

**Autoscope Technologies Corporation**

**Annual Report**

**December 31, 2025**

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# Autoscope Technologies Corporation

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

SIC Code: 3829

## Annual Report

**For the period ending December 31, 2025**  
(the “Reporting Period”)

The number of shares outstanding of our Common Stock was 5,505,422 shares as of March 6, 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

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## **Forward-Looking Statements**

Certain statements and information included in this Annual Report of Autoscope Technologies Corporation for the period ended December 31, 2025 (this “Annual 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, the 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 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; 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.

## **Part A General Company Information**

### **Item 1 The exact name of the issuer and its predecessors (if any).**

The exact name of the issuer is Autoscope Technologies Corporation. Image Sensing Systems, Inc. (“ISNS”), is the predecessor to Autoscope Technologies Corporation (Please see Part A, Item 3 of this Annual Report).

**Item 2 The address of the issuer’s principal executive offices and address(es) of the issuer’s 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: ICOM Advisors LLC d/b/a InvestorCom  
Phone: +1 (203) 972-9300  
Email: [investorrelations@autoscope.com](mailto:investorrelations@autoscope.com)  
Address: 1055 Washington Boulevard, Suite 520, Stamford, CT 06901

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

**Item 3 The jurisdiction(s) and date of the issuer’s incorporation or organization.**

On July 21, 2021, a holding company reorganization was completed (the “Reorganization”) in which ISNS became a wholly-owned subsidiary of the then newly-formed parent company named “Autoscope Technologies Corporation,” 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, par value \$0.01 per share (“Common Stock”).

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” (the “Form 25”) with the Securities and Exchange Commission (the “SEC”) on or about December 30, 2022. The purpose of filing the Form 25 was to effect the delisting of the Common Stock from Nasdaq and the deregistration of the Common Stock under Section 12(b) of the Exchange Act.

Upon the effectiveness of the Form 25, 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 is qualified to trade on the OTCQX Best Market under the symbol “AATC” and its Common Stock is now traded on the OTCQX Best Market.

As used in this Annual Report, references to the "Company", "we", "us" and "our" or our management or business at any time before the effective date of the Reorganization are 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.

Autoscope was incorporated in Minnesota on April 23, 2021 and is deemed active under the laws of the State of Minnesota. ISNS was incorporated in Minnesota on December 20, 1984 and is deemed active under the laws of the State of Minnesota.

## **Part B Share Structure**

### **Item 4 The exact title and class of securities outstanding.**

The title of Common Stock, which is the only class of outstanding securities of the Company as of the date of this Annual Report, is “Autoscope Technologies Corporation Common Stock, par value \$0.01 per share.” There were 5,505,422 shares of Common Stock outstanding at March 6, 2026. The Company’s CUSIP number is 053306106. The Company’s trading symbol is AATC.

### **Item 5 Par or stated value and description of the security.**

Our Articles of Incorporation (“Articles”) authorize us to issue a total of 25,000,000 shares of capital stock, consisting of 20,000,000 shares of Common Stock and 5,000,000 shares of preferred stock, \$0.01 par value per share (“Preferred Stock”). The par value of the Common Stock is \$0.01 per share.

#### *Common Stock*

**Voting Rights.** The holders of shares of our Common Stock are entitled to one vote per share on all matters to be voted on by shareholders. Directors are elected by a plurality of the votes cast by shareholders present in person or represented by proxy at a meeting of the shareholders of Autoscope and entitled to vote on the election of directors. Except as otherwise provided by applicable law, our Articles, or the Bylaws of Autoscope Technologies Corporation (“Bylaws”), every matter other than the election of directors will be decided by the affirmative vote of a majority of the votes cast by shareholders present in person or represented by proxy at the shareholders meeting at which a quorum is present and entitled to vote on such matter. As provided in our Articles, holders of shares of our Common Stock are not entitled to cumulate their votes in the election of directors or with respect to any matter submitted to a vote of the shareholders.

**Dividends.** The holders of our Common Stock are entitled to receive dividends declared by our Board of Directors (the “Board” or “Board of Directors”) out of funds legally available for the payment of dividends under the Minnesota Business Corporation Act (Chapter 302A of the Minnesota Statutes) (the “MBCA”), subject to the rights of any shares of our Preferred Stock then outstanding.

**Liquidation.** Upon any liquidation, dissolution or winding up of our business, the holders of Common Stock are entitled to share equally in all assets available for distribution after payment of all liabilities and provision for the liquidation preference of any shares of our Preferred Stock then outstanding.

**Rights and Preferences.** The holders of our Common Stock have no preemptive rights and no rights to convert their Common Stock into any other securities. There are also no redemption or sinking fund provisions applicable to our Common Stock.

#### *Preferred Stock*

The Board has the authority to issue Preferred Stock in one or more classes or series and to fix its rights, preferences, privileges and restrictions, which could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms, and the number of shares constituting, or the designation of, such class or series, any or all of which may be greater than the rights of Common Stock. The issuance of our Preferred Stock could adversely affect the voting power of holders of Common Stock and the likelihood that such holders will receive dividend payments and payments upon our liquidation. In addition, the issuance of shares of Preferred Stock could have the effect of delaying, deferring or preventing a change in control of Autoscope or other corporate action. As of the date of this Report, no shares of Preferred Stock are outstanding.

#### *Anti-Takeover Effects of Provisions of Our Articles, Bylaws, and Minnesota Law*

**Minnesota Law.** We are subject to the anti-takeover provisions of Section 302A.671 of the MBCA. This provision generally limits the voting rights of a shareholder acquiring at least 20% of the voting shares of a corporation in an attempted takeover or otherwise becoming a substantial shareholder unless holders of a majority of the voting power of the disinterested shares approve full voting rights for such substantial shareholder, with certain exceptions.

