

# Autoscope Technologies Corporation

A Minnesota Corporation  
1115 Hennepin Avenue  
Minneapolis, Minnesota 55403  
+1 (612) 438.2363  
www.autoscope.com  
[investorrelations@autoscope.com](mailto:investorrelations@autoscope.com)

SIC Code: 3829

## Quarterly Report

**For the period ending March 31, 2026**  
(the “Reporting Period”)

The number of shares outstanding of our Common Stock was 5,509,967 shares as of March 31, 2026.

The number of shares outstanding of our Common Stock was 5,502,089 shares as of December 31, 2025 (end of previous reporting period).

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes  No  (Double-click and select “Default Value” to check)

Indicate by check mark whether the company’s shell status has changed since the previous reporting period:

Yes  No

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes  No

---

## **Forward-Looking Statements**

Certain statements and information included in this Quarterly Report of Autoscope Technologies Corporation (the “Company,” “Autoscope,” “we,” or “us”) for the period ended March 31, 2026 (this “Quarterly Report”) constitute “forward-looking statements.” Forward-looking statements represent our expectations or beliefs concerning future events and can be identified by the use of forward-looking words such as “believes,” “may,” “will,” “should,” “intends,” “plans,” “estimates,” “expects,” “anticipates” or other comparable terminology. Forward-looking statements are subject to risks and uncertainties that may cause our actual results to differ materially from the results discussed in the forward-looking statements. These risks and uncertainties include, but are not limited to, factors listed below. New risks and uncertainties that may materially affect our operating results may emerge from time to time. It is not possible to predict all of these risks and uncertainties, nor can we assess the effect that each such risk or uncertainty, or a combination of them, may have on our business.

Those risks and uncertainties may include, but are not limited to: our ability to declare, fund and pay dividends in the future and to comply with applicable notice and processing requirements for corporate actions under the OTCQX Rules for U.S. Companies, including Rule 10b-17 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Financial Industry Regulatory Authority Rule 6490, as well as the discretion of our Board of Directors to modify, suspend or cancel any dividend program; our historical dependence on a single product for most of our revenue; competition; potential changes in government spending on transportation technology; acceptance of our product offerings and designs; budget constraints by governmental entities that purchase our products, including constraints caused by declining tax revenue; the continuing ability of Econolite Control Products, Inc. (“Econolite”) to sell our products and pay royalties owed to us; the mix of and margins on the products we sell; our dependence on third parties for manufacturing and marketing our products; our dependence on single-source suppliers to meet manufacturing needs; our failure to secure adequate protection for our intellectual property rights; our inability to develop new applications and product enhancements; risks associated with the incorporation of artificial intelligence and machine learning technologies into our products, including but not limited to, any failures or flaws in such technologies that could result in product liability claims, reputational harm, or regulatory action; the potential disruptive effect on the markets we serve of new and emerging technologies and applications, including vehicle-to-vehicle communications and autonomous vehicles; unanticipated delays, costs and expenses inherent in the development and marketing of new products; our inability to respond to low-cost local competitors; our inability to properly manage any growth in revenue and/or production requirements; the influence over our voting stock by affiliates; our inability to hire and retain key scientific and technical personnel; the effects of legal matters in which we may become involved; our inability to achieve and maintain effective internal controls; our inability to successfully integrate any acquisitions; tariffs and other trade barriers; our operating costs tend to be fixed, while our revenue tends to be seasonal, thereby resulting in operating results that fluctuate from quarter to quarter; any significant variations between actual amounts and the amounts estimated for those matters identified as our critical accounting estimates and other significant accounting estimates made in the preparation of our financial statements; political and economic instability, including continuing geopolitical conflicts, regional hostilities, wars, and other international disruptions; our inability to comply with international regulatory restrictions over hazardous substances and electronic waste; the impact of international supply chain disruptions and delays; the impact of changes in U.S. federal and state income tax regulations; the impact of inflation and our ability to pass on rising prices to its customers; and conditions beyond our control such as war, terrorist attacks, health epidemics (including the COVID-19 pandemic caused by the coronavirus) and economic recession.

You should carefully consider the above trends, risks and uncertainties before making any investment decision with respect to our securities. If any of them continues or occurs, our business, financial condition or operating results could be materially and adversely affected, the trading prices of our securities could decline, and you could lose part or all of your investment. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement. We further caution you not to unduly rely on any forward-looking statements because they reflect our views only as of the date the statements were made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

### **Item 1 The exact name of the issuer and its predecessor (if any) and the address of its principal executive offices.**

#### **Issuer Name**

The exact name of the issuer is Autoscope Technologies Corporation. Image Sensing Systems, Inc. is the predecessor entity to Autoscope Technologies Corporation.

## Address of Principal Executive Office and Principal Place of Business

Autoscope Technologies Corporation  
1115 Hennepin Avenue, Minneapolis, Minnesota 55403  
Phone: +1 (612) 438.2363  
Website: [www.autoscope.com](http://www.autoscope.com)

Investor Relations: InvestorCom  
Phone: +1 (203) 972-9300  
Email: [investorrelations@autoscope.com](mailto:investorrelations@autoscope.com)  
Address: 19 Old Kings Highway S., STE 130, Darien, CT 06820

Check box if principal executive office and principal place of business are the same address:

## Item 2 Shares outstanding.

### Common Stock

(i) Period end date:	March 31, 2026	December 31, 2025	December 31, 2024
(ii) Number of shares authorized	20,000,000	20,000,000	20,000,000
(iii) Number of shares outstanding	5,509,967	5,502,089	5,478,379
(iv) Freely tradable shares (public float)	4,463,457	4,243,457	4,248,457
(v) Number of beneficial shareholders owning at least 100 shares	1,938	1,998	2,057
(vi) Total number of shareholders of record	28	28	26

### Preferred Stock

(i) Period end date:	March 31, 2026	December 31, 2025	December 31, 2024
(ii) Number of shares authorized	5,000,000	5,000,000	5,000,000
(iii) Number of shares outstanding	0	0	0
(iv) Freely tradable shares (public float)	0	0	0
(v) Number of beneficial shareholders owning at least 100 shares	0	0	0
(vi) Total number of shareholders of record	0	0	0

## Updates to Material Contracts

On March 25, 2026, Image Sensing Systems, Inc., a wholly owned subsidiary of the Company, executed an Eighth Modification to Manufacturing, Distributing, and Technology License Agreement with Econolite, effective as of March 5, 2026 (the "Amendment"). Pursuant to the Amendment, the Autoscope® OptiVu product was added to the Company's licensed portfolio under the existing revenue sharing structure. Except for the Amendment, there were no changes to any material contracts of the Company during the quarter ended March 31, 2026.

## Item 3 Interim financial statements.

The following unaudited interim condensed consolidated financial statements of the Company for the quarter ended March 31, 2026 are attached at the end of this Quarterly Report where indicated below:

- (1) Condensed Consolidated Balance Sheets..... Page 11
- (2) Condensed Consolidated Statements of Operations..... Page 12
- (3) Condensed Consolidated Statements of Comprehensive Income.....Page 13
- (4) Condensed Consolidated Statements of Cash Flows..... Page 14
- (5) Notes to Consolidated Financial Statements..... Page 15

## **Item 4 Management's discussion and analysis or plan of operation**

### **A. Plan of Operation**

This Item 4.A is not applicable, as the Company has had revenues from operations in each of its last two fiscal years.

