia may agree to allow the other party to disclose certain Confidential Information to allow the other party to engage in full disclosure business practices; provided, however, that the parties hereto agree each shall be entitled to disclose to the Retailers in their own retailer network, with the prior consent of the other party hereto, the amounts paid to the other party hereto for access to the retailer network of the other party.

(c) “Existing Agreements” means all prior agreements between the parties hereto, whether written or oral, and regardless as to form of the agreement, and pertaining to the subject matter hereof and related matters, all of which are terminated as of the effective date of this Agreement.

(d) “CPG” means a manufacturer that sells consumer packaged goods to Retailers for resale to consumers.

(e) “Equity Signs” for purposes of this Agreement means Valassis’ in-store advertising signs known as “AdPOP” and “BladePOP” signs (as well as coupons and tear pads which may be affixed thereto) and such other in-store advertising signs that the parties hereto may mutually agree in writing should be considered “Equity Signs” for the purposes of this Agreement, in each case, where (i) such signs do not state a price for the product advertised thereon; and (ii) the installation of which would not constitute a violation of any existing Insignia agreement.

(f) “Equity Sign Installer Expenses” means the costs and expenses incurred and payable to a Third Party Installer for the installation, de-installation, monitoring and maintenance of Equity Signs consistent with the terms and conditions hereof and the direction of Insignia.

(g) “Insignia Extended Retailer Network” means certain of the Retailers with whom Insignia has a relationship (which may or may not be in contractual form) to place Signs with Price and/or Equity Signs at such Retailers’ location(s), currently consisting of the Retailers set forth on Exhibit A, as the same may be adjusted as provided in Section 4, below. “Insignia Network Retailer” means a Retailer in the Insignia Extended Retailer Network, and for purposes of this Agreement, certain wholesalers with whom Insignia has relationships (which may or may not be in contractual form).

(h) “Intellectual Property” means tangible or intangible: (i) copyright rights (including, without limitation, the right to use, record, reproduce, modify, adapt, edit, enhance, maintain, support, sublicense, distribute copies of, exploit, and exhibit the copyrighted work and to prepare derivative works) and copyright registrations and applications, (ii) trademark rights (including, without limitation, trade names, trademarks, service marks and trade dress), trademark and service mark registrations and applications (collectively, “Trademarks”), (iii) patent rights (including, without limitation, the exclusive right to make, use and sell), inventions, patent registrations and patent applications, (iv) moral rights, author’s rights, right of publicity, contract and licensing rights, rights in packaging, goodwill, technology, methods, compositions,

formulae, and (v) other intellectual property rights, as may exist now and/or hereafter come into existence, and all renewals and extensions thereof, regardless of whether any such rights arise under the laws of the United States or any other state, country or jurisdiction and regardless of whether or not such rights have been registered with the appropriate authorities in such jurisdictions in accordance with the relevant legislation.

(i) “Operating Profit” means (x) the gross revenue invoiced from the sale of Equity Signs to a CPG by Valassis for installation at any Insignia Network Retailer, which gross revenue shall expressly exclude amounts paid by a CPG and invoiced by Valassis for federal, state and local taxes, duties, excises or services taxes, customs duties, freight, insurance and other shipping expenses); which gross revenue is then reduced by the sum of (y) the costs and expenses per sign as set forth on Exhibit B with respect to such Equity Signs payable to Insignia, and (z) Equity Sign Installer Expenses.

(j) “Proprietary Rights” means all rights of either party in their respective Confidential Information or Intellectual Property.

(k) “Retailer” means a reseller that sells consumer packaged goods or other goods to consumers.

(l) “Signs with Price” means any in-store advertising signs that state a price for the product(s) advertised thereon.

(m) “Signage” means Signs with Price or Equity Signs.

(n) “Third Party Installer” means a party who is contracted to install, monitor and/or maintain Signage at a Retailer.

(o) “Territory” means the United States of America.

(p) “Valassis Retailer Network” means all Retailers with whom Valassis has a contractual relationship to place Signage at such Retailer’s location(s), currently consisting of the Retailers set forth on Exhibit C, not to include those Retailers with whom Insignia has a direct contractual relationship. “Valassis Retailer” means a Retailer in the Valassis Retailer Network.

2. **Valassis Exclusive Rights and Obligations.** Subject to the terms, conditions, and restrictions of this Agreement, and conditioned on Valassis’ timely payment of all amounts payable hereunder (other than those amounts being contested in good faith), during the term of this Agreement and to the extent allowed by its existing agreements, Insignia grants to Valassis the exclusive right and Valassis accepts the obligation to use diligent, commercially reasonable efforts to market and offer to sell Equity Signs to any CPG for installation within the Insignia Retailer Network. Equity Signs shall be produced exclusively by Insignia and distributed for placement in one or more Insignia Network Retailer(s). Valassis shall be entitled to use its judgment in determining the appropriate timing and Equity Sign offerings to CPGs and placement options within the Insignia Retailer Network consistent with the terms and conditions of this Agreement. Valassis shall solely sell Equity Signs for Insignia Network Retailers, or other tactics as the parties may agree in writing. Insignia reserves all of its Proprietary Rights in

the Signs with Price, and reserves all right(s) to offer, market and sell the Signs with Price itself to any CPG.

3. **Insignia Exclusive Rights and Obligations.** Subject to the terms, conditions, and restrictions of this Agreement, and conditioned on Insignia's timely payment of all amounts payable hereunder (other than those amounts being contested in good faith), during the term of this Agreement and in the Territory, Valassis grants to Insignia the exclusive right and Insignia accepts the obligation to use diligent, commercially reasonable efforts to market and offer to sell Signs with Price to any CPG for installation within the Valassis Retailer Network. Valassis and its Affiliates shall solely use Insignia for the sale of Signs with Price to CPGs and for the production of Signs with Price into the Valassis Retailer Network. The provision of Signs with Price by Valassis, its Affiliates or any other third party on behalf of Valassis and/or its Affiliates other than Insignia and its Affiliates is hereby expressly prohibited. Insignia shall be entitled to use its judgment in determining the appropriate timing and Signs with Price offerings to CPGs and placement options within the Valassis Retailer Network consistent with the terms and conditions of this Agreement. Prior to production, Insignia shall provide digital images of Signs with Price for distribution to Valassis Retailers and Valassis shall promptly distribute the same and promptly notify Insignia if a Retailer objects to such Signage.

