

## For Immediate Release

### Communications Systems' Special Meeting of Shareholders Approved the Sale of its Transition Networks and Net2Edge businesses to Lantronix

**Minnetonka, MN – July 28, 2021 -- Communications Systems, Inc. (NASDAQ: JCS)** (“CSI” or the “Company”), formerly an IoT intelligent edge products and services company, today announced that at its Special Shareholder Meeting held today, July 28, 2021, CSI shareholders approved the sale of the Company’s Transition Networks and Net2Edge businesses, which comprise the Company’s Electronics & Software Segment assets, to Lantronix, Inc. (Nasdaq: LTRX) (“Lantronix”). This Special Shareholder Meeting was called by a notice and proxy statement first mailed or made available on June 15, 2021 to all shareholders of record as of June 11, 2021.

On April 29, 2021, CSI entered into a definitive securities purchase agreement with Lantronix to sell these businesses for a base price of \$25.0 million to be paid at closing, subject to a working capital adjustment following the closing, plus up to an additional \$7.0 million in earnout payments based on revenue milestones for the Transition Networks and Net2Edge businesses in the two 180-day periods after closing of the sale. As previously announced, the sale of these businesses required CSI shareholder approval and is also subject to customary closing conditions.

With CSI shareholder approval of the sale, CSI expects the transaction with Lantronix to close on or about August 2, 2021. The Company also previously announced that CSI expects to declare a cash dividend of \$3.50 per share to current shareholders or approximately \$35.0 million from the net proceeds from the sale transaction and other available cash resources. The CSI board has not determined the exact timing of the cash dividend or set a record date for CSI shareholders entitled to the dividend. However, the CSI Board expects to make a final decision on the amount and timing of the dividend in due course following the closing of the transaction with Lantronix and CSI will issue a press release with this information at the appropriate time. Additionally, any net proceeds CSI receives from Lantronix from the earnout in connection with the sale transaction will be delivered to CSI shareholders through the contingent value rights (CVRs) to be issued in connection with the previously announced merger transaction with Pineapple Energy LLC (“Pineapple”), a growing U.S. operator and consolidator of residential solar, battery storage, and grid services solutions.

For more information about the previously announced CSI-Pineapple merger visit <https://www.commsystems.com/investor-resources>

#### **Additional Legacy CSI Assets**

Consistent with the announcement of the Pineapple merger transaction, CSI has been devoting its efforts to monetizing CSI’s assets for the benefit of our shareholders by actively pursuing the divestiture of substantially all our current operating and non-operating assets. Following the closing of the sale of the Electronics & Software Segment, CSI’s remaining legacy assets to be sold include the Services & Support Segment (JDL Technologies and Ecessa Corporation), which had revenues of \$8.8 million in 2020, the Company’s headquarters building in Minnetonka, Minnesota, currently listed for \$10.0 million, and real estate in Hector, Minnesota, currently listed for \$975,000. As previously disclosed, in addition to any cash dividends paid prior to the CSI-Pineapple merger, CSI shareholders immediately prior to this merger (i) will receive a CVR that will entitle them to participate in distributions of the net proceeds from earnouts related to the Lantronix transaction and the sale of the remaining CSI legacy assets and

(ii) will continue to own the same number of shares of CSI common stock immediately following the closing and therefore have an interest as shareholders in the post-merger CSI that will commence doing business as Pineapple Energy, with a business model focused on the rapidly growing home solar industry.

### **About Communications Systems, Inc.**

Communications Systems, Inc. (Nasdaq: JCS), which has operated as an IoT intelligent edge products and services company, has announced its planned merger with Pineapple Energy. After the Pineapple merger, the Company will be positioned to grow organically and to acquire and grow leading local and regional solar, storage, and energy services companies nationwide. The vision is to power the energy transition through grass-roots growth of solar electricity paired with battery storage on consumers' homes.

### **Website Information**

CSI routinely posts important information for investors on its website, [www.commsystems.com](http://www.commsystems.com), in the "Investor Resources" section. CSI uses this website as a means of disclosing material information in compliance with its disclosure obligations under SEC Regulation FD. Accordingly, investors should monitor the "Investor Resources" section of CSI's website, in addition to following its press releases, SEC filings, future public conference calls, presentations and webcasts. The information contained on, or that may be accessed through, CSI's website is not incorporated by reference into, and is not a part of, this document.

### **Forward Looking Statements**

This press release includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding future financial performance, future growth and future acquisitions. These statements are based on Communications Systems' current expectations or beliefs and are subject to uncertainty and changes in circumstances. There can be no guarantee that the proposed transactions described in this document will be completed, or that they will be completed as currently proposed, or at any particular time. Actual results may vary materially from those expressed or implied by the statements here due to changes in economic, business, competitive or regulatory factors, and other risks and uncertainties affecting the operation of Communications Systems' business. These risks, uncertainties and contingencies are presented in the Company's Annual Report on Form 10-K and, from time to time, in the Company's other filings with the Securities and Exchange Commission. The information set forth herein should be read considering such risks. Further, investors should keep in mind that the Company's financial results in any period may not be indicative of future results. Communications Systems is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether because of new information, future events, changes in assumptions or otherwise. In addition to these factors, there are a number of specific factors related to this transaction, including:

- conditions to the closing of the sale to Lantronix may not be satisfied or the sale may involve unexpected costs, liabilities or delays;
- up to \$7.0 million of the purchase price is structured in the form of an earnout based on revenues generated by Lantronix in the 360 days following closing, and there is no guaranty that sufficient revenues will be recognized for the earnout to be paid to the Company;

- conditions to the closing of the previously announced CSI-Pineapple merger may not be satisfied or the merger may involve unexpected costs, liabilities or delays;
- related to the CSI-Pineapple announced merger, the Company's ability to successfully sell its other legacy operating business assets and its real estate assets at a value close to their current fair market value and distribute these proceeds to its existing shareholder base;
- the fact that the continuing CSI-Pineapple entity will be entitled to retain ten percent of the net proceeds of CSI legacy assets that are sold after the effective date of the CSI-Pineapple closing;
- the occurrence of any other risks to consummation of the CSI-Pineapple merger, including the risk that the CSI-Pineapple merger will not be consummated within the expected time period or any event, change or other circumstances that could give rise to the termination of the CSI-Pineapple merger;
- risks that the Lantronix transaction and the CSI-Pineapple merger will disrupt current CSI plans and operations or that the business or stock price of CSI may suffer as a result of uncertainty surrounding the Lantronix transaction and the CSI-Pineapple merger;
- the outcome of any legal proceedings related to the sale to Lantronix or the CSI-Pineapple merger; and
- the fact that CSI cannot yet determine the exact amount and timing of any pre-CSI-Pineapple merger cash dividends or the value of the Contingent Value Rights that CSI intends to distribute to its shareholders immediately prior to the effective date of the CSI-Pineapple merger.

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