### **B. Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### ***General***

We are a leading provider of above-ground detection technology for advanced traffic management systems, traffic data collection applications, and data driven strategies for the intelligent transportation systems ("ITS") industry. Our flagship product, which we market as Autoscope video or video products, provides end users with the tools needed to optimize traffic flow and enhance roadway safety. Our AI-driven technology delivers dynamic, real-time traffic monitoring and decision-making capabilities, making it an essential tool for mitigating congestion and reducing traffic-related injuries and fatalities in modern urban environments. Our machine-learning powered solutions not only enhance road safety and optimize traffic flow but also continuously improve through data-driven learning, staying ahead of the curve in the rapidly evolving ITS landscape.

We believe our detection and analytics solutions offer distinct technical advantages that align with the evolving needs of the ITS market. Our next generation Autoscope platform is designed for high accuracy, streamlined installation, and a lower total cost of ownership. Its open architecture allows agencies to integrate data from diverse sources into a unified environment for real-time decision-making and long-term planning. This system-level flexibility, combined with proven detection performance, positions our solutions as a reliable foundation for modern traffic management strategies that enhance efficiency and improve safety.

We believe our established distribution channels provide a strong foundation for expanding the reach of our technology-driven solutions. We market Autoscope video detection products through an exclusive distribution agreement with Econolite, a recognized leader in ITS intersection control. This partnership gives us direct access to a broad network of agencies and integrators in the United States, Mexico, Canada and the Caribbean, and we maintain a non-exclusive agreement in the Middle East.

We market our Autoscope video products outside of the United States, Mexico, Canada and the Caribbean through a combination of distribution and indirect sales channels. Our end users primarily include governmental agencies and municipalities.

The following discussion of period-to-period changes and trends in financial statement results under "Management's Discussion and Analysis of Financial Condition and Results of Operations" aligns with the financial statement presentation discussed above.

#### ***Key Financial Terms and Metrics***

*Revenue.* We derive revenue from two sources: (1) royalties received from Econolite for sales of the Autoscope video systems in the United States, Mexico, Canada and the Caribbean and (2) revenue received from the direct product sales of our Autoscope video systems in Europe and Asia. Autoscope video royalties are calculated using a profit-sharing model where the gross profits on sales of product made through Econolite are shared equally with Econolite. This royalty arrangement has the benefit of decreasing our cost of revenues and our selling, marketing and product support expenses because these costs and expenses are borne primarily by Econolite. Although this royalty model has a positive impact on our gross margin, it also negatively impacts our total revenue, which would be higher if all the sales made by Econolite were made directly by us. The royalty arrangement is exclusive under a long-term agreement.

*Cost of Revenue.* Software amortization is the sole cost of revenue related to royalties, as virtually all manufacturing, warranty and related costs are incurred by Econolite. Cost of revenue related to product sales consists primarily of the amount charged by our third-party contractors to manufacture hardware platforms, which is influenced mainly by the cost of electronic components. The cost of revenue also includes logistics costs, estimated expenses for product warranties, restructuring costs and inventory reserves. The key metric that we follow is achieving certain gross margin percentages on product sales by geographic region and to a lesser extent by product line.

*Operating Expenses.* Our operating expenses fall into three categories: (1) selling, marketing and product support; (2) general and administrative; and (3) research and development. Selling, marketing and product support expenses consist of various costs related to sales and support of our products, including salaries, benefits and commissions paid to our personnel; commissions paid to third parties; travel, trade show and advertising costs; second-tier technical support for Econolite; and general product support, where applicable. General and administrative expenses consist of certain corporate and administrative functions that support the development and sales of our products and provide an infrastructure to support future growth. These expenses include management, supervisory and staff salaries and benefits, legal and auditing fees, travel, rent and costs associated with being a public company, such as board of directors' fees, listing fees and annual reporting expenses. Research and development expenses consist mainly of salaries and benefits for our engineers and third-party costs for consulting and prototyping. We measure all operating expenses against our annually approved budget, which is developed with achieving a certain operating margin as a key focus. Also included in operating expenses are any restructuring costs.

*Non-GAAP Operating Measure.* We provide certain financial information as supplemental information to financial measures calculated and presented in accordance with accounting principles generally accepted in the United States ("GAAP"). This non-GAAP information excludes the impact of depreciating fixed assets and amortizing intangible assets and may exclude other non-recurring items. Management believes that this presentation facilitates the comparison of our current operating results to historical operating results. Management uses this non-GAAP information to evaluate short-term and long-term operating trends in our core operations. Non-GAAP information is not prepared in accordance with GAAP and should not be considered a substitute for or an alternative to GAAP financial measures and may not be computed the same as similarly titled measures used by other companies.

### ***Critical Accounting Policies***

Our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report are prepared in accordance with GAAP, which requires us to make estimates and assumptions in certain circumstances that affect amounts reported. In preparing these financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. We believe that of our significant accounting policies, the following are particularly important to the portrayal of our results of operations and financial position, may require the application of a higher level of judgment by our management, and as a result, are subject to an inherent degree of uncertainty.

*Revenue Recognition and Allowance for Credit Losses.* We are required to comply with a variety of technical accounting requirements in order to achieve consistent and accurate revenue recognition. Royalty income is recognized based on sales shipped or delivered to our customers as reported to us by Econolite. Revenue is recognized when both product ownership and the risk of loss have transferred to the customer and we have no remaining obligations. Allowances for credit losses are estimated by management based on an evaluation of potential losses related to customer receivable balances. We determine the allowance based on historical loss rate experience in the industry, regional economic data, and an evaluation of specific customer accounts for risk of loss. We review our allowance for credit losses monthly. Account balances are charged off against the allowance when we believe it is probable the receivable will not be recovered. The establishment of this allowance requires the use of judgment and assumptions regarding the potential for losses on receivable balances. Although management considers these balances adequate and proper, changes in economic conditions in specific markets in which we operate could have an effect on reserve balances required. We do not have any off-balance sheet credit exposure related to our customers.

*Warranty Liabilities.* The estimated cost to service warranty and customer service claims is included in cost of sales. This estimate is based on historical trends of warranty claims. We regularly assess and adjust the estimate of accrued warranty claims by updating claims rates for actual trends and projected claim costs. Our warranty liability contains uncertainties because our warranty obligations cover an extended period of time. While these liability levels are based on historical warranty experience, they may not reflect the actual claims that will occur over the upcoming warranty period, and additional warranty reserves may be required. A revision of estimated claim rates or the projected cost of materials and freight associated with sending replacement parts to customers could have a material adverse effect on future results of operations.