Section 302A.673 of the MBCA generally prohibits a public Minnesota corporation from engaging in a business combination with an interested shareholder for a period of four years after the date of the transaction in which the person became an interested shareholder unless before the date of the transaction, a committee of the board of directors of the corporation consisting of one or more disinterested directors or, if the board has no disinterested directors, by three or more disinterested persons selected by the board, approved either the business combination or the transaction which resulted in the shareholder becoming an interested shareholder. As used in Section 302A.673 and defined in Section 302A.011, subdivision 46, a “business combination” includes:

- any merger or consolidation involving Autoscope or its subsidiary and the interested shareholder;
- any exchange under a plan of exchange of shares or other securities of Autoscope or its subsidiary or money, or other property for shares, other securities, money or property of the interested shareholder;
- any sale, lease, exchange, mortgage, pledge, transfer, or other disposition involving the interested shareholder of assets of Autoscope having an aggregate market value equal to 10% or more of the aggregate market value of all of the assets of Autoscope;
- the issuance or transfer by Autoscope of its shares that have an aggregate market value equal to at least 5% of the aggregate market value of all of the outstanding shares of Autoscope to the interested shareholder;
- Autoscope’s adoption of any plan or proposal for its liquidation or dissolution proposed by or on behalf of the interested shareholder;
- any reclassification of securities or recapitalization of Autoscope proposed by or on behalf of the interested shareholder that has the effect of increasing the proportionate share of any class or series of voting shares of Autoscope that is owned by the interested shareholder; or
- the receipt by the interested shareholder of the benefit of any loans, advances, guarantees, pledges, or other financial assistance provided by or through Autoscope.

In general, as used in Section 302A.673 of the MBCA, an “interested shareholder” is defined in Section 302A.011, subdivision 49 as any entity or person beneficially owning, directly or indirectly, 10% or more of the outstanding voting stock of the Company, or an affiliate or associate of the Company that, at any time within the four-year period immediately before the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the outstanding voting stock of Autoscope.

Articles of Incorporation. Certain provisions of our Articles may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which shareholders might otherwise receive a premium for their shares, or transactions that our shareholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our Common Stock. Among other things, our Articles:

- permit our Board to authorize and issue shares of preferred stock without prior shareholder approval, commonly referred to as “blank check” preferred stock, with any rights, preferences and privileges as the Board may designate, including the right to approve an acquisition or other change in our control;
- provide that the authorized number of directors may be increased by resolution of the Board;
- provide that all vacancies on the Board, including newly-created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum; and
- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of Common Stock entitled to vote in any election of directors to elect all of the directors standing for election).

Limitation on Liability of Directors and Indemnification. Our Articles limit the liability of our directors to the fullest extent permitted by the MBCA. Section 302A.251, subdivision 4 of the MBCA provides that a director’s personal liability to Autoscope or its shareholders for monetary damages for breach of fiduciary duty may be eliminated, except for liability due to:

- breach of the duty of loyalty to Autoscope or its shareholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- the unlawful payment of dividends or redemption of shares as provided in Section 302A.559 of the MBCA or civil liability for securities violations under Section 80A.76 of the Minnesota Statutes; or
- transactions from which our directors derived an improper personal benefit.

These limitations of liability do not apply to liabilities arising under federal securities laws and do not affect the availability of equitable remedies such as injunctive relief or rescission.

Our Bylaws provide that we will indemnify and advance expenses to our directors, officers and persons serving in any other capacity at our request to the fullest extent permitted by Minnesota law. Section 302A.521, subdivision 7 of the MBCA also permits us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in connection with their services to us. We maintain a directors' and officers' liability insurance policy.

**Item 6 The number of shares or total amount of the securities outstanding for each class of securities authorized.**

**Common Stock**

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

\*The number of beneficial shareholders of Autoscope owning at least 100 shares exceeds 50.

**Preferred Stock**

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

**Item 7 The name and address of the transfer agent.**

Continental Stock Transfer & Trust Company  
 1 State Street, 30th Floor  
 New York, NY 10004-1561  
 Phone: +1 (212) 509-4000

The Company's transfer agent is registered under the Exchange Act and is an authorized transfer agent subject to regulation by the SEC.

## **Part C Business Information**

### **Item 8 The nature of the issuer's business.**

#### **A. Business Development**

Autoscope creates value through owning and supporting operating subsidiaries and investments, anchored by core investments in the fields of technology and engineering. Autoscope's main subsidiary is ISNS. For at least the last three years, and as described in this Part C, Item 8 below, ISNS has been committed to providing above-ground detection technology products for advanced traffic management systems, traffic data collection applications, and related markets.

As described in Part A, Item 3 of this Annual Report, Autoscope was incorporated as a Minnesota corporation on April 23, 2021, and ISNS was incorporated as a Minnesota corporation on December 20, 1984. Autoscope and ISNS have a fiscal year ending on December 31. Also as described in Part A, Item 3 of this Annual Report, in the Reorganization, ISNS became a wholly-owned subsidiary of Autoscope, which became the successor issuer to ISNS. As a result of the Reorganization, Autoscope replaced ISNS as the public company trading on Nasdaq under the ticker symbol "AATC," and outstanding shares of ISNS's common stock automatically converted into shares of Common Stock of Autoscope.

During the immediately preceding three years and through the date of this Annual Report:

- Autoscope and ISNS have not been involved as a debtor in any bankruptcy, receivership, or any similar proceeding;
- Autoscope and ISNS have not been involved with any material reclassifications, mergers, consolidations or purchases or sales of any other significant amount of assets, other than the Reorganization and the sale of the RTMS radar detection product line business to Sensys Networks, Inc., a Delaware corporation and a U.S. subsidiary of TagMaster AB, effective on August 31, 2023;
- Neither Autoscope nor ISNS has defaulted on the terms of any note, loan, lease or other indebtedness or financing arrangement requiring either Autoscope or ISNS to make payments;
- There has been no change in control of Autoscope or ISNS;
- There has not been any increase of 10% or more in any class of outstanding equity securities of Autoscope;
- There has not been any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off or reorganization;
- There has not been any delisting of Autoscope's securities by any securities exchange except for the voluntary delisting from Nasdaq described in Part A, Item 3 above; and
- There have not been any current, past, pending or threatened legal proceedings or administrative actions either by or against Autoscope or ISNS that could have a material effect on Autoscope's business, financial condition, or operations and no current, past or pending trading suspensions by a securities regulator involving Autoscope or ISNS.

## **B. Business of Issuer**

### General

ISNS is a global company dedicated to providing an above-ground detection technology platform for advanced traffic management systems, traffic data collection applications, and data driven strategies for the Intelligent Transportation Systems (ITS) sector. ISNS has pioneered the use of the most advanced detection algorithms in the industry, incorporating Artificial Intelligence (AI) and machine learning into their video image processing for vehicle and pedestrian detection. The Company's flagship Autoscope video detection provides highly accurate and reliable intersection, wrong-way detection, and transportation data insight solutions.

By harnessing AI-driven sensor analysis, Autoscope 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. These 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.