4. **Insignia Extended Retailer Network.** Insignia may remove Retailers from the Insignia Extended Retailer Network by providing Valassis five (5) business days' notice in the event Insignia determines, in its sole and complete discretion, that a competitor of Valassis and/or Insignia is supplying such Retailer with in-store tactics sufficiently similar to Equity Signs; provided, however, that Insignia shall have no liability to Valassis relating to its failure to remove a Retailer from the Insignia Extended Retailer Network. If requested by Valassis, unless bound by an obligation of confidentiality, Insignia shall reasonably inform Valassis of the reason for removing the Retailer from the Insignia Extended Retailer Network. [**] Valassis shall provide written approval of the addition of the Retailer's location to the Insignia Extended Retailer Network. Furthermore, Valassis may requests to have additional Retailers (to whom Insignia otherwise supplies Signs with Price) added to the Insignia Extended Retailer Network by providing Insignia with a written request, and, in such case, upon Insignia receiving the consent from the Retailer, such Retailer shall be added to the Insignia Extended Retailer Network. Currently, Insignia's agreements with Retailers in the Insignia Extended Retailer Network do not address the sale of Equity Signs. During the term of this Agreement, Insignia will use diligent, commercially reasonable efforts to include the sale of Equity Signs to such Retailers and shall be entitled, in its sole and complete discretion, to determine the appropriate time, manner and related business implications of such conversations and weigh the same against its undertaking in this sentence.

5. **Prices and Payment.**

(a) **Price for Equity Signs.** For any sale of Equity Signs by or on behalf of Valassis to any CPG for placement within the Insignia Extended Retailer Network, Valassis shall

** Confidential Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to this omitted information.

pay Insignia the sum of (i) [**] percent ([††]%) of the Operating Profit from the sale of such signs and (ii) the costs and expenses set forth on Exhibit B with respect to such signs. Valassis shall provide and certify true, correct and complete information reasonably required by Insignia for the purposes of calculating Operating Profit within ten (10) business days after beginning of the applicable program (which shall expressly include the gross revenue invoiced from the sale of the applicable Equity Signs); provided that the inadvertent failure to provide such complete information shall not be deemed a breach of this Agreement in the event that Valassis promptly remedies the same upon learning of such insufficiency and such insufficiency does not result in a payment discrepancy. The costs and expenses set forth on Exhibit B are subject to adjustment in the event that the costs and expenses, either with respect to one or more current or future Retailers or with respect to the production of Signage, increase. Insignia shall provide ninety (90) days' notice to Valassis setting forth such changes in costs and expenses and Valassis shall have thirty (30) days to determine whether to continue to sell Equity Signs to affected Retailers. In the event Valassis elects to continue to sell to such Retailers, Insignia shall produce an amended Exhibit B and the pricing shall take effect on the date so-specified by Insignia (which shall not, in any event, occur earlier than ninety (90) days after the date of notice of such changes).

(b) **Third Party Installation.** In addition to the foregoing, each of Valassis and Insignia shall be responsible for payment of fifty and 00/100 percent (50.00%) of the Equity Sign Installer Expenses incurred with respect to Equity Signs produced pursuant to the foregoing Section 5(a). The current Equity Sign Installer Expenses proposed to be charged by Mosaic US Holdings Inc. and its Affiliates, successors or assigns (collectively, “Mosaic/Impact”) are set forth on Exhibit B, based upon installation, de-installation, monitoring, maintenance, if selected, and removal of Signage occurring every four (4) weeks and such other customary terms as the parties have utilized prior to the Effective Date. In the event that Mosaic/Impact or another Third Party Installer increases such Equity Sign Installer Expenses, upon receiving notice of such increase and provided Valassis is not contemporaneously informed, Insignia shall promptly inform Valassis of such changes. In the event that Valassis requests installation, de-installation, monitoring, maintenance, if selected, and removal of Signage to occur more frequently than every four (4) weeks, or otherwise modifies the customary installation terms, such costs may be in excess of those set forth on Exhibit B. In the event that Valassis desires to employ installation, de-installation, monitoring or maintenance timelines or terms which differ from customary terms described above and such changes increase the Equity Sign Installer Expenses, the parties shall mutually agree upon the allocation of such increased costs. Without limiting the generality of the foregoing, each party hereto acknowledges and agrees that Equity Sign Installer Expenses are pass-through expenses, that Insignia receives no financial benefit therefrom and that Valassis has specifically requested Mosaic/Impact serve as the initial Third Party Installer, and, therefore, while Insignia cannot commit that the Equity Sign Installer Expenses remain consistent with those set forth on Exhibit B, Insignia shall use diligent, commercially reasonable efforts to manage the costs and expenses of the Third Party Installer and encourage it to continue to offer Insignia installation expenses set forth in Exhibit B.

†† Confidential Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to this omitted information.

(c) **Price for Signs with Price.** For any sale of Signs with Price to any CPG by Insignia for placement within the Valassis Retailer Network, Insignia shall be entitled to all gross revenue received from or on behalf of such CPG related to such signs and Insignia shall pay Valassis the costs and expenses set forth on Exhibit D, with respect to such signs, in consideration for Valassis providing Insignia with the rights set forth in Section 3, above, and the right to sell Signs with Price into the Valassis Retailer Network. The costs and expenses set forth on Exhibit D are subject to adjustment in the event and to the extent that (i) the costs and expenses with respect to a new Retailer added to the Valassis Retailer Network exceed the costs and expenses set forth on Exhibit D, or (ii) the costs and expenses with respect to a current Retailer increase in a new or renewed agreement with such Retailer. The costs and expenses set forth on Exhibit D are inclusive of all costs and expenses incurred and payable to a Third Party Installer for the installation, de-installation, monitoring and maintenance of Signs with Price. Valassis shall provide five (5) business days' notice to Insignia upon learning of a potential cost and expense increase or a higher amount of cost or expense in the case of a new Retailer setting forth such changes in or new costs and expenses. Insignia and Valassis shall have thirty (30) days to produce an amended Exhibit D and the pricing shall take effect on the date agreed upon by the parties.