*Software Development Costs.* We incur costs associated with the development of software to be sold, leased, or otherwise marketed. Software development costs are expensed as incurred until technological feasibility has been established, at which time future costs incurred are capitalized until the product is available for general release to the public. A significant amount of judgment and estimation is required to assess when technological feasibility is established as well as in the ongoing assessment of the recoverability of capitalized costs. In evaluating the recoverability of capitalized software costs, we compare expected product performance, utilizing forecasted revenue amounts, to the total costs incurred to date and estimates of additional costs to be incurred. If revised forecasted product revenue is less than, and/or revised forecasted costs are greater than, the previously forecasted amounts, the net realizable value may be lower than previously estimated, which could result in recognition of an impairment charge in the period in which such a determination is made. We also capitalize certain software development costs while in the application development stage related to software development for internal use, including software as a service (SaaS). All other costs to develop software for internal use or SaaS, either in the preliminary project stage or post-implementation stage are expensed when incurred.

*Impairment of Long-Lived Assets.* We review the carrying value of long-lived assets or asset groups, such as property and equipment and intangibles subject to amortization, when events or changes in circumstances such as asset utilization, physical change, legal factors, or other matters indicate that the carrying value may not be recoverable. When this review indicates the carrying value of an asset or asset group exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group, we recognize an asset impairment charge against operations. The amount of the impairment charge recorded is the amount by which the carrying value of the impaired asset or asset group exceeds its fair value. Our impairment loss calculations contain uncertainties because they require management to make assumptions and to apply judgment to identify events or changes in circumstances indicating the carrying value of assets may not be recoverable, estimate future cash flows, estimate asset fair values, and select a discount rate that reflects the risk inherent in future cash flows. Expected cash flows may not be realized, which could cause long-lived assets to become impaired in future periods and could have a material adverse effect on future results of operations.

The table below reconciles non-GAAP income from operations, which is a non-GAAP financial measure, to comparable GAAP financial measures (in thousands):

	<b>Three-Month Periods Ended</b>	
	<b>March 31, 2026</b>	
	<b>2026</b>	<b>2025</b>
Income from operations	\$ 380	\$ 446
Adjustments to reconcile to non-GAAP income		
Amortization of intangible assets	26	26
Depreciation	46	45
Non-GAAP income from operations	<u>\$ 452</u>	<u>\$ 517</u>

*Seasonality.* Our quarterly revenues and operating results have varied significantly in the past due to the seasonality of our business. Our first quarter generally is the weakest due to weather conditions that make roadway construction more difficult in parts of North America, Europe and northern Asia. We expect such seasonality to continue for the foreseeable future. Additionally, our international revenues regularly contain individually significant sales. This can result in significant variations of revenue between periods. Accordingly, we believe that quarter-to-quarter comparisons of our financial results should not be relied upon as an indication of our future performance. No assurance can be given that we will be able to achieve or maintain profitability on a quarterly or annual basis in the future.

## Results of Operations

The following table sets forth, for the periods indicated, certain consolidated statements of operations data as a percent of total revenue and gross profit on product sales and royalties as a percentage of sales and royalties, respectively:

	Three-Month Periods Ended March 31,	
	2026	2025
Royalties	99.7%	96.9%
Product sales	0.3	3.1
Total revenue	100.0	100.0
Gross profit - product sales	(150.0)	40.3
Gross profit - royalties	98.8	100.0
Selling, general and administrative	48.0	47.1
Research and development	32.0	30.8
Income from operations	18.0	20.3
Other income, net	0.4	0.4
Income tax expense	3.5	4.5
Net income	15.0	16.5

The 2026 first quarter revenue for the Company, which includes the results of ISNS, a wholly-owned subsidiary of the Company, was \$2.1 million, a 3.8 percent decrease from \$2.2 million in the first quarter of 2025. Revenue from royalties was \$2.1 million in both periods. Product sales in the first quarter of 2026 were \$6,000 compared to \$67,000 in the first quarter of 2025. The decreased product sales were primarily due to decreased sales of our Wrong Way product.

Gross margin for the first quarter of 2026 was 98.1 percent, compared to 98.2 percent for the same period in 2025. Royalty gross margin was 98.8 percent in the first quarter of 2026 compared to 100.0 percent for the same period in 2025. Royalty gross margin decreased in the first quarter of 2026 due to costs associated with capitalized software development costs relating to OptiVu. Product sales gross margin percent was a negative 150.0 percent for the first quarter of 2026, compared to a positive 40.3 percent in the first quarter of 2025, reflecting low product sales volume and fixed amortization costs associated with capitalized software development.

Selling, general and administrative expenses remained constant at \$1.0 million, or 48.0% of total revenue, in the first quarter of 2026 compared to \$1.0 million, or 47.1% of total revenue, in the first quarter of 2025. The increase in selling, general and administrative expenses as a percent of total revenue is primarily due to the slightly lower revenues in the first quarter 2026 compared to the same period in the prior year.

Research and development expenses remained constant at \$0.7 million, or 32.0% of total revenue, in the first quarter of 2026 compared to \$0.7 million, or 30.8% of total revenue, in the first quarter of 2025. The increase in research and development expenses as a percent of total revenue is primarily due to the slightly lower revenues in the first quarter of 2026 compared to the same period in the prior year.

The tax expense for the first quarter of 2026 was \$0.1 million consistent with tax expense of \$0.1 million in the first quarter of 2025.

The Company reported net income for the first quarter of 2026 of \$0.3 million or \$0.06 per diluted share, compared to net income of \$0.4 million or \$0.07 per diluted share in the prior year period.

### **Liquidity and Capital Resources**

We believe that cash and cash equivalents on hand, coupled with readily available investments in debt and equity securities on March 31, 2026 totaling \$3.0 million, along with the cash provided by operating activities, will satisfy our projected working capital needs, investing activities, and other cash requirements for the foreseeable future.

As of March 31, 2026, we had \$1.0 million in cash and cash equivalents compared to \$0.7 million on December 31, 2025. Net cash provided by operating activities increased to \$1.2 million in the first three months of 2026 compared to \$1.0 million in the same period of 2025. The increase was primarily driven by favorable changes in working capital, including higher collection of accounts receivable and increased accrued expenses, partially offset by lower accounts payable. Non-cash items, including depreciation and amortization were consistent between periods, while stock-based compensation and deferred income tax expense decreased compared to the prior year period.

Net cash used by investing activities was \$16,000 in the first three months of 2026 compared to net cash provided by investing activities of \$1.9 million in the same period in 2025. The decrease in net cash provided by investing activities in the first three months of 2026 compared to the same period in the prior year is primarily due to decreased sales of debt securities, net of purchases, partially offset by decreased cash used for purchases of property and equipment. Proceeds from the sale of debt securities in the first three months of 2025 were used to fund the special dividend paid.

Net cash used by financing activities was \$0.8 million in the first three months of 2026, compared to \$6.6 million in the same period of 2025. The decrease was primarily due to a special dividend of \$1.05 per share, totaling \$5.8 million, paid in the 2025 period. There was no special dividend paid in 2026. The Company also paid quarterly dividends of \$0.15 per share, totaling \$0.8 million in each period, for the three-months ended March 31, 2026 and 2025.