In 2021, a Bipartisan Infrastructure Law (BIL) established the Safe Streets and Road for All (SS4A) discretionary program, with \$5 billion in appropriated funds over five years, from 2022 through 2026. The program funds aim to prevent roadway deaths and serious injuries and supports the U.S. Department of Transportation's National Roadway Safety Strategy and our shared goal of zero roadway deaths and serious injuries, or "Vision Zero." These growing interactions between all roadway users will make our ITS solutions increasingly necessary to complement existing and new roadway infrastructure to manage traffic flow and identify and prevent safety risks for all roadway users. While the current SS4A program authorization extends through 2026, Congress is considering legislation that would reauthorize and expand the program beginning in 2027. Although the timing and structure of any successor program remain uncertain, federal, state, and local transportation agencies continue to prioritize roadway safety initiatives that align with the Company's ITS and safety focused solutions.

ISNS believes our solutions are technically superior to those of its competitors because they limit the occurrence of false detection, are generally easier to install with lower costs of ownership and allow end users to manage inputs from a variety of sensors for various tasks.

The Company's sales and distribution channels, particularly our exclusive Manufacturing, Distributing, and Technology License Agreement with Econolite (as amended and modified, the "Econolite License Agreement," and collectively with the various agreements entered into between the Company and Econolite, the "Econolite Agreements"), position us to expand the reach of our technology-driven solutions in the marketplace. Autoscope video products are marketed in the United States, Mexico, Canada and the Caribbean through the Econolite License Agreement and through a non-exclusive agreement in the Middle East. Our partnership with Econolite, a recognized leader in ITS intersection control, gives us direct access to a broad network of agencies and integrators in the United States, Mexico, Canada and the Caribbean.

With more than 160,000 installations in over 80 countries worldwide, ISNS is committed to helping cities and transportation agencies improve roadway safety and efficiency. As infrastructure evolves and traffic demands grow, our AI enhanced detection platforms provide cities with the most advanced tools available, empowering them to achieve Vision Zero goals and create safer transportation networks.

## The Intelligent Transportation Systems Market

The ITS market encompasses a broad range of information processing and control electronics technologies that, when integrated into roadway infrastructure, help monitor and manage traffic flow, reduce congestion, and enhance roadway safety. The ITS market has been built around the detection of conditions that impact the proper operation of roadway infrastructure. ITS applications include a wide array of traffic management systems, such as traffic signal control, tolling and variable messaging signs. ITS technologies include video vehicle detection, inductive loop detection, sensing technologies (such as radar), floating cellular data, computational technologies and wireless communications.

In traffic management applications, vehicle detection products are used for automated vehicle detection and are a primary data source upon which ITS solutions are built. Traditionally, automated vehicle detection is performed using inductive wire loops buried in the pavement. However, in-pavement loop detectors are costly to install, difficult to maintain, expensive to repair and not capable of either wide area vehicle detection without installations of multiple loops.

Above-ground detection solutions for ITS offer several advantages to in-pavement loop detectors. Above-ground detection solutions tend to have a lower total cost of ownership than in-pavement loop detectors because above-ground solutions are nondestructive to road surfaces, do not require closing roadways to install or repair, and are capable of wide area vehicle detection with a single device, thus enabling one input device to do the work of many in-pavement loops. Due to their location above-ground, these solutions have no exposure to the wear and tear associated with expanding and contracting pavement and generally less exposure to the vibration and compaction caused by traffic. Furthermore, in the event of malfunction or product failure, above-ground detection solutions can be serviced and repaired without shutting down the roadway. Each of these factors results in greater up time and increased reliability of above-ground detection solutions compared to in-pavement loop detectors. These technology solutions also offer a broader set of detection capabilities and a wider field of view than in-pavement loop detectors. In addition, a single unit video or radar-based system can detect and measure a variety of parameters, including vehicle presence, counts, speed, length, time occupancy, headway and flow rate as well as environmental factors and obstructions to the roadway. An equivalent installation using loops would require many installations per lane.

## Subsidiaries, Research and Development, and Employees

The Company's subsidiaries as of December 31, 2025 are listed below:

<b>Company Name and Address</b>	<b>% of Ownership</b>	<b>Country or US State of Incorporation</b>
Autoscope Technologies India Private Limited TVH Agnitio Park, 7th Fl. No. 141 Rajiv Gandhi Salai Kottivakkam, Chennai 600041	100%	India
Image Sensing Systems, Inc. 1115 Hennepin Ave. Minneapolis, MN 55403	100%	Minnesota, USA
Image Sensing Systems Spain SLU <sup>(1)</sup>	100%	Spain

(1) In the third quarter of 2025, we initiated the dissolution of Image Sensing Systems Spain SLU. Image Sensing Systems Spain SLU had no physical location in 2025 and was formally dissolved in January 2026.

During 2025, the Company dissolved Image Sensing Systems Canada and Image Sensing Systems HK Limited, both of which were wholly owned by the Company.

Autoscope Technologies India Private Limited and Image Sensing Systems, Inc. provide research and development for our products and services. The Company spent \$2.7 million and \$2.4 million on research and development activities during the fiscal years ended December 31, 2025 and 2024, respectively.

As of December 31, 2025, we had 30 employees, consisting of 23 employees in North America and seven employees in India. None of our employees are represented by a union.

## Governmental Regulation and Environmental Compliance

There is no material effect on the Company to comply with existing and, to the Company's knowledge, probable applicable governmental regulations of its business, including any governmental approvals, or the costs and effects of compliance with federal, state and local environmental laws.

## Other Information

The Company's SIC Code is 3829, which is measuring and controlling devices not elsewhere classified.

The Company is not, and has not at any time been, a "shell company." For purposes of this Annual Report, a "shell company" means an issuer, other than a business combination related shell company, as defined by Rule 405 under the Securities Act of 1933, as amended (the "Securities Act"), or an "asset-backed issuer," as defined by Item 1101(b) of Regulation AB under the Securities Act, that has:

- (1) No or nominal operations; and
- (2) Either:
  - a. No or nominal assets,
  - b. Assets consisting solely of cash and cash equivalents, or
  - c. Assets consisting of any amount of cash and cash equivalents and nominal other assets.

## **Item 9 The nature of products or services offered.**

### **A. Principal products or services, and their markets**

Our vehicle and traffic detection products are critical components of many ITS applications. Our Autoscope video systems convert sensory input collected by video modules into vehicle detection and traffic data used to operate, monitor, and improve the efficiency and safety of roadway infrastructure. At the core of each product line are proprietary digital signal processing algorithms and sophisticated embedded software that analyze sensory input and deliver actionable data to integrated applications. Our digital signal processing software algorithms represent a foundation on which to support additional product development into other applications supporting the Safe Roads for All (SS4A) discretionary program.