(d) **Invoicing; Payment.** Each party hereto shall invoice the other for the amounts payable hereunder and shall use commercially reasonable efforts to do so no later than thirty (30) days after the applicable program runs. Each party hereto shall remit to the other party payment for all amounts due within thirty (30) days of the date of the invoice; provided, that payment obligations under Section 5(f) shall not be invoiced and shall be paid by Insignia upon the date agreed within Section 5(f). All payments shall be in U.S. Dollars.

(e) **Taxes.** All rates are inclusive of any export, withholding, federal, state and local taxes, duties, excises or services taxes (including any universal service assessment). If a party is required by law to collect sales or use tax for products or services sold to the other party under the terms of this Agreement, the first party will itemize the applicable tax on each invoice, and the other party agrees that it will pay such taxes.

(f) **Exclusive Rights Payment.** In consideration for the termination of the exclusive right held by Valassis to sell Signs with Price to certain CPGs under the Existing Agreements or otherwise, Insignia hereby agrees to pay Valassis the aggregate amount of Five Hundred Thousand and 00/100 Dollars (\$500,000.00), payable as follows: (i) One Hundred Twenty Five Thousand and 00/100 Dollars (\$125,000.00) beginning within five (5) days of the Effective Date; (ii) Sixty Two Thousand Five Hundred and 00/100 Dollars (\$62,500.00) on March 29, 2014; (iii) Sixty Two Thousand Five Hundred and 00/100 Dollars (\$62,500.00) on April 7, 2014; (iv) One Hundred Twenty Five Thousand and 00/100 Dollars (\$125,000.00) on June 27, 2014; and (v) One Hundred Twenty Five Thousand and 00/100 Dollars (\$125,000.00) on September 26, 2014.

6. **Recordkeeping; Audit Rights.** Each of Insignia and Valassis shall keep reasonably accurate and complete records relating to (i) the costs and expenses incurred in connection with satisfying its obligations hereunder and (ii) any amounts paid or payable by a CPG or otherwise which, pursuant to the terms and conditions hereof, are split with the other party hereto, in whole or in part, hereunder. From time to time during the term of this Agreement and for a period of

two (2) years thereafter, if requested as set forth herein, each party (as applicable, the “Non-Examining Party”) will permit and fully cooperate with agents of the requesting party (the “Examining Party”) to examine the portion of the Non-Examining Party’s books and records to the extent the same relate to the information described in the prior sentence. The Examining Party must give reasonable written notice of at least five (5) business days prior to the designed date of such examination, and such examination will take place during the Non-Examining Party’s normal business hours in a manner designed not to materially disrupt the business activities of the Non-Examining Party. To the limited extent necessary, the Non-Examining Party may keep confidential agreements or other information required thereby to be kept confidential, provided such Non-Examining Party provides the Examining Party reasonably sufficient information concerning such agreements or other information to allow the Examining Party to ensure the Non-Examining Party has complied with the payment obligations hereunder. Each party hereto, in connection with any renewal or new agreement will use commercially reasonable efforts to provide that such confidential agreements and other confidential information may be disclosed for the limited purposes described in this section. Any fees, costs or expenses incurred in connection with such examination shall be the sole responsibility of the Examining Party. Any payment discrepancies identified by the Examining Party shall be promptly remedied by the Non-Examining Party, which shall in any event be remedied within five (5) business days. Following the examination, the Examining party shall provide written notice to the Non-Examining Party of any deficiencies. The Non-Examining Party shall have ten (10) days to review and respond to such written notice. To the extent that the parties agree that a payment deficiency exists, the Non-Examining Party shall make the payment to the Examining Party within ten (10) business days of the expiration of such five (5) day period. Notwithstanding the foregoing, if the Non-Examining Party refuses to make a deficiency payment due hereunder and it is ultimately determined that such payment was due and owing, it shall be deemed a material breach of this Agreement.

7. **Production, Delivery, and Reimbursement.**

(a) **Production, Distribution and Execution.** Insignia shall be the exclusive provider of Signs with Price to the Valassis Retailer Network. Valassis shall be the exclusive provider of Equity Signs to the Insignia Extended Retailer Network. Insignia shall fulfill and ship all orders on the schedule agreed upon by the parties hereto (according to size limitations of Insignia’s current production capabilities). In connection with the production of Signage by Insignia for Valassis, Valassis shall provide Insignia true, complete and correct designs and specifications for each such Signage and all graphics digitally or in the form of camera-ready art for production. Insignia shall not be obligated to inspect or approve such designs or specifications and shall not be responsible for errors in such designs or specifications under any circumstances. To the extent Valassis notifies Insignia with reasonably sufficient time and particularly, Insignia shall make such modifications reasonably requested by Valassis consistent with the requirements of the CPG or Retailer and shall print such Equity Signs in the form approved by Valassis. Other terms and conditions relating to the provision of Equity Signs to Valassis are set forth on Exhibit E. Valassis shall not modify any Signage produced by Insignia without Insignia’s prior written consent. Insignia shall arrange for the timely distribution or delivery (as appropriate) of Signage to the Third Party Installer or, with respect to Equity Signs, as otherwise directed by Valassis, and shall ship using its standard packing and containers and in conformance with its standard shipping procedures which are consistent with good industry

practices. From time to time if requested by Valassis, Insignia shall provide to Valassis samples of such Signage at the time of final delivery.

(b) **Delivery.** Provided Insignia complies with its obligations under Section 7(a), Insignia shall not be responsible for shipping and/or delivery delays or damage to Signage caused by third-party carrier delays, loss, delivery errors, damage to Signage or other such circumstances resulting in a delivery delay; provided, however, that Insignia shall use commercially reasonable efforts to assist Valassis to minimize the impact of such shipping and/or delivery delays or damage on the affected program.