### **C. Off-Balance Sheet Arrangements**

The Company does not have any obligations that meet the definition of an off-balance sheet arrangement that have had, or are reasonably likely to have, a material effect on the Company's financial condition or results of operations.

**Item 5 Legal proceedings.**

None.

**Item 6 Defaults upon senior securities.**

None.

**Item 7 Other Information.**

None.

**Item 8 Exhibits.**

None.

**Item 9 Certifications.**

I, Andrew M. Markese, certify that:

1. I have reviewed this Quarterly Report of Autoscope Technologies Corporation;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: May 7, 2026

/s/ Andrew M. Markese  
Chief Executive Officer

I, Lori M. Schug, certify that:

1. I have reviewed this Quarterly Report of Autoscope Technologies Corporation;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: May 7, 2026

/s/ Lori M. Schug  
Chief Financial Officer

**AUTOSCOPE TECHNOLOGIES CORPORATION**  
**Condensed Consolidated Balance Sheets**  
(in thousands, except share data)

	<b>March 31, 2026 (Unaudited)</b>	<b>December 31, 2025</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,042	\$ 735
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$0, respectively	2,079	2,685
Inventories	2,117	2,117
Investments in available-for-sale debt securities	1,690	1,679
Investments in equity securities	252	253
Prepaid expenses and other current assets	367	357
Total current assets	7,547	7,826
Property and equipment:		
Furniture and fixtures	137	137
Equipment	794	780
Real property	2,059	2,059
	2,990	2,976
Accumulated depreciation	1,065	1,022
	1,925	1,954
Intangible assets, net	716	742
Deferred income taxes	1,436	1,502
Operating lease asset, net	27	29
<b>TOTAL ASSETS</b>	<b>\$ 11,651</b>	<b>\$ 12,053</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 69	\$ 44
Deferred revenue	68	74
Warranty	20	20
Accrued compensation	71	64
Operating lease obligations	9	9
Current maturities of long-term debt	1,477	1,493
Other current liabilities	133	79
Total current liabilities	1,847	1,783
Non-current liabilities:		
Operating lease obligation	18	20
<b>TOTAL LIABILITIES</b>	<b>1,865</b>	<b>1,803</b>
Shareholders' equity:		
Preferred stock, \$.01 par value; 5,000,000 shares authorized, none issued or outstanding	—	—
Common stock, \$.01 par value; 20,000,000 shares authorized, 5,509,967 and 5,502,089 issued and outstanding at March 31, 2026 and December 31, 2025, respectively.	55	55
Additional paid-in capital	26,239	26,188
Accumulated other comprehensive loss	33	37
Accumulated deficit	(16,541)	(16,030)
Total shareholders' equity	9,786	10,250
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 11,651</b>	<b>\$ 12,053</b>

*See accompanying notes to the condensed consolidated financial statements.*

**AUTOSCOPE TECHNOLOGIES CORPORATION**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**  
**(in thousands, except per share data)**

	<b>Three-Month Periods Ended</b>	
	<b>March 31,</b>	
	<b>2026</b>	<b>2025</b>
Revenue:		
Royalties	\$ 2,104	\$ 2,126
Product sales	6	67
	<u>2,110</u>	<u>2,193</u>
Cost of Revenue:		
Royalties	26	—
Product sales	15	40
	<u>41</u>	<u>40</u>
Gross profit	2,069	2,153
Operating expenses:		
Selling, general and administrative	1,013	1,032
Research and development	676	675
	<u>1,689</u>	<u>1,707</u>
Income from operations	380	446
Other income, net	9	9
Investment income	16	20
Interest expense	(15)	(16)
Income from operations before income taxes	390	459
Income tax expense	74	98
Net income	<u>\$ 316</u>	<u>\$ 361</u>
Net income per share:		
Basic	\$ 0.06	\$ 0.07
Diluted	\$ 0.06	\$ 0.07
Weighted average number of common shares outstanding:		
Basic	<u>5,503</u>	<u>5,476</u>
Diluted	<u>5,506</u>	<u>5,489</u>

*See accompanying notes to the condensed consolidated financial statements.*

**AUTOSCOPE TECHNOLOGIES CORPORATION**  
**Condensed Consolidated Statements of Comprehensive Income**  
**(Unaudited)**  
**(in thousands)**

	<b>Three-Month Periods Ended</b>	
	<b>March 31,</b>	
	<u><b>2026</b></u>	<u><b>2025</b></u>
Net income	\$ 316	\$ 361
Other comprehensive income:		
Foreign currency translation adjustment	<u>(5)</u>	<u>(1)</u>
Comprehensive income	<u>\$ 311</u>	<u>\$ 360</u>

*See accompanying notes to the condensed consolidated financial statements.*

**AUTOSCOPE TECHNOLOGIES CORPORATION**  
**Condensed Consolidated Statements of Cash Flow**  
**(Unaudited)**  
**(in thousands)**

	<b>Three-Month Periods Ended</b>	
	<b>March 31,</b>	
	<b>2026</b>	<b>2025</b>
<b>Operating activities:</b>		
Net income	\$ 316	\$ 361
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	46	45
Software amortization	26	26
Amortization of debt issuance costs	—	1
Stock-based compensation	52	67
Deferred income tax expense	66	93
Realized gain on AFS investments	(13)	(11)
Unrealized loss (gain) on equity investments	1	(1)
Changes in operating assets and liabilities:		
Accounts receivable, net	606	355
Inventories	—	14
Prepaid expenses and other current assets	(11)	22
Accounts payable	25	89
Accrued expenses and other current liabilities	55	(109)
Net cash provided by operating activities	<u>1,169</u>	<u>952</u>
<b>Investing activities:</b>		
Purchases of property and equipment	(17)	(110)
Purchases of debt securities	(614)	(387)
Sale of debt securities	615	2,393
Net cash (used) provided by investing activities	<u>(16)</u>	<u>1,896</u>
<b>Financing activities:</b>		
Dividend paid	(826)	(6,577)
Principal payments on long-term debt	(16)	(16)
Net cash used by financing activities	<u>(842)</u>	<u>(6,593)</u>
Effect of exchange rate changes on cash	(4)	(1)
Change in cash and cash equivalents	307	(3,746)
Cash and cash equivalents at beginning of period	735	4,355
Cash and cash equivalents at end of period	<u>\$ 1,042</u>	<u>\$ 609</u>
<b>Non-Cash investing and financing activities:</b>		
Cash paid for interest	15	16

*See accompanying notes to the condensed consolidated financial statements.*

**AUTOSCOPE TECHNOLOGIES CORPORATION**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**March 31, 2026**

**1. Description of Business and Significant Accounting Policies**

On July 21, 2021, a holding company reorganization was completed (the "Reorganization") in which Image Sensing Systems, Inc. ("ISNS") became a wholly-owned subsidiary of the new parent company named "Autoscope Technologies Corporation" ("Autoscope"), which became the successor issuer to ISNS. As a result of the Reorganization, Autoscope replaced ISNS as the public company trading on the Nasdaq Stock Market ("Nasdaq") under the ticker symbol "AATC," and outstanding shares of ISNS's common stock automatically converted into shares of common stock of Autoscope. As used in these Condensed Consolidated Financial Statements, the "Company", "we", "us" and "our" or its management or business at any time before the effective date of the Reorganization refer to those of ISNS as the predecessor company and its wholly-owned subsidiaries and thereafter to Autoscope and its wholly-owned subsidiaries, except as otherwise specified or to the extent the context otherwise indicates.