*Autoscope Video.* Our Autoscope video system processes video input from a traffic scene in real time and extracts the required traffic data, including vehicle presence, bicycle presence/differentiation, counts, speed, length, time occupancy (percent of time the detection zone is occupied), turning movements (quantifying the movement of vehicles), and flow rate (vehicles per hour per lane). For intersections, the system communicates with the intersection signal controller, which changes the traffic lights based on the data provided. The data may also be transmitted to a traffic management center via the internet or other standard communication means and processed in real time to assist in traffic management and stored for later analysis for traffic planning purposes.

*Autoscope Analytics.* Our Autoscope Analytics is an advanced traffic safety platform designed to accelerate progress toward Vision Zero by reducing traffic-related fatalities and injuries. The platform provides immediate data collection, rapid analysis, and actionable insights through intuitive dashboards. Users can monitor and optimize safety treatments in real-time, allowing for an iterative approach that adapts to changing conditions. Autoscope Analytics' scalable solution ensures that cities and communities can efficiently allocate resources, engage with residents, and implement proactive safety measures, leading to faster, more effective achievement of Vision Zero goals.

*Autoscope IntelliSight.* Launched in 2023, Autoscope IntelliSight has been released for the European and Middle Eastern markets. It began distribution in the second quarter of 2025 in North America under the brand name "Autoscope OptiVu." Autoscope IntelliSight offers the most advanced detection algorithms with AI and machine learning on the market today. The camera and processor provide high performance vehicle detection, bicycle and pedestrian detection, and enhanced traffic data collection in real-time, and they are Smart City ready with connectivity to other systems. The performance of IntelliSight is robust and reliable and is based on a new hardware platform designed to enable future capabilities and solutions.

*Autoscope Vision.* Autoscope Vision is our flagship integrated product that includes a color high definition, zoom camera and machine vision processing computer contained in a compact housing that is our leading offering in the North American market. Autoscope rack-based products offer digital MPEG 4 video streaming, high-speed Ethernet interface, web browser maintenance, and data and video over power line communications. The Autoscope Vision product offers high-definition streaming video, built-in Wi-Fi for quick and easy setup, cost-effective three-wire cable, and full screen object detection and motion tracking algorithm technology for best-in-class detection accuracy.

We also offer a video-based wrong way module that uses a video-based digital video stream and leverages our video detection algorithms to identify occurrences of vehicles driving in the incorrect direction. The event is captured and sent to the end users via short message service (SMS) and email in parallel with actuation or roadside or in-pavement warning systems to help drivers self-correct or alert agency personnel if drivers continue towards on-coming traffic.

## **B. Distribution methods of the products or services**

We market and sell our products globally. Together with our partners, we offer a combination of high-performance detection technology and experienced local support. Our end users primarily consist of federal, state, city and county departments of transportation and port, highway, tunnel and other transportation authorities. The decision makers within these entities typically are traffic planners and engineers, who in turn often rely on consulting firms that perform planning and feasibility studies. Our products sometimes are sold directly to system integrators or other suppliers of systems and services who are operating under subcontracts in connection with major road construction contracts.

Sales of Autoscope Video in the United States, Mexico, Canada and the Caribbean. We have granted Econolite an exclusive right to manufacture, market and distribute the Autoscope video system in the United States, Mexico, Canada and the Caribbean. The Econolite License Agreement grants Econolite a first refusal right that arises when we make a proposal to Econolite to extend the license to additional products in the United States, Mexico, Canada and the Caribbean and a first negotiation right that arises when we make a proposal to Econolite to include rights corresponding to Econolite's rights under our current agreements in countries not in these territories. Econolite provides the marketing and technical support needed for sales of our products and services in these territories. Econolite pays us a royalty on the gross profit derived from its sales of the Autoscope system. We provide second tier technical support for Autoscope and video products. We have the right to terminate the Econolite License Agreement if Econolite does not meet minimum annual sales levels or if Econolite fails to make payments as required thereunder. In 2008, the term of the Econolite License Agreement was extended to 2031. The agreement can be terminated by either party upon three years' notice.

Sales in Europe, Asia, the Middle East and Africa. We market our Autoscope video product lines to a network of distributors covering countries in Europe and the Middle East through exclusive and non-exclusive agreements. Technical support to these distributors is provided by our product support services located in Minneapolis, with second-tier support provided by our engineering groups. From time to time, we may grant exclusive or non-exclusive rights to Econolite for markets outside of our significant markets for certain jurisdictions or product sales based on facts and circumstances related to the opportunities.

### **C. Status of any publicly announced new product or service**

On August 21, 2024, ISNS announced the introduction of Autoscope Analytics, a data insights platform that serves as a pivotal tool in the ongoing endeavor to accelerate communities' advancement toward Vision Zero. By harnessing cutting-edge AI technology, Autoscope Analytics empowers communities to swiftly and decisively implement safety measures, thus making significant strides towards the overarching goal of achieving zero traffic-related fatalities and severe injuries. ISNS believes foundational traffic data should be readily available to communities of all sizes and resources, so they provide limited access to agencies at no cost. In addition to no-cost data, ISNS has a premium paid offering that delivers even deeper insights into comprehensive safety analytics for agencies to support the achievement of Safe Roads for All (SS4A) objectives.

On May 3, 2023, ISNS announced the availability of Autoscope IntelliSight for the European market. Autoscope IntelliSight offers the most advanced detection algorithms with AI and machine learning on the market today. The camera and processor provide high-performance vehicle detection, bicycle and pedestrian detection, and enhanced traffic data collection in real-time, and they are Smart City ready with connectivity to other systems. The performance of IntelliSight is robust and reliable and is based on a new hardware platform designed to enable future capabilities and solutions. ISNS began distribution of the product in North America under the brand name "Autoscope OptiVu" in the second quarter of 2025.

### **D. Competitive business conditions, the issuer's competitive position in the industry, and methods of competition**

We compete with companies that develop, manufacture and sell traffic management devices using video and radar sensing technologies as well as other above-ground detection technologies based on laser, infrared and acoustic sensors. For ITS applications, we also compete with providers of in-pavement loop detectors and estimate that more than 60% of the traffic management systems currently in use in the U.S. use in-pavement loop detectors. For competition with other above-ground detection products, we typically compete based on performance and functionality, and to a lesser extent on price. When competing against providers of loop detectors, we compete principally on ease of installation and the total cost of ownership over a multi-year period, and to a lesser extent on functionality.