(c) **Quality; Reimbursement.** Subject to the provisions of Section 16 (Force Majeure), Insignia will produce Equity Signs using materials and processes consistent with good industry practice, and at least in conformance with Insignia's historical production standards, except as expressly agreed upon by the parties in writing. In the event that Equity Signs provided under this Agreement do not meet such commercially reasonable standards for quality or are not distributed for shipment in a timely manner, Valassis shall promptly inform Insignia of the nonconformity upon learning of the same and Valassis' sole remedy for such non-conformity or delay shall be as follows: (i) *first*, to the extent reasonably practical, Valassis and Insignia shall cooperate and use commercially reasonable efforts to deliver conforming Signage to the Third Party Installer and to cause the installation of such Signage in a manner reasonably designed to eliminate or minimize the impact on the affected program from such non-conformity; and (ii) *second*, to the extent Insignia is unable to so eliminate or minimize such impact, Valassis may offer a commercially reasonable discount, refund or credit to the affected CPG pursuant to the terms and conditions of this section. In the event Valassis offers a discount, rebate or refund to a CPG in respect of Insignia's failure to duly perform under this section (by way of example and without limitation, in respect of failure to ship Signage in accordance with the applicable schedule, inaccurate printing on Equity Signs caused by Insignia errors or execution of the applicable program that is inferior to industry standards), Valassis and Insignia shall confer concerning the amount, type and timing and conditions for providing a commercially reasonable discount, rebate or refund to the affected CPG. Subject to the provisions of Section 16 (Force Majeure), Insignia shall, upon request, promptly reimburse Valassis for such commercially reasonable discount, rebate or refund actually provided to the CPG.

8. **Facilitation.** Insignia and Valassis shall cooperate with one another, in a manner consistent with past practices to facilitate and relay communication from a party's respective Retailers to the other to enable the timely and reasonably acceptable (to both the CPGs and the respective Retailers) production and installation of relevant Signage. During the period preceding installation, the Retailers shall conduct a review of the Signage and submit change requests. Insignia will use commercially reasonable efforts to promptly obtain rejections of proposed Valassis Equity Sign programs, if any, for Retailers within the Insignia Extended Retailer Network and inform Valassis of the same promptly and in any event at least five (5) weeks prior to beginning of the cycle for all orders that have been received by Insignia at least two (2) weeks prior to that time. Valassis will use commercially reasonable efforts to promptly obtain rejections of proposed Insignia Signs with Price programs, if any, for Retailers within the Valassis Retailer Network and inform Insignia of the same promptly and in any event at least two (2) weeks prior to beginning of the cycle for all orders that have been received by Valassis at least two (2) weeks prior to that time.

9. **Third Party Installation.** With respect to the installation of Equity Signs in the Insignia Extended Retailer Network, Insignia shall select a Third Party Installer. With respect to the installation of Signs with Price in the Valassis Retailer Network, Valassis shall select a Third Party Installer. In the event that a Third Party Installer is unable to provide such installation, monitoring and/or maintenance services with respect to a Retailer or one or more locations operated by a Retailer, the party responsible for selecting such Third Party Installer shall be entitled to select one or more additional Third Party Installers. Each party hereto agrees that Mosaic/Impact shall be an approved Third Party Installer. Each party hereto may work directly with the Third Party Installer(s) responsible for installation, monitoring, maintenance and removal of any Signage that it sells to CPGs, or that it produces, to supply instructions related thereto and such Third Party Installers shall supply each party hereto with summarized compliance reports for those programs in question. If a party hereto reasonably determines that a Third Party Installer is not performing its obligations in a manner consistent with the responsibilities set forth herein, such party may require the termination of such Third Party Installer, either with respect to one or more individual Retailers, CPGs or entirely upon reasonable notice to the other party hereto, it being understood that the installation/monitoring/removal schedules and/or agreements with such Third Party Installer may require a longer notice period, which the parties shall accommodate. Installation, monitoring, maintenance and removal of Signage will occur once every four (4) weeks for monitored programs, and a time-period equal to the length of the program for unmonitored programs. Each of Insignia and Valassis shall require [^{**}] compliance rate from the Third Party Installers for all Insignia and Valassis installations and removal.

10. **Term and Termination.**

(a) **Term.** The term of this Agreement shall commence on the Effective Date and shall continue until December 31, 2017 (the “Initial Term”) unless terminated earlier (i) by mutual consent of the parties hereto; or (ii) pursuant to the provisions of this Section 10.

(b) **Termination for Convenience.** Either party may terminate this Agreement for any reason by providing ninety (90) days prior written notice to the other party hereto. If this Agreement is terminated pursuant to this section, the non-terminating party may solicit the Retailers of the terminating party for inclusion in its retailer network with the consent of the terminating party, which will not be unreasonably withheld, conditioned or delayed, provided that it is entitled to do so under its obligations of confidentiality with the Retailer.

(c) **Termination for Default.** If either party defaults in the performance of any material obligation under this Agreement, then the non-defaulting party may, in addition to any other remedies it may have, give written notice to the defaulting party of the default, in such reasonable detail to enable the defaulting party to identify and act upon the default. If the defaulting party fails to cure the default within thirty (30) days after the date of such notice, the non-defaulting party may terminate the Agreement effective immediately upon delivery of written notice to the defaulting party.

^{**} Confidential Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to this omitted information.

(d) **For Breach of Representations or Warranties.** If either party breaches a representation or warranty given under Section 13 hereof, the other party may terminate the Agreement immediately upon written notice to the breaching party.

(e) **Survival of Certain Terms.** The provisions of Sections 1, 6, 11, 12(a)-(g), 14, 15, and 17(c)-(d) and (m) of this Agreement, and all payment or delivery obligations incurred during the term of this Agreement, shall survive the expiration or termination of this Agreement for any reason. All other rights and obligations of the parties shall cease upon termination of this Agreement.