On December 21, 2022, the Company notified Nasdaq of its intention to file a "Form 25 - Notification of Removal from Listing and/or Registration under Section 12(b) of the Securities Exchange Act of 1934" with the Securities and Exchange Commission (the "SEC") on or about December 30, 2022. The purpose of the Form 25 filing was to effect the delisting from Nasdaq of the Company's outstanding common stock, par value \$0.01 per share (the "Common Stock"), and the deregistration of the Common Stock under Section 12(b) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act").

Upon the effectiveness of the Form 25 filing, the Company filed a Form 15 on January 17, 2023 with the SEC to suspend the Company's duty to file reports under Sections 13(a) and 15(d) of the Exchange Act and to deregister its Common Stock under Section 12(b) of the Exchange Act. The deregistration under Section 12(g) of the Exchange Act was effective on April 17, 2023, 90 days after filing the Form 15, at which time the Company's other filing requirements under Section 13(a) of the Exchange Act terminated.

On February 10, 2023, the Company was admitted and was qualified to trade on the OTCQX Best Market under the symbol "AATC."

The Company develops and markets video products for use in applications such as intersection control, highway, bridge and tunnel traffic management and traffic data collection. We sell our products primarily to distributors and also receive royalties under a license agreement with a manufacturer/distributor for certain of our products. Our products are used primarily by governmental entities.

**Consolidation**

These Condensed Consolidated Financial Statements include the accounts of Autoscope and its wholly-owned subsidiary, ISNS, and ISNS's following wholly-owned subsidiaries: Image Sensing Systems HK Limited (ISS HK) in Hong Kong; Image Sensing Systems Spain SLU (ISS Spain) in Spain; ISS Image Sensing Systems Canada Limited (ISS Canada) in Canada; and Autoscope Technologies India Private Limited (Autoscope India) in India. Certain of these subsidiaries have been dissolved; however, their accounts are included in the Condensed Consolidated Financial Statements through their respective dates of dissolution. All significant inter-company transactions and balances have been eliminated.

***Cash Dividend***

On February 2, 2026, the Board of Directors of the Company ("Board of Directors") approved a cash dividend of \$0.15 per share to shareholders of record on the close of business on February 19, 2026, which was paid to shareholders on February 26, 2026.

## Summary of Significant Accounting Policies

The Company believes that of its significant accounting policies, the following are particularly important to the portrayal of the Company's results of operations and financial position and may require the application of a higher level of judgment by the Company's management and, as a result, are subject to an inherent degree of uncertainty.

### Revenue Recognition

We recognize revenue when control of the promised goods or services is transferred to customers in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

We determine revenue recognition through the following steps:

- Identification of a contract, or contracts, with a customer;
- Identification of performance obligations in the contract or contracts;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, we satisfy a performance obligation.

In the table below, revenue for the three months ended March 31, 2026 and 2025 has been disaggregated by revenue source and excludes sales and usage-based taxes when or if it has been determined that we are acting as a pass-through agent:

	Three Months Ended March 31,	
	(in thousands)	
	2026	2025
Royalties	\$ 2,104	\$ 2,126
Product sales	6	67
Total revenue	<u>\$ 2,110</u>	<u>\$ 2,193</u>

### Product Sales:

Product revenue is generated from the direct sales of our Autoscope video systems in the United States, Europe and Asia. Revenue is recognized when control of the promised goods or services is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

Certain product sales may contain multiple performance obligations for revenue recognition purposes. Multiple performance obligations may include the hardware, software, installation services, training, support, and extended warranties. In arrangements where we have multiple performance obligations, the transaction price is allocated to each performance obligation using the relative stand-alone selling price. We generally determine stand-alone selling prices based on the observable stand-alone prices charged to customers. For performance obligations without observable stand-alone prices charged to customers, we evaluate the adjusted market assessment approach and the expected cost plus margin approach to estimate the stand-alone selling prices.

Revenue for services such as maintenance, repair, and technical support is recognized either as the service is performed or ratably over the defined contractual period for service maintenance contracts. From time to time our payment terms may vary by the type and location of our customer and the products or services offered. Revenue for extended warranties is deferred until the coverage period and then recognized ratably over the extended warranty term.

We record deferred revenues when cash payments are received or due in advance of our performance, including amounts which are refundable. The term between invoicing and when payment is due is not significant. For certain products or services and customer types, we require payment before the products or services are delivered to the customer.

We record provisions against sales revenue for estimated returns and allowances in the period when the related revenue is recorded based on historical sales returns and changes in end user demand.

#### Royalties:

Econolite Control Products, Inc. (“Econolite”) is our licensee that sells our Autoscope video system products in the United States, Mexico, Canada and the Caribbean. The royalty of approximately 50% of the gross profit on licensed products is recognized when the products are shipped or delivered by Econolite to its customers.

#### Practical Expedients and Exemptions:

We generally expense sales commissions when incurred because the amortization periods would have been one year or less. These costs are recorded within sales, marketing, and product support expense.

We do not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

#### *Shipping and Handling*

Freight revenue billed to customers is reported within revenue in the Consolidated Statements of Operations, and expenses incurred for shipping products to customers are reported within cost of revenue in the Consolidated Statements of Operations.

#### *Cash and Cash Equivalents*

We consider all highly liquid investments with an original maturity of six months or less when purchased to be cash equivalents. Cash equivalents, both inside and outside the United States, are invested in money market funds and bank deposits in local currency denominations. Cash located in foreign banks was \$35,000 and \$40,000 at March 31, 2026 and December 31, 2025, respectively. We hold our cash and cash equivalents with financial institutions and, at times, the amounts of our balances may be in excess of deposit insurance limits.

#### *Accounts Receivable*

We grant credit to customers in the normal course of business and generally do not require collateral from domestic customers. When deemed appropriate, receivables from customers outside the United States are supported by letters of credit from financial institutions. The Company performs on-going credit evaluations of its customers' financial condition, and it generally requires no collateral. The Company maintains an allowance for credit losses on accounts receivables, which is recorded as an offset to accounts receivable. Changes in the allowance for credit losses are included as a component of operating expenses in the Condensed Consolidated Statements of Operations. The Company assesses credit losses on a collective basis where similar risk characteristics exist. Risk characteristics considered by the Company include customer type, geography, market, credit risk, and age of receivable. Receivables that do not share risk characteristics with other receivables, or where known collection issues exist, are evaluated on an individual basis. In determining the allowance for credit losses, the Company considers historical loss rates, adjusted for current market conditions, and reasonable and supportable forecasts of future economic conditions, when applicable. Accounts considered to be uncollectible are written off against the allowance for credit losses. The allowance for credit losses was \$0 at March 31, 2026 and \$0 at December 31, 2025.