Among the companies that provide direct competition to Autoscope video worldwide are Iteris, Inc., Miovision Technologies Incorporated, NoTraffic, Derq Incorporated, ITS Plus Incorporated, Wavetronix, LLC, FLIR Systems, Inc., Cubic Transportation Systems, Signal Group Inc. (Peek), Sensys Networks Inc., and Smartmicro Inc. In addition, there are smaller local companies providing direct competition to the Company in specific markets throughout the world. We are aware that these and other companies will continue to develop technologies for use in traffic management applications. One or more of these technologies could in the future provide increased competition for our systems.

### **E. Sources and availability of raw materials and the names of principal suppliers**

Autoscope video products for sale under the Econolite License Agreement are manufactured pursuant to the terms of the various Econolite Agreements. Econolite is responsible for securing raw materials and setting warranty terms and must provide all services required under this warranty. In Europe and Asia, we engage contract manufacturers to manufacture the Autoscope family of products.

We typically provide a two- to three-year warranty on our products, with extended warranties available for purchase at the time of the sale.

Most of the hardware components used to manufacture our products are standard electronics components that are available from multiple sources. Although some of the components used in our products are obtained from single source suppliers, we believe other component vendors are available should the necessity arise.

## **F. Dependence on one or a few major customers**

We have granted Econolite an exclusive right to manufacture, market and distribute the Autoscope video system in the United States, Mexico, Canada and the Caribbean. The Econolite License Agreement grants Econolite a first refusal right that arises when we make a proposal to Econolite to extend the license to additional products in the United States, Mexico, Canada and the Caribbean and a first negotiation right that arises when we make a proposal to Econolite to include rights corresponding to Econolite's rights under our current agreements in countries not in these territories. Econolite provides the marketing and technical support needed for its sales in these territories.

In exchange for its rights under the Econolite License Agreement, Econolite pays us royalties for sales of the Autoscope video system. Historically, a substantial portion of our revenue has consisted of royalties resulting from sales made by Econolite, including 99% and 97% in the years ended December 31, 2025 and December 31, 2024, respectively. Econolite's account receivable represented 100% of our accounts receivable at December 31, 2025 and December 31, 2024. We expect that Econolite will continue to account for a significant portion of our revenue for the foreseeable future. Any decrease in Econolite's sales volume could significantly reduce our royalty revenue and adversely impact earnings. A failure by Econolite to make royalty payments to us in a timely manner or at all would harm our financial condition. In addition, we believe sales of our products are a material part of Econolite's business, and any significant decrease in Econolite's sales of the other products it sells could harm Econolite, which could have a material adverse effect on our business and prospects.

## **G. Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration**

To protect our rights to our proprietary, know-how, technology and other intellectual property, it is our policy to require all employees and consultants to sign confidentiality agreements that prohibit the disclosure of our confidential information to any third parties. These agreements also require disclosure and assignment to us of any discoveries and inventions made by employees and consultants while they are devoted to our business activities. We also rely on trade secret, copyright and trademark laws to protect our intellectual property. We have also entered into exclusive and nonexclusive license and confidentiality agreements relating to our own and third party technologies. We aggressively protect our processes, products, and strategies as proprietary trade secrets. Our efforts to protect intellectual property and avoid disputes over proprietary rights include ongoing review of third-party patents and patent applications.

The Company is not party to any labor contracts, including, but not limited to, any collective bargaining agreements.

## **H. The need for any governmental approval of principal products or services and the status of such of any requested government approvals**

The European Parliament has enacted a directive for the restriction of the use of certain hazardous substances in electrical and electronic equipment ("RoHS"). To our knowledge, our contract manufacturing and component vendors in Europe and Asia comply with the European directive on RoHS.

## **Item 10 The nature and extent of the issuer's facilities.**

Our largest physical office and headquarters are located at 1115 Hennepin Avenue, Minneapolis, Minnesota 55403, where we own a two-story office building which contains approximately 9,000 square feet of office space (the "Property"). The Property, including land and certain real property, was purchased by ISNS in December 2021. ISNS financed the purchase of the Property through a loan from Coulee Bank that is secured by a mortgage. ISNS fully occupied the Property in February 2022.

We continue to lease approximately 160 square feet in our former headquarters at 400 Spruce Tree Centre, 1600 University Avenue West, St. Paul, Minnesota 55104. We also lease a smaller facility in India primarily as office space for local employees.

We believe that our existing properties are in good condition and suitable for the conduct of our business and the productive capacity of such properties is substantially being utilized or we have plans to utilize it.

## **Part D Management Structure and Financial Information**

### **Item 11 Company Insiders (Officers, Directors, and Control Persons).**

#### **A. Officers and Directors**

##### Directors

The identities of the members of the Board, as well as certain information about them, as of December 31, 2025 are presented below, including in the following table. The business address for each director is 1115 Hennepin Avenue, Minneapolis, Minnesota 55403:

<b>Name</b>	<b>Position with Company</b>	<b>Director Since</b>
Andrew T. Berger	Executive Chair of the Board of Directors	October 2015
James W. Bracke	Director	March 2009
Joseph P. Daly	Director, Chair of the Nominating and Corporate Governance Committee	January 2019
Ezekiel J. Kruglick	Director, Chair of the Compensation Committee, Chair of the Technology Advisory Committee	September 2021
Brian J. VanDerBosch	Director, Chair of the Audit Committee	June 2021