11. Intellectual Property.

(a) **Acknowledgement.** Insignia and Valassis acknowledge and agree that Insignia owns all of its Proprietary Rights, and Valassis owns all of its Proprietary Rights. The use by one party of the Proprietary Rights of the other party is authorized only for the purposes herein set forth and, except as otherwise set forth herein, upon termination of this Agreement for any reason, such authorization will cease.

(b) **Use of Trademarks; Other Intellectual Property.** During the term of this Agreement, and subject to obtaining the prior approval of the other party (the “consenting party”), which consent shall not be unreasonably withheld, conditioned or delayed, each party (the “using party”) may: (i) advertise that the consenting party is in a business relationship with the using party in respect of Signage distributed under this Agreement; and (ii) co-brand Signage distributed under this Agreement with the consenting party’s trademarks. The consenting party shall provide consenting party trademarks digitally or in the form of camera-ready art for production or other authorized use. Nothing herein will grant to the using party any right, title or interest in the consenting party’s trademarks, or any goodwill of its business represented by the consenting party’s trademarks, and all such use hereunder will inure to the sole benefit of the consenting party, and the consenting party may withdraw its consent at any time, upon its sole and complete discretion, but such consent shall not require the removal of any then-existing use that is in conformity with the terms and conditions hereof when produced. The using party will follow the reasonable trademark usage guidelines and restrictions communicated in writing by the consenting party, will provide examples of its usage of the consenting party’s trademarks upon request by the consenting party, and will, as promptly as reasonably practicable, correct any deviations from such guidelines upon notification by the consenting party of such deviations.

(c) **Cessation of Use.** Except as otherwise provided in this Agreement, upon termination of this Agreement for any reason, the using party will immediately cease all use of the consenting party’s trademarks. Upon termination of this Agreement, or any earlier time if required by the consenting party, the using party shall destroy (and certify to the consenting party in writing the destruction thereof) or deliver to the consenting party all materials and records, in all media and in the using party’s control or possession, which bear such names and trademarks, including any sales literature; provided, however, that the using party may retain (i) one (1) copy of records for compliance purposes and (ii) records to the extent it they are contained in computer archives made in the ordinary course of business which would be commercially impracticable to delete.

12. **Certain Covenants.**

(a) **Nondisclosure.** Each party shall treat as confidential all Confidential Information of the other party, shall not use or disclose such Confidential Information to any third party except as set forth herein, without the prior written consent of the other party. Without limiting the foregoing, each of the parties shall use at least the same degree of care which it uses to prevent the disclosure of its own confidential information of like importance to prevent the disclosure of Confidential Information disclosed to it by the other party under this Agreement. Each party shall promptly notify the other party of any actual or suspected misuse or unauthorized disclosure of the other party's Confidential Information.

(b) **Exceptions.** Notwithstanding the above, neither party shall have liability to the other with regard to any Confidential Information of the other which the receiving party can prove: (i) was available to the public at the time it was disclosed or later became available to the public through without a breach of this Section 12 by the receiving party; (ii) was known to the receiving party without restriction of confidentiality at the time of disclosure, as demonstrated by its records; (iii) is disclosed with the prior written approval of the disclosing party; (iv) was independently developed by or for the receiving party without any use of or reference to the Confidential Information, as demonstrated by its records; or (v) is disclosed pursuant to the order or requirement of a court, administrative agency, or other governmental body or securities exchange; provided, however, that the receiving party shall provide prompt notice thereof to the disclosing party to enable the disclosing party to seek a protective order or otherwise prevent or restrict such disclosure.

(c) **Discontinued Use and Return of Confidential Information.** Upon expiration or termination of this Agreement, each receiving party shall discontinue, in any manner, the use of the disclosing party's Confidential Information. Each receiving party, at its election, shall destroy (and certify to the other party in writing of the destruction thereof) or return to the disclosing party all Confidential Information received from the other party; provided, however, that the receiving party may retain (i) one (1) copy of written Confidential Information for compliance purposes and (ii) Confidential Information to the extent it is contained in computer archives made in the ordinary course of business which would be commercially impracticable to delete.

(d) **Confidentiality of Agreement.** Each party agrees that the existence and terms and conditions of this Agreement shall be treated as Confidential Information and shall not be disclosed to any third party; provided, however, that each party may disclose the existence and terms and conditions of this Agreement: (i) to the extent that one or more the conditions under Section 12(b) have been fulfilled; (ii) as otherwise required by law or any listing or trading agreement concerning its publicly-traded securities; (iii) to legal counsel of the parties or otherwise to enforce its rights hereunder through legal process; (iv) in confidence, to accountants, banks, and financing sources and their advisors; (v) in connection with the enforcement of this Agreement or rights under this Agreement; (vi) in confidence, in connection with an actual or proposed merger, acquisition, or similar transaction of, with or by such party; or (vii) or to the limited extent necessary to perform its obligation hereunder, or to enforce its rights.

(e) **Disclosure.** During the term of the Agreement, no party shall make, or cause to be made, any press release or public announcement or otherwise communicate with news media in respect of this arrangement without the prior consent of the other party. To the extent possible, the parties shall cooperate as to the timing and contents of any such press releases or public announcements. Notwithstanding the foregoing, the timing of any such disclosure or filing shall be governed by the deadlines required by the aforementioned listing agreement or securities exchange rules.

(f) **Disparagement.** Each party hereto agrees that it will not engage in conduct, take any action, make any statement or representation which disparages, is materially injures or is materially detrimental to the reputation, goodwill or commercial interests of the other party hereto or its respective Affiliates.

(g) **Non-Solicitation of Employees.** Each of the parties agrees, on behalf of itself and its affiliates, that it will not, directly or indirectly, during the initial or renewal terms of the Agreement and for six (6) months thereafter, recruit, solicit or hire any officers or employees of the other or any of the other's Affiliates; provided, however, that the foregoing shall not apply to general solicitations for employment by such party which may be responded to by employees of the other party hereto.