#### *Inventories*

Inventories are primarily electronic components and finished goods and are valued at the lower of cost or net realizable value determined under the first-in, first-out accounting method.

#### *Property and Equipment*

Property and equipment are stated at cost. Additions, replacements, and improvements are capitalized at cost, while maintenance and repairs are charged to operations as incurred. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets and by accelerated methods for income tax purposes. Leasehold improvements are depreciated over the shorter of the estimated useful lives of the assets or the contractual term of the lease, with consideration of lease renewal options if renewal appears probable. Useful lives of furniture and fixtures, leasehold improvements, and equipment range from three to seven years. The useful life of the real property is 30 years.

### *Income Taxes*

We record a tax provision for the anticipated tax consequences of the reported results of operations. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those deferred tax assets and liabilities are expected to be realized or settled. We record a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized. We believe it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, together with the tax effects of the deferred tax liabilities, will be sufficient to fully recover the remaining net realizable value of deferred tax assets. If all or part of the net deferred tax assets are determined not to be realizable in the future, an adjustment to the valuation allowance would be charged to earnings in the period such determination is made. In addition, the calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws. Resolution of these uncertainties in a manner inconsistent with management's expectations could have a material impact on our financial condition and operating results. We recognize penalties and interest expense related to unrecognized tax benefits in income tax expense.

### *Intangible Assets*

We capitalize certain software development costs related to software to be sold, leased, or otherwise marketed. Capitalized software development costs include purchased materials, services, internal labor and other costs associated with the development of new products and services. Software development costs are expensed as incurred until technological feasibility has been established, at which time future costs incurred are capitalized until the product is available for general release to the public. Based on our product development process, technological feasibility is generally established once product and detailed program designs have been completed, uncertainties related to high-risk development issues have been resolved through coding and testing, and we have established that the necessary skills, hardware, and software technology are available for production of the product. Once a software product is available for general release to the public, capitalized development costs associated with that product will begin to be amortized to cost of sales over the product's estimated economic selling life using the greater of straight-line or a method that results in cost recognition in future periods that is consistent with the anticipated timing of product revenue recognition.

Capitalized software development costs are subject to an ongoing assessment of recoverability, which is impacted by estimates and assumptions of future revenues and expenses for these software products, as well as other factors such as changes in product technologies. Any portion of unamortized capitalized software development costs that are determined to be in excess of net realizable value have been expensed in the period in which such a determination is made. We did not capitalize any software development costs during the three months ended March 31, 2026 and 2025.

Intangible assets with finite lives are amortized on a straight-line basis over the expected period to be benefited by future cash flows and reviewed for impairment. At March 31, 2026 and 2025, we determined there was no impairment of intangible assets. At March 31, 2026 and 2025, there were no indefinite-lived intangible assets.

### *Investments in Debt Securities*

We classify investments in debt securities on the acquisition date and at each balance sheet date. At December 31, 2025 and March 31, 2026, all of our investments in debt securities were classified as available-for-sale.

### *Investments in Equity Securities*

We carry all investments in equity securities at fair value and record the subsequent changes in values in the Condensed Consolidated Statements of Operations as a component of investment income or loss.

## **2. New Accounting Standards Adopted**

In July 2025, FASB issued ASU No. 2025-05, *Financial Instruments - Credit Losses (Topic 326) – Measurement of Credit Losses for Accounts Receivable and Contract Assets*. ASU 2025-05 aims to reduce the cost and complexity of estimating credit losses while maintaining decision-useful information for financial statement users. The guidance allows all entities to elect a practical expedient related to developing forecasts as part of estimating expected credit losses that assumes the current conditions as of the balance sheet date do not change for the remaining life of the asset. The guidance also allows all entities other than public business entities that elect the practical expedient to also make an accounting policy election to consider collection activity after the balance sheet date when estimating expected credit losses. ASU 2025-05 is effective for fiscal years beginning after December 15, 2025, interim periods within those annual reporting periods, with early adoption permitted. The Company adopted the standard as of January 1, 2025 and the adoption did not have a material impact on the Company's consolidated financial statements.

### 3. Fair Value Measurements

The guidance for fair value measurements establishes the authoritative definition of fair value, sets out a framework for measuring fair value and outlines the required disclosures regarding fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. We use a three-tier fair value hierarchy based upon observable and non-observable inputs as follows:

- Level 1: observable inputs such as quoted prices in active markets;
- Level 2: inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

#### *Assets and Liabilities that are Measured at Fair Value on a Recurring Basis*

The fair value hierarchy requires the use of observable market data when available. In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

#### *Financial Instruments not Measured at Fair Value*

Certain of our financial instruments are not measured at fair value and are recorded at carrying amounts approximating fair value, based on their short-term nature or variable interest rate. These financial instruments include cash and cash equivalents, accounts receivable, accounts payable and other current financial assets and liabilities.

#### 4. Investments in available-for-sale debt securities

Investments in available-for-sale debt securities at March 31, 2026 and December 31, 2025 are summarized by type below (in thousands).

	<b>March 31, 2026</b>			
	<b>Amortized Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>	<b>Fair Value<sup>(1)</sup></b>
U.S. government	\$ 1,690	\$ —	\$ —	\$ 1,690
	<u>\$ 1,690</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,690</u>

	<b>December 31, 2025</b>			
	<b>Amortized Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>	<b>Fair Value<sup>(1)</sup></b>
U.S. government	\$ 1,679	\$ 1	\$ (1)	\$ 1,679
	<u>\$ 1,679</u>	<u>\$ 1</u>	<u>\$ (1)</u>	<u>\$ 1,679</u>

The amortized cost and estimated fair value of available-for-sale debt securities at March 31, 2026 and December 31, 2025 are summarized below by contractual maturity dates (in thousands).

	<b>March 31, 2026</b>			
	<b>Due in one year or less</b>	<b>Due after one year through five years</b>	<b>Mortgage- backed securities</b>	<b>Total</b>
Amortized cost	\$ 1,690	\$ —	\$ —	\$ 1,690
Fair value <sup>(1)</sup>	\$ 1,690	\$ —	\$ —	\$ 1,690

	<b>December 31, 2025</b>			
	<b>Due in one year or less</b>	<b>Due after one year through five years</b>	<b>Mortgage- backed securities</b>	<b>Total</b>
Amortized cost	\$ 1,679	\$ —	\$ —	\$ 1,679
Fair value <sup>(1)</sup>	\$ 1,679	\$ —	\$ —	\$ 1,679

(1) The fair value of the Company's available-for-sale debt securities is determined based upon inputs, other than the quoted prices in active markets, that are observable either directly or indirectly and are classified as level 2 fair value measurements.

The following table shows the gross unrealized holding losses and fair value of our available-for-sale securities with unrealized holding losses at March 31, 2026 and December 31, 2025, summarized by type of securities and length of time that individual securities had been in a continuous loss position deemed to be temporary (in thousands).