##### **Andrew T. Berger**

Executive Chair of the Board of Directors

Andrew T. Berger has been a director of ISNS since October 2015, Executive Chair of ISNS since June 2016, a director of Autoscope since April 2021, and the Executive Chair of Autoscope since March 10, 2022. Additionally, Mr. Berger was the Chief Executive Officer of Autoscope from April 2021 until November 2022. Mr. Berger was appointed Chief Executive Officer of Tuesday Morning Corporation, an off-price retailer of home goods and décor, on November 4, 2022 and served in that role until May 12, 2023. In February 2023, Tuesday Morning Corporation filed for Chapter 11 protection under the federal bankruptcy laws. Mr. Berger is the Managing Member of AB Value Management LLC, which serves as the General Partner of AB Value Partners, LP. Mr. Berger has over two decades of experience in investment analysis, investment management, and business consulting. From 1998 through 2002, Mr. Berger served as Equity Analyst for Value Line, Inc. Since 2002, Mr. Berger has served as President of Walker's Manual, Inc., an investment publisher that he transformed into a business consulting company whose clients have included public and private companies. From 2017 through 2022, Mr. Berger served as the Chief Executive Officer of Cosi, Inc., a fast-casual restaurant chain that operates and franchises more than 25 domestic and international restaurants. In 2020, Cosi, Inc. filed for Chapter 11 protection under the federal bankruptcy laws, and it successfully emerged from Chapter 11 in August 2022. From January 2020 through October 2021, Mr. Berger served on the board of directors of Rocky Mountain Chocolate Factory, Inc. (Nasdaq: RMCF), an international franchisor and confectionery manufacturer. In October 2024, Mr. Berger was appointed as a director of Table Trac Inc. (OTCQX: TBTC), a software company specializing in casino management systems. Mr. Berger is qualified to serve on Autoscope's Board due to his experience in investment analysis management and business consulting for both public and private companies.

##### **James W. Bracke**

Director

James W. Bracke has been a director of ISNS since March 2009 and a director of Autoscope since April 2021. Mr. Bracke was Chairman of the Board of ISNS from September 2011 until June 2016. He is a member of the Audit, Compensation, Nominating and Corporate Governance and Technology Advisory Committees. Mr. Bracke has also been a director of NVE Corporation, a publicly-held leader in the practical commercialization of spintronics nanotechnology, since 2021. Mr. Bracke has been President of Boulder Creek Consulting, LLC, a private business and technology consulting firm, since 2004. He was Vice President of Oral Health at EPIEN Medical Inc., a privately-held medical device company, from April 2014 to September 2018. Mr. Bracke was a director of Enventis Corporation, formerly known as Hickory Tech Corporation, a publicly-held company, from 2004 until it was acquired by Consolidated Communications Holdings, Inc. in October 2014. Mr. Bracke was also Managing Director of National Green Gas LLC, a medical waste-to-energy company, from 2009 to 2014. Mr. Bracke is qualified to serve as on Autoscope's Board due to his management, technical and public company experiences, and, most significantly, his 20 years as President and Chief Executive Officer of Lifecore Biomedical, Inc., a publicly held medical device manufacturer, from 1983 to 2004.

**Joseph P. Daly**

Director

Joseph P. Daly has been a director of ISNS since January 2019 and a director of Autoscope since April 2021. Mr. Daly is a member and the Chair of the Nominating and Corporate Governance Committee and a member of the Technology Advisory Committee. Mr. Daly is the Chief Executive Officer of Essig Research, Inc., a global engineering services company specializing in the design and repair of large, infrastructure-related equipment, which he founded in October 1993. Since January 2012, Mr. Daly has been a business and finance instructor at Northeastern University in Boston, Massachusetts. In October 2016, Mr. Daly acquired the product life cycle management ("PLM") software assets of SofTechInc. and formed Essig PLM, which offers PLM-related solutions to a broad, global client base. In September 2019, Mr. Daly acquired the assets of Performance Tool, LLC to give Essig Research, which is an affiliate of Essig PLM, design/build capabilities. Since February 2024, Mr. Daly has been a director and the largest shareholder of Butler National Corp. (OTCQB: BUKS), an aerospace and gaming company. Mr. Daly was also a director from December 2013 through July 2016 and largest shareholder of Kreisler Manufacturing, Inc., which was acquired by Arlington Capital Partners in July 2016. Mr. Daly received his BSME from Rensselaer Polytechnic Institute and his MBA/MSF from Northeastern University. Mr. Daly is qualified to serve on Autoscope's Board due to his extensive experience in senior positions in companies offering engineering services, software solutions and manufacturing capabilities.

**Ezekiel J. Kruglick**

Director

Ezekiel ("Zeke") J. Kruglick has been a director of Autoscope since September 2021. Dr. Kruglick is a member of the Audit Committee, a member of the Nominating and Corporate Governance Committee, a member and the Chair of the Compensation Committee, and a member and Chair of the Technology Advisory Committee. Dr. Kruglick served on the board of directors of Cognitive Battery Systems from 2017 to 2022. Since January 2021, Dr. Kruglick has served as a Technical Advisor to the Board of PaperClip Inc., a leading supplier of enterprise cloud content management services that enable document management, communications, and data transcription focused on achieving "Straight Through Processing." Dr. Kruglick also served as Chief Executive Officer and Director of Ardent Research, a full-service research and development boutique firm specializing in technology development, from November 2009 until the firm's highly profitable asset sale in April 2021. From July 2016 to January 2020, Dr. Kruglick served as a Technical Advisor to the Executive Chairman and board of directors of ISNS. Dr. Kruglick received his B.S. and M.S. in electrical engineering and computer science from the University of California, Los Angeles, and his Ph.D. in electrical engineering and computer science from the University of California, Berkeley. Mr. Kruglick is qualified to serve on Autoscope's Board due to his extensive experience in senior positions in companies offering engineering services and technology development.

**Brian J. VanDerBosch**

Director

Brian J. VanDerBosch has been a director of Autoscope since June 2021. Mr. VanDerBosch is a member and Chair of the Audit Committee, a member of the Compensation Committee, and member of the Technology Advisory Committee. Mr. VanDerBosch has been Executive Vice President of Proprietors Capital Holdings, LLC, an angel investing fund, since October 2019. He was Chief Financial Officer and Chief Operating Officer of Global Traffic Technologies, LLC, a developer and manufacturer of traffic signal priority control and traffic detection systems. He served in these capacities under private equity ownership from January 2008 to August 2016, when the business was sold to Fortive Corporation, and he remained with the business through April 2019. Mr. VanDerBosch was Chief Financial Officer of Lubrication Technologies, Inc., a provider of advanced lubrication and energy solutions, from February 2001 through December 2007. Prior to 2001, he held various financial positions in publicly-traded and privately-held companies in diverse industries. Mr. VanDerBosch earned his Bachelor of Science degree in Accounting from the University of Minnesota and is a CPA (inactive). Mr. VanDerBosch is qualified to serve on Autoscope's Board due to his extensive experience in senior positions in companies offering traffic detection technologies and manufacturing capabilities.

## Executive Officers

The identity of the executive officers of the Company during the year ended December 31, 2025, as well as certain information about them, are presented in the following table.