(h) **Cooperation; Nonsolicitation of Retailers.** During the term of this Agreement, each party hereto agrees to use commercially reasonable efforts to work cooperatively with their respective Retailers to help to maintain the other party's existing Signage sales, will not knowingly interfere with or otherwise persuade such a Retailer to breach its contract with the other party hereto. During the term of and except as contemplated by this Agreement and with the cooperation of the other party hereto, Valassis agrees not to solicit an Insignia Retailer for the purposes of selling Signage and Insignia agrees not to solicit a Valassis Retailer for the purpose of selling Signage. Notwithstanding the foregoing, in the event that a party hereto has any knowledge of facts or circumstances that would lead the party to believe that its contract with a Retailer will not be renewed or will otherwise be terminated, such party is obligated to provide written notice and approval to allow the other party the opportunity to solicit such Retailer for inclusion within its retail network (without regard to the foregoing restrictions) to the other party one hundred twenty (120) days prior to the termination date of such contract, provided that it is entitled to do so under its obligations of confidentiality with the Retailer. During such period, the other party hereto is entitled to freely solicit such Retailer for inclusion in its retailer network.

(i) **Remedies.** Any such breach of the provisions of this Section 12 shall entitle the nonbreaching party to seek injunctive relief in addition to all legal remedies.

13. **Representations and Warranties.** Each party represents and warrants that (i) it has the full right, power and authority to enter into this Agreement and to discharge its obligations hereunder; (ii) it has not entered into any agreement inconsistent with this Agreement or otherwise granted any third party any rights inconsistent with the rights granted to the other party under this Agreement, and so its entering into this Agreement shall not constitute a breach of an agreement with any third party; (iii) it shall comply with all applicable federal, state and local laws and regulations in the performance of its obligations hereunder; and (iv) at the Effective Date and upon submission of each any design or specification, that such party shall have all

necessary rights and approval to any Intellectual Property set forth in or contemplated by any of its designs and specifications relating to any Signage produced or distributed pursuant to the terms and conditions hereof.

14. **Indemnification.**

(a) **By Valassis.** Valassis shall defend, indemnify and hold harmless Insignia and its officers, directors, shareholders, employees, accountants, attorneys, agents, affiliates, subsidiaries, successors and assigns from and against any and all claims, losses, liabilities, damages, and such costs and expenses of (including, without limitation, reasonable legal fees and expenses) (collectively, "Liabilities"), arising out of or related to (i) claims made by a third party relating to the sale and marketing of Signage by Valassis or its contractors hereunder, (ii) claims made by a third party relating to performance of the obligations of Valassis or its contractors (other than Insignia or a Third Party Installer retained by Insignia for installation of Equity Signs) hereunder, (iii) the breach of any representation or warranty given by Valassis hereunder, or (iv) claims made by a third party relating to a claim that any Signage infringes or is alleged to infringe on the Intellectual Property rights of any person to the extent that such infringement or alleged infringement arises out of any design, specification or instruction for the production of Signage from Valassis, including any Intellectual Property set forth therein, or (v) claims made by a third party relating to any act or omission by Valassis.

(b) **By Insignia.** Insignia shall defend, indemnify and hold harmless Valassis and its officers, directors, shareholders, employees, accountants, attorneys, agents, affiliates, subsidiaries, successors and assigns from and against any and all Liabilities arising out of or relating to (i) claims made by a third party relating to the sale and marketing by Insignia or its contractors of its Signage, (ii) claims made by a third party relating to performance of the obligations of Insignia or its contractors hereunder (other than Valassis or a Third Party Installer retained by Valassis for installation of Signs with Price), (iii) a breach of any representation or warranty given hereunder by Insignia, (iv) claims made by a third party relating to a claim that any Signage infringes or is alleged to infringe on the Intellectual Property rights of any person but only to the extent that such infringement or alleged infringement does not arise out of any design, specification or instruction for the production of Signage from Valassis, its Affiliates or representatives or any CPG or any Intellectual Property set forth therein; or (v) claims made by a third party relating to any act or omission by Insignia. If Signage becomes, or in the opinion of Insignia may become, the subject of a claim of infringement of any Intellectual Property rights of any person (not arising out of any design, specification or instruction for the production of Signage from Valassis or its Affiliates or representatives or any Intellectual Property set forth therein), Insignia may, at its option: (a) procure for Valassis the right to use Signage free of any liability; (b) replace or modify Signage to make such Signage non-infringing; or (c) terminate this Agreement. In addition, in the event that Insignia fails to begin to implement at least one of its options (a), (b) or (c) within thirty (30) days after Insignia receives notice of any such claim of infringement, Valassis may terminate this Agreement.

(c) **Procedure.** An indemnified party shall promptly provide the indemnifying party written notice upon becoming aware, or having reason to know, of any actual or potential Liabilities. The written notice shall include a request for indemnification from the indemnified party. The failure to promptly deliver such written notice to the indemnifying party shall not

relieve the indemnifying party from any obligation to indemnify the indemnified party except to the extent that the indemnified party is adversely affected by such delay. The indemnified party shall cooperate fully with and provide all reasonably requested assistance to the indemnifying party in the defense of such Liabilities, at the reasonable expense of the Indemnifying Party. The indemnifying party shall have sole control in all respects over such defense including, without limitation, the settlement of any claim if that claim may be settled solely by the payment of money damages by the indemnifying party with full release of the indemnified party, otherwise the prior written assent of the indemnified party shall be required for settlement. The indemnified party shall not unreasonably withhold such consent.

(d) **Exclusive Remedy.** Except with respect to the restrictive covenants set forth in Section 12, the provisions of this Section 14 shall be the sole and exclusive remedy for a breach of the representations, warranties and covenants set forth in this Agreement.