		<b>March 31, 2026</b>					
		<b>Less than 12 months</b>		<b>12 months or more</b>		<b>Total</b>	
		<b>Fair value<sup>(1)</sup></b>	<b>Gross unrealized gains (losses)</b>	<b>Fair value<sup>(1)</sup></b>	<b>Gross unrealized gains (losses)</b>	<b>Fair value<sup>(1)</sup></b>	<b>Gross unrealized gains (losses)</b>
U.S. government		\$ 1,690	\$ —	\$ —	\$ —	\$ 1,690	\$ —
		<u>\$ 1,690</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,690</u>	<u>\$ —</u>
		<b>December 31, 2025</b>					
		<b>Less than 12 months</b>		<b>12 months or more</b>		<b>Total</b>	
		<b>Fair value<sup>(1)</sup></b>	<b>Gross unrealized gains (losses)</b>	<b>Fair value<sup>(1)</sup></b>	<b>Gross unrealized gains (losses)</b>	<b>Fair value<sup>(1)</sup></b>	<b>Gross unrealized gains (losses)</b>
U.S. government		\$ 1,679	\$ —	\$ —	\$ —	\$ 1,679	\$ —
		<u>\$ 1,679</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,679</u>	<u>\$ —</u>

We did not consider any of our available-for-sale securities to be impaired as of March 31, 2026. When evaluating for impairment, we assess indicators that include, but are not limited to, financial performance, changes in underlying credit ratings, market conditions and offers to purchase or sell.

## 5. Investments in equity securities

Investments in equity securities at March 31, 2026 and December 31, 2025 are summarized based on the primary industry of the investee in the table below (in thousands).

	<b>March 31, 2026</b>		
	<b>Cost Basis</b>	<b>Net Unrealized Gains (Losses)</b>	<b>Fair Value<sup>(1)</sup></b>
Banks and finance	\$ 250	\$ 2	\$ 252
	<u>\$ 250</u>	<u>\$ 2</u>	<u>\$ 252</u>

  

	<b>December 31, 2025</b>		
	<b>Cost Basis</b>	<b>Net Unrealized Gains (Losses)</b>	<b>Fair Value<sup>(1)</sup></b>
Banks and finance	\$ 250	\$ 3	\$ 253
	<u>\$ 250</u>	<u>\$ 3</u>	<u>\$ 253</u>

<sup>(1)</sup> The fair value of the Company's equity investments is determined based on readily available market data that are classified as level 1 fair value measurements.

## 6. Inventories

Inventories consisted of the following (in thousands):

	<b>March 31, 2026</b>	<b>December 31, 2025</b>
Finished Goods	\$ 2,117	\$ 2,117
Components	<u>—</u>	<u>—</u>
Total	<u>\$ 2,117</u>	<u>\$ 2,117</u>

## 7. Intangible Assets

Intangible assets consisted of the following (dollars in thousands):

	<b>March 31, 2026</b>			<b>Weighted Average Useful Life (in Years)</b>
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Value</b>	
Wrong Way development costs	\$ 228	\$ (228)	\$ —	—
Vision development costs	3,107	(3,107)	—	—
Intellisight development costs	840	(396)	444	2.7
Autoscope Analytics development costs	272	—	272	3.0
<b>Total</b>	<b>\$ 4,447</b>	<b>\$ (3,731)</b>	<b>\$ 716</b>	<b>5.7</b>

  

	<b>December 31, 2025</b>			<b>Weighted Average Useful Life (in Years)</b>
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Value</b>	
Wrong Way development costs	\$ 228	\$ (228)	\$ —	—
Vision development costs	3,107	(3,107)	—	—
Intellisight development costs	840	(370)	470	2.9
Autoscope Analytics development costs	272	—	272	2.9
<b>Total</b>	<b>\$ 4,447</b>	<b>\$ (3,705)</b>	<b>\$ 742</b>	<b>5.8</b>

## 8. Warranties

Warranty liability and related activity consisted of the following (in thousands):

	<b>Three-Month Periods Ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
Beginning balance	\$ 20	\$ 20
Warranty provisions	—	—
Warranty claims	—	—
Adjustments to preexisting warranties	—	—
Currency	—	—
<b>Ending balance</b>	<b>\$ 20</b>	<b>\$ 20</b>

## 9. Stock-Based Compensation

We compensate officers, directors, key employees and consultants with stock-based compensation under the Autoscope Technologies Corporation 2022 Stock Option and Incentive Plan (the "2022 Plan") and the Image Sensing Systems, Inc. 2014 Stock Option and Incentive Plan (the "2014 Plan"), which were approved by our shareholders and are administered under the supervision of our Board of Directors. The 2014 Plan expired in April 2024, although as of March 31, 2026, there were options to acquire 95,000 shares of Common Stock and 2,500 restricted shares from stock awards outstanding under the 2014 Plan that were issued before the 2014 Plan expired, the terms of which are governed by the 2014 Plan. The 2014 Plan and awards granted under the 2014 Plan were assumed by Autoscope in the Reorganization. There have been no issuances of stock options under the 2022 Plan. Generally, stock option awards are granted at exercise prices equal to the closing price of our Common Stock on the day before the date of grant. Generally, options vest ratably over periods of three to five years from the dates of the grant, beginning one year from the date of grant, and have a contractual term of nine to 10 years. There have been awards for 53,198 shares issued under the 2022 Plan, all of which were vested at March 31, 2026.

Compensation expense, net of estimated forfeitures, is recognized ratably over the vesting period. Stock-based compensation expense included in general and administrative expense for the three-month periods ended March 31, 2026 and 2025 was \$52,000 and \$67,000, respectively. At March 31, 2026, 446,802 shares of Common Stock were available for grant under the 2022 Plan.

### *Stock Options*

A summary of the stock option activity for the first three months of 2026 is as follows:

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price per Share</b>	<b>Weighted Average Remaining Contractual Term (in years)</b>	<b>Aggregate Intrinsic Value</b>
Options outstanding at December 31, 2025	95,000	\$ 6.78	6.13	\$ 3,100
Granted	—	\$ —	—	\$ —
Exercised	—	\$ —	—	\$ —
Expired	—	\$ —	—	\$ —
Forfeited	—	\$ —	—	\$ —
	<u>95,000</u>	\$ 6.78	5.88	\$ 1,350
Options outstanding at March 31, 2026	<u>93,750</u>	\$ 6.80	5.87	\$ 1,013
Options exercisable at March 31, 2026				

No stock options were granted, exercised, expired or forfeited during the three-month periods ended March 31, 2026 and 2025. During the three-month periods ended March 31, 2026 and 2025, we recognized \$2,000 and \$5,000, respectively, in stock-based compensation expense related to stock options. As of March 31, 2026, there was \$1,000 of unrecognized compensation cost related to non-vested stock options which is expected to be recognized over a weighted average period of 0.7 years.

## *Restricted Stock Awards and Stock Awards*

Restricted stock awards were granted under the 2014 Plan and are granted under the 2022 Plan at the discretion of the Compensation Committee of our Board of Directors. We issue restricted stock awards to executive officers and key consultants. These awards may contain certain performance conditions or time-based vesting criteria. The restricted stock awards granted to executive officers vest if the various performance or time-based metrics are met. Stock-based compensation is recognized for the number of awards expected to vest at the end of the period and is expensed beginning on the grant date through the end of the vesting period. At the time of vesting of the restricted stock awards, the recipients of Common Stock may request to have shares from the applicable stock award withheld in an amount sufficient to satisfy employee withholding taxes at the relevant jurisdiction's maximum statutory rate. Compensation expense related to any stock awards issued to employees is determined on the grant date based on the publicly-quoted fair market value of our Common Stock and is charged to earnings on the grant date.