<b>Name</b>	<b>Position with Company</b>	<b>Officer Since</b>
Andrew (Andy) M. Markese	Chief Executive Officer	December 2023
Lori M. Schug	Chief Financial Officer	December 2023

All correspondence to the Company's executive officers may be mailed to the Company's corporate headquarters at:

1115 Hennepin Avenue  
Minneapolis, MN 55403 United States

Biographical information for the current executive officers not already described herein appears below.

Andrew (Andy) M. Markese was appointed Chief Executive Officer of Autoscope in March 2026 and served as Interim Chief Executive Officer of Autoscope from December 2023 to March 2026. He has served as President and Chief Executive Officer of ISNS since December 2023. Previously, Mr. Markese served as Senior Vice President of Global Sales, Marketing and Product Management for Autoscope and ISNS, and, prior to that, as Vice President of Global Sales and Marketing. Before joining the Company in 2018, Mr. Markese held leadership roles at Vnomics and Ultralife Corporation, where he led multinational and North American teams supporting government and defense programs as well as commercial transportation markets. Mr. Markese brings more than 25 years of experience in global sales leadership, marketing and product management across the software, power and information services industries.

Lori M. Schug has served as Chief Financial Officer and Corporate Secretary of Autoscope and ISNS since December 2023. Prior to her appointment to Chief Financial Officer and Secretary, Ms. Schug served as the Corporate Controller for the Company since November 2022. Prior to joining the Company, Ms. Schug performed various accounting and management roles as a consultant with Salo (now Salo - A Korn Ferry Company) from August 2015 through November 2022. She was the Corporate Controller for MakeMusic from October 2007 through May 2013 during which time the business was publicly-held. She continued to serve in this capacity after the business was acquired by private equity ownership in May 2013 and remained with the business through March 2015. Prior to 2007, Ms. Schug held management and accounting roles at Fargo Electronics, Inc. (later acquired by HID Global) and NBI, Inc. She is a CPA (inactive) and earned a Bachelor of Business Administration in Accounting and Finance from the University of Wisconsin-Oshkosh.

## Equity Ownership of Directors and Executive Officers

The following table sets forth certain information with respect to the beneficial ownership of Autoscope's Common Stock as of December 31, 2025 by: (1) each person or entity known by us to own beneficially more than five percent (5%) of Autoscope's Common Stock; (2) each director of Autoscope; (3) all of our executive officers; and (4) all of our directors and our executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting power and investment power with respect to shares of Common Stock. Shares of Autoscope's Common Stock issuable pursuant to stock options and convertible securities that are exercisable or convertible as of or within 60 days after December 31, 2025 are deemed outstanding for computing the beneficial ownership of shares of Common Stock of the person or member of a group holding the options but are not deemed outstanding for computing the beneficial ownership of any other person. Except as indicated by footnote, the persons named in the table below have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them. The address of each director and executive officer named below is the same as that of Autoscope.

<b>Name</b>	<b>Position</b>	<b>Common Stock Beneficially Owned</b>
Andrew T. Berger <sup>(1)</sup>	Executive Chair, Director	382,633
James W. Bracke <sup>(2)</sup>	Director	121,195
Ezekiel J. Kruglick <sup>(3)</sup>	Director	257,341
Joseph P. Daly	Director	227,327
Brian J. VanDerBosch	Director	27,083
Andrew M. Markese <sup>(4)</sup>	Chief Executive Officer	5,037
Lori M. Schug <sup>(5)</sup>	Chief Financial Officer	2,500
All directors and officers as a group		1,023,116

- (1) Andrew T. Berger has 135,991 shares under his direct ownership. By virtue of his relationships with AB Value Management LLC and AB Value Partners, LP, Mr. Berger may be deemed to beneficially own the 246,642 shares owned by AB Value Partners, LP.
- (2) Mr. Bracke purchased 5,000 shares directly on the open market in the second quarter of 2025. Purchases on May 14, 2025 consisted of 3,000 shares for \$7.50 per share and 2,000 shares for \$7.45 per share.
- (3) Mr. Kruglick purchased 30,726 shares directly on the open market in the second quarter of 2024. Purchases consisted of 4,000 shares for \$6.54 per share on May 20, 2024; 6,020 shares for \$6.32 per share on May 21, 2024; 3,519 shares for \$6.35 per share, 5,000 shares for \$6.45 per share, and 5,000 shares for \$6.37 per share on May 22, 2024; 4,500 shares for \$6.12 per share on June 4, 2024; and 2,687 shares for \$6.12 per share on June 5, 2024.
- (4) Mr. Markese is eligible to receive shares of Autoscope Common Stock equivalent to a total value of \$60,000 pursuant to an award granted to him in December 2023. The shares were issued to Mr. Markese in three grants, each valued at \$20,000, on or before January 15, 2024, 2025 and 2026, subject to approval by the Board of Directors. The initial \$20,000 grant was awarded on January 15, 2024 and consisted of 2,522 shares of Common Stock, and these shares are included in the table. The second \$20,000 grant was awarded on January 15, 2025 and consisted of 2,515 shares of Common Stock, and these shares are included in the table. The third \$20,000 grant was awarded on January 15, 2026 and consisted of 3,333 shares of Common Stock, and these shares are not included in the table.
- (5) On January 15, 2024, Autoscope granted Ms. Schug 7,500 shares of restricted stock, of which 2,500 shares are to vest annually on each anniversary date of the grant date over a three-year vesting period beginning on January 15, 2025. The 2,500 shares that vested on January 15, 2025 are included in the table. The 2,500 shares that vested on January 16, 2026 are not included in the table. The remaining 2,500 unvested shares are also not included in the table.

## Compensation of Directors and Executive Officers

The following table presents information concerning the compensation paid for the year ended December 31, 2025 by the Company to its directors and executive officers.

Name	Position	Salaries	Bonus	401(k) Contributions <sup>(1)</sup>	Restricted Stock Grants <sup>(2)</sup>	Director Fees paid in Cash	Director Fees Paid in Stock <sup>(3)</sup>
Andrew T. Berger	Executive Chair, Director	N/A	N/A	N/A	N/A	\$40,000	\$29,991
James W. Bracke	Director	N/A	N/A	N/A	N/A	\$33,000	\$29,991
Joseph P. Daly	Director	N/A	N/A	N/A	N/A	\$28,000	\$29,991
Ezekiel J. Kruglick	Director	N/A	N/A	N/A	N/A	\$44,000	\$29,991
Brian J. VanDerBosch	Director	N/A	N/A	N/A	N/A	\$39,000	\$29,991
Andrew M. Markese <sup>(4)</sup>	CEO	\$291,200	\$63,000	\$8,736	2,515	N/A	N/A
Lori M. Schug <sup>(4)</sup>	CFO	\$215,000	\$80,500	\$8,865	0	N/A	N/A

<sup>(1)</sup> Consists of matching contributions made by the Company to the Company's qualified defined contribution 401(k) plan during the year ended December 31, 2025.

<sup>(2)</sup> Represents the number of shares of Common Stock granted.

<sup>(3)</sup> Represents the grant date fair value of stock awards during the year determined pursuant to Financial Accounting Standards Board Accounting Standard Codification Topic 718, "Compensation – Stock Compensation" (ASC Topic 718). Refer to "Note 14 - Stock-Based Compensation" in the Notes to Consolidated Financial Statements included elsewhere in this Annual Report for a discussion of the assumptions used in calculating the grant date fair value.

<sup>(4)</sup> Consists of all compensation paid to Andrew M. Markese and Lori M. Schug during 2025.

In May 2025, the Board approved a 2025 directors compensation plan effective January 1, 2025 (The "Director Compensation Plan"). Pursuant to the Director Compensation Plan, each director received an annual \$50,000 retainer, of which \$20,000 was paid in cash and \$30,000 was paid in the form of a Common Stock award grant, with the per share value of the Common Stock based on the closing price of the Common Stock on the trading day before the vesting date of the award. Except for the Common Stock awards for the first quarter of 2025, which were made in May 2025, the director fees (including the Common Stock awards) were payable quarterly on or about the 15th day of the last calendar month in each quarter. In addition, the Board approved the payment in 2025 of an annual fee to the Executive Chair of \$20,000 in cash.

In February 2026, the Board approved a 2026 directors compensation plan effective January 1, 2026. Each director is to receive an annual \$40,000 retainer, of which \$20,000 is to be paid in cash and \$20,000 is to be paid in the form of a Common Stock award grant, with the per share value of the Common Stock based on the closing price of the Common Stock on the trading day before the vesting date of the award. The director fees (including the Common Stock awards) are payable quarterly on or about the 15th day of the last calendar month in each quarter. In addition, the Board approved the payment in 2026 of an annual fee to the Executive Chair of \$20,000 in cash.

The Committee Chairs of the following standing Committees of the Board receive the following additional annual cash retainers:

- Audit Committee - \$8,000
- Compensation Committee - \$6,000
- Nominating and Corporate Governance Committee - \$3,000
- Technology Advisory Committee - \$5,000

Members of the Committees receive the following additional annual cash retainers:

- Audit Committee - \$5,000
- Compensation Committee - \$3,000
- Nominating and Corporation Governance Committee - \$2,000
- Technology Advisory Committee - \$3,000

Members of any special Committees formed by the Board receive a \$1,500 quarterly retainer for each special Committee on which they serve, with the Chair of each special Committee receiving an additional \$4,000 quarterly retainer. The Company had no special Committees during 2025.

The Company reimburses directors' travel, lodging and other reasonable out-of-pocket expenses in connection with attendance at Board, Committee and shareholder meetings. These amounts are not included in the table above.

*Hallowell Independent Consulting Agreement.* On December 31, 2023, the Company entered into an Independent Consulting Agreement (the "Consulting Agreement") with Mr. Frank G. Hallowell, the former Chief Financial Officer of Autoscope and former President, Chief Financial Officer and Chief Operating Officer of ISNS, under which he agreed to provide certain transitional services to the Company, including those relating to the Company's lender and service providers. Under the Consulting Agreement, the Company agreed to pay Mr. Hallowell \$10,000 per month, plus reimburse him for out-of-pocket expenses. The Consulting Agreement also contains confidentiality and non-solicitation clauses. The Consulting Agreement provides it can be terminated by either party in the event of the other party's material or substantial nonperformance or other breach of the Consulting Agreement; if Mr. Hallowell dies; by either party upon four weeks' prior notice to the other party; or immediately by the Company if Mr. Hallowell fails to sign and comply with the Company's Code of Ethics or Anti-Bribery and Corruption Policy and training. Upon termination of the Consulting Agreement, the Company's sole obligation to Mr. Hallowell will be payment of the agreed consulting fees as provided in the Consulting Agreement, provided that if the Consulting Agreement is terminated by the Company because of Mr. Hallowell's material or substantial nonperformance or other breach of the Consulting Agreement, or if he fails to comply with the post-termination obligations relating to confidentiality and non-solicitation specified in Consulting Agreement, the post-termination consulting fees will not be due and owing Mr. Hallowell. Effective October 1, 2024, the Company amended the Consulting Agreement with Mr. Hallowell under Amendment One to the Independent Consulting Agreement (the "Amended Consulting Agreement"). The Amended Consulting Agreement amends the fee paid to Mr. Hallowell to an hourly rate of \$200 per hour for services rendered on request of the Company. All other terms and conditions of the Consulting Agreement remain in effect.

On March 5, 2026, the Company provided four weeks' written notice to Mr. Hallowell terminating the Consulting Agreement. The Consulting Agreement will terminate on April 2, 2026.

*Markese Employment Offer.* On December 7, 2023, the Company entered into an Employment Offer letter (the “Markese Employment Offer”) with Andrew M. Markese pursuant to which Mr. Markese assumed the roles of Interim Chief Executive Officer of Autoscope and President and Chief Executive Officer of ISNS. Under the Markese Employment Offer, Mr. Markese is an at-will employee of the Company, and his employment may be terminated by the Company or Mr. Markese at any time.

The Markese Employment Offer provides for an annual salary of \$280,000; eligibility to participate in an annual incentive award conditional upon attainment of performance objectives set by the Board of Directors; insurance and other benefits in accordance with Company’s standard and executive benefits; and vacation in accordance with the Company’s vacation policy.

In connection with the Markese Employment Offer, Mr. Markese was awarded shares of Common Stock equivalent to a total value of \$60,000. The shares are to be issued to Mr. Markese in three annual grants, valued at \$20,000 each, subject to approval by the Board of Directors. The initial \$20,000 grant was made on January 15, 2024 and consisted of 2,522 shares of Common Stock; the second \$20,000 grant was made on January 15, 2025 and consisted of 2,515 shares of Common Stock; and the third \$20,000 grant was made on January 15, 2026 and consisted of 3,333 shares of Common Stock. The equity award initially was granted under the terms of the Image Sensing Systems, Inc. 2014 Stock Option and Incentive Plan