15. **Limitation of Liability.** IN NO EVENT SHALL ANY PARTY HERETO BE LIABLE FOR, LOST PROFITS (EXCEPT WITH RESPECT TO THE DISCOUNTS, REBATES OR REFUNDS PROVIDED IN SECTION 7(C)) OR ANY CONSEQUENTIAL, SPECIAL, INCIDENTAL, OR INDIRECT DAMAGES, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE OR STRICT LIABILITY), ARISING OUT OF THIS AGREEMENT. THE PARTIES ACKNOWLEDGE AND AGREE THAT THE AMOUNTS PAYABLE HEREUNDER BY ARE BASED IN PART UPON THESE LIMITATIONS, AND FURTHER AGREE THAT THESE LIMITATIONS SHALL APPLY NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY. WITH THE EXCEPTION OF THE PAYMENT OF FEES HEREUNDER THE PARTIES INDEMNITY OBLIGATIONS UNDER SECTION 14(a)(iv) and SECTION 14(b)(iv), EACH PARTY'S LIABILITY UNDER THIS AGREEMENT FOR LIABILITIES, SHALL BE LIMITED TO THE LESSER OF THE GROSS PROCEEDS FROM THE SALE OF SIGNAGE BY SUCH PARTY PURSUANT TO THE TERMS OF THIS AGREEMENT IN THE TWELVE (12) MONTH PERIOD IMMEDIATELY PRECEDING THE CLAIM BEING ASSERTED OR FIVE MILLION DOLLARS (\$5,000,000).

16. **Force Majeure.** Neither party shall be liable in damages nor shall the other party have the right to terminate this Agreement (except as set forth in the following sentence) for the delay or default in performing hereunder by a party if such delay or default is caused by conditions beyond that party's reasonable control which persist unabated for the duration of the delay, including, but not limited to Acts of God (including but not limited to fire, flood, earthquake, storm, hurricane or other natural disaster), war, invasion, act of foreign enemies, hostilities (regardless of whether war is declared), civil war, rebellion, revolution, insurrection, terrorist activities, blockage, embargo, government restrictions (including the denial or cancellation of any applicable export or other necessary license), failure of electricity or telephone service (provided that such failure is not attributable to the act or omission of the delayed party), failure of suppliers, subcontractors, and carriers to perform for any reason not attributed to the act or omission of the delayed party, or the other party's default hereunder for which notice has been timely provided to the defaulting party. If the delay or default continues for more than thirty (30) days, the non-delayed party may terminate this Agreement upon written notice to the delayed party but without damages from the delayed party.

17. **Miscellaneous.**

(a) **Independent Contractor.** Neither party shall, for any purpose, be deemed to be an agent or partner of the other party, and the relationship between the parties shall only be that of independent contractors. The use of the term “partner” in presentations to third parties by the parties hereto shall not relate to a legal partnership between the parties. The term “partner” shall mean that the parties are associating with each other for a particular endeavor. Except as provided in this Agreement, neither party shall have any right or authority to assume or create any obligations or to make any representations or warranties on behalf of any other party, whether express or implied, or to bind the other party in any respect whatsoever.

(b) **Amendments and Waivers.** Any term of this Agreement may be amended or waived only with the written consent of the parties or their respective permitted successors and assigns. Any amendment or waiver effected in accordance with this Section (b) shall be binding upon the parties and their respective successors and assigns.

(c) **Successors and Assigns.** The rights, obligations or privileges of a party under this Agreement may not be transferred or assigned, by operation of law or otherwise, without the prior written consent of the other party; provided, however, that the Agreement may be assigned, without consent but upon notice, (i) to an Affiliate; and/or (ii) to a person that acquires all or substantially all of the assets of the assigning party (including, without limitation, the rights to the assigning party’s retailer network), whether through the sale of assets, through a merger or otherwise by operation of law. Subject to the foregoing, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

(d) **Governing Law; Venue.** This Agreement shall be governed by and construed in accordance with the internal laws of the state in which the State of Michigan, without regard to conflicts of law rules. Any action initiated by Valassis against Insignia shall be initiated in the State or Federal Courts located in the State of Minnesota. Any action initiated by Insignia against Valassis shall be initiated in the State or Federal Courts located in the State of Michigan. Each party hereto irrevocably consents to the jurisdiction of the foregoing courts as further set forth above.

(e) **Notices.** Unless otherwise set forth herein, any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or by courier or overnight delivery service, or by regular mail as certified or registered mail with postage prepaid, if such notice is addressed to the party to be notified at such party’s address, as set forth below, or as subsequently modified by written notice. Each party encourages the other party to use email to provide early communication of notices, but an email alone shall not constitute notice.

Insignia:

8799 Brooklyn Blvd.
Minneapolis, MN 55445
Attn: Glen Dall
Phone: (763) 392-6221
gdall@insigniasystems.com

Valassis:

19975 Victor Parkway
Livonia, Michigan 48152
Attn: Larry Berg
Phone: (734) 432-2726
BergL@valassis.com

(f) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith, in order to maintain the economic position enjoyed by each party as close as possible to that under the provision rendered unenforceable. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(g) **Entire Agreement.** This Agreement is the product of both of the parties hereto, and constitutes the entire agreement between such parties pertaining to the subject matter hereof, and supersedes all prior agreements, letters of intent or business terms, negotiations and drafts of the parties with regard to the transactions contemplated herein. Any and all other written or oral agreements existing between the parties hereto regarding such transactions are expressly canceled; provided, however, that any outstanding orders placed under the Existing Agreements, which are listed in Exhibit F hereof, shall continue to be governed by the Existing Agreements in all respects and each shall be timely and completely performed. Subject to the foregoing sentence, this Agreement expressly supersedes the agreements between the parties, including, without limitation, the Existing Agreements, which shall hereafter be given no further force or effect, provided that any fees due and payable thereunder for activities prior to the Effective Date shall be timely paid by the applicable parties, and any terms expressly described in each such superseded agreement as surviving the termination or expiration of that agreement shall survive.

(h) **Advice of Legal Counsel.** Each party acknowledges and represents that, in executing this Agreement, it has had the opportunity to seek advice as to its legal rights from legal counsel and that the person signing on its behalf has read and understood all of the terms and provisions of this Agreement. This Agreement shall not be construed against any party by reason of the drafting or preparation thereof.

(i) **Titles and Subtitles.** The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

(j) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(k) **Expenses.** Each party will bear its own costs and expenses (including legal fees and expenses) incurred in connection with the negotiation, preparation and execution of this Agreement and, except as explicitly provided herein, the transactions contemplated hereby.