We also grant stock awards as a portion of the annual retainer for each director on a quarterly basis. The stock awards are fully vested at the time of issuance.

The following table summarizes restricted stock award activity for the first three months of 2026:

	<b>Number of Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Awards outstanding at December 31, 2025	5,000	\$ 7.93
Granted	7,878	5.71
Vested	(10,378)	6.24
Forfeited	—	—
Awards outstanding at March 31, 2026	2,500	\$ 7.93

As of March 31, 2026, the total stock-based compensation expense related to non-vested awards not yet recognized was \$16,000, which is expected to be recognized over a weighted average period of 0.8 years. During the three months ended March 31, 2026 and 2025 we recognized \$50,000 and \$62,000, respectively, of stock-based compensation expense related to restricted stock awards.

## **10. Net Income per Common Share**

Net income per share is computed by dividing the net income by the daily weighted average number of common shares outstanding during the applicable periods. Diluted net income per share includes the potentially dilutive effect of common shares subject to outstanding stock options and restricted stock awards using the treasury stock method. Under the treasury stock method, shares subject to certain outstanding stock options and restricted stock awards are excluded from the calculation of the diluted weighted average shares outstanding because the exercise of those options or the vesting of those restricted stock awards would lead to a net reduction in common shares outstanding. We computed diluted net income per share for purposes of our Condensed Consolidated Financial Statements included in this Quarterly Report using the treasury stock method, and as a result, stock options and restricted stock awards to acquire 92,500 weighted shares of Common Stock have been excluded from the diluted weighted shares outstanding for the three-month period ended March 31, 2026. There were no stock options or restricted stock awards excluded from the diluted weighted shares outstanding for the year ended December 31, 2025.

A reconciliation of net income per share is as follows (in thousands, except per share data):

	<b>Three-Month Periods Ended</b>	
	<b>March 31,</b>	
	<b>2026</b>	<b>2025</b>
Numerator:		
Net income	\$ 316	\$ 361
Denominator:		
Weighted average shares of Common Stock outstanding	5,503	5,476
Dilutive potential shares of Common Stock	3	13
Shares used in diluted net income per common share calculations	<u>5,506</u>	<u>5,489</u>
Basic net income per share of Common Stock	<u>\$ 0.06</u>	<u>\$ 0.07</u>
Diluted net income per share of Common Stock	<u>\$ 0.06</u>	<u>\$ 0.07</u>

## 11. Long-term Debt

### *Real Property Bank Loan*

On December 10, 2021, ISNS entered into a Business Loan Agreement (the "Loan Agreement") with Coulee Bank (the "Bank") and issued a promissory note to the Bank (the "Note") in the original principal amount of \$1,742,500 to finance the purchase of the Company's headquarters located at 1115 Hennepin Avenue, Minneapolis, Minnesota (the "Real Property") and certain related personal property from TJ&Z Family Limited Partnership ("TJ&Z").

The Note has a term of five years and bears interest at the fixed annual rate of 3.950% unless ISNS defaults under the terms of the Note, in which case a higher interest rate will go into effect calculated as provided in the Note. The Note is payable in 59 consecutive monthly payments of principal and interest of \$10,566, beginning on January 10, 2022, and one final payment consisting of the balance of the entire remaining principal amount together with all accrued and unpaid interest, which the amount is currently estimated at \$1,438,256, due and payable on December 10, 2026. There is no prepayment penalty unless ISNS finances the Note with another lender, in which case ISNS would be obligated to pay a prepayment penalty to the Bank equal to 1% of the unpaid principal amount.

Upon the occurrence of an event of default by ISNS under the Loan Agreement, at the Bank's option, all indebtedness of ISNS to the Bank will become due and payable immediately, all without notice of any kind to ISNS, except that in the case of an event of default by ISNS of the type described in the "Insolvency" subsection of the Loan Agreement, such acceleration will be automatic and not optional.

Under the Mortgage granted by ISNS to the Bank (the "Mortgage") dated as of December 10, 2021, ISNS mortgaged and conveyed to the Bank, with power of sale, all of ISNS's right, title, and interest in and to the Real Property, together with all existing or subsequently erected or affixed buildings and all improvements and fixtures, and all easements, rights of way, and appurtenances. The events of default under the Mortgage are similar to those under the Loan Agreement and the Note and are in addition to those under the Loan Agreement and the Note.

As provided in the Assignment of Rents between ISNS and the Bank (the "Assignment") dated as of December 10, 2021, ISNS granted to the Bank a continuing security interest in, and conveyed to the Bank, all of ISNS's right, title, and interest in and to the rents from the Real Property. The Assignment provides that unless and until the Bank exercises its right to collect the rents as provided in the Assignment and so long as there is no default under the Assignment, ISNS may remain in possession and control of and operate and manage the Real Property and collect the rents. The events of default under the Assignment are similar to those under the Loan Agreement, the Note, and the Mortgage and are in addition to those under the Loan Agreement, the Note, and the Mortgage. Other than the lease for the billboards on the Real Property, which TJ&Z assigned to ISNS, there are currently no tenants in the Real Property and no leases or other similar agreements with prospective tenants contemplated.

Upon a default, the Bank will have all the rights and remedies provided in the Loan Agreement, the Note, the Mortgage, and the Assignment or available at law, in equity, or otherwise.

In connection with the Note, the Company incurred and capitalized approximately \$13,000 of debt issuance costs which will be amortized as additional interest expense over the life of the loan and are presented as a reduction to the long-term debt balance.

Given the terms of the Note, with the final payment due on December 10, 2026, the balance remaining of \$1,477,000 on the Note as of March 31, 2026 is reported as current maturities of long-term debt on the Company's balance sheet. The Company plans to refinance the related indebtedness prior to December 10, 2026. The Company's ability to refinance, and the terms of refinancing, will depend on, among other factors, market conditions and the Company's financial performance.

## **12. Commitments and Contingencies**

### *Litigation*

We are involved from time to time in various legal proceedings arising in the ordinary course of our business, including primarily commercial, product liability, employment and intellectual property claims. In accordance with GAAP, we record a liability in our Consolidated Financial Statements with respect to any of these matters when it is both probable that a liability has been incurred and the amount of the liability can be reasonably estimated. With respect to any currently pending legal proceedings, we have not established an estimated range of reasonably possible additional losses either because we believe that we have valid defenses to claims asserted against us or the proceeding has not advanced to a stage of discovery that would enable us to establish an estimate. We currently do not expect the outcome of these matters to have a material effect on our consolidated results of operations, financial position or cash flows. Litigation, however, is inherently unpredictable, and it is possible that the ultimate outcome of one or more claims asserted against us could adversely impact our results of operations, financial position or cash flows. We expense legal costs as incurred.