(l) **Failure to Pursue Remedies.** The failure of any party to seek redress for violation of, or to insist upon the strict performance of, any provision of this Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation.

(m) **Cumulative Remedies.** The rights and remedies provided by this Agreement are cumulative and the use of any one (1) right or remedy by any party shall not preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law or otherwise.

(n) **No Implied Rights or Remedies.** Nothing expressed or implied shall be construed to confer upon any person, except a party hereto or CPGs, any rights or remedies under or by reason of this Agreement.

(o) **Cooperation and Good Faith.** The parties intend and agree to cooperate in good faith to achieve the intended benefits of this Agreement for both parties.

[Signature Pages Follow]

IN WITNESS WHEREOF, each of the parties has executed this Retail Access and Distribution Agreement as of the Effective Date.

INSIGNIA SYSTEMS, INC.

VALASSIS IN-STORE SOLUTIONS, INC.

By: /s/ John Gonsior
Name: John Gonsior
Title: CFO

By: /s/ Larry Berg
Name: Larry Berg
Title: VP & GM of Valassis Solutions

LIST OF EXHIBITS

Exhibit A	Initial Retailers in the Insignia Extended Retailer Network
Exhibit B	Equity Sign Costing
Exhibit C	Initial Retailers in the Valassis Retailer Network
Exhibit D	Sign with Price Costing
Exhibit E	Insignia Production
Exhibit F	Outstanding Orders Placed Under The Existing Agreements

Exhibit A
Initial Retailers in the Insignia Extended Retailer Network

Division

[**

Stores

]

** Confidential Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to this omitted information.

Exhibit B
Equity Sign Costing

<u>Program Duration</u>	<u>Monitored / Unmonitored</u>	<u>Cost</u>
<u>Traditional Signage</u>		
4 week		\$[**]
8 week	Monitored	\$[**]
	Unmonitored	\$[**]
12 week	Monitored	\$[**]
	Unmonitored	\$[**]
<u>Bookends</u>		
4 week		\$[**]
8 week	Monitored	\$[**]
	Unmonitored	\$[**]
12 week	Monitored	\$[**]
	Unmonitored	\$[**]

Additional Program Costs:

- Single tear pad
 - Valassis cost (materials and shipping) - \$[**]
 - Insignia cost (labor) - \$[**]

Equity Sign Third Party Installer Costing:

The following pricing is the quoted costs from Mosaic/Impact to install and de-install (i.e. two visits to the store) Equity Signs at an individual store. The pricing is based upon the lower of the time spent at the store or the number of signs installed and de-installed.

- 30 minute rate (less than 5 signs) - \$[**] per store
- 40 minute rate (6-8 signs) - \$[**] per store
- 50 minute rate (9-10 signs) - \$[**] per store
- Hourly rate (greater than 10 signs) - \$[**] per store

If monitoring is required, the following pricing is the quoted costs from Mosaic/Impact to monitor and maintain the Equity Signs at an individual store and is charged for each visit to the

store. The pricing is based upon the lower of the time spent at the store or the number of signs monitored and maintained.

- 30 minute rate (less than 5 signs) - \$[**]per store
- 40 minute rate (6-8 signs) - \$[**] per store
- 50 minute rate (9-10 signs) - \$[**] per store
- Hourly rate (greater than 10 signs) - \$[**] per store

** Confidential Information has been omitted and filed separately with the Securities and Exchange Commission. confidential treatment has been requested with respect to this omitted information.

Exhibit C
Initial Retailers in the Valassis Retailer Network

[**]

** Confidential Information has been omitted and filed separately with the Securities and Exchange Commission. confidential treatment has been requested with respect to this omitted information.

Exhibit D
Sign with Price Costing

A payment of \$[**] will be made to Valassis from Insignia for each Sign with Price sold into Valassis's Retailer Network, after the effective date of this agreement, for all of the Retailers in the Valassis Retailer Network.

** Confidential Information has been omitted and filed separately with the Securities and Exchange Commission. confidential treatment has been requested with respect to this omitted information.

Exhibit E
Insignia Production

1. Insignia will use synthetic substrate for all signs hung in the frozen or refrigerated sections. Valassis agrees to re-visit using other, more cost-effective materials if proven to be of equivalent quality to the agreed upon substrate.
2. Insignia will use a heavier duty top mount or channel mount clips for all Equity Signs. This will be accomplished by a mutually-acceptable deadline.

Exhibit F
Outstanding Orders Placed Under The Existing Agreements

P.O. Numbers:

6477-12014, 6572-12014, 6586-12014, 6633-12014, 6640-12014, 6648-12014, 6653-12014,
6661-12014

6194-22014, 6345-22014, 6477-22014, 6536-22014, 6633-22014, 6647-22014, 6648-22014,
6653-22014, 6661-22014, 6688-22014, 6697-22014, 6714-22014

6345-32014, 6536-32014, 6565-32014, 6590-32014, 6629-32014, 6633-32014, 6635-32014,
6642-32014, 6643-32014, 6647-32014, 6650-32014, 6653-32014, 6661-32014, 6689-32014,
6691-32014, 6699-32014, 6700-32014, 6701-32014, 6710-32014, 6726-32014, 6727-32014,
6732-32014

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6704-202014

6733-212014

6709-222014

6586-242014, 6704-242014, 6709-242014

6704-262014, 6709-262014

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Glen P. Dall, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Insignia Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within the registrant, particularly during the period in which this report is being prepared; and
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 1, 2014

/s/ Glen P. Dall
Glen P. Dall
President and Chief Executive Officer
(principal executive officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, John C. Gonsior, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Insignia Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within the registrant, particularly during the period in which this report is being prepared; and
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 1, 2014

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

SECTION 1350 CERTIFICATION

The undersigned certify that:

- (1) The accompanying Quarterly Report on Form 10-Q for the period ended March 31, 2014, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the accompanying Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2014

/s/ Glen P. Dall
Glen P. Dall
President and Chief Executive Officer
(principal executive officer)

Date: May 1, 2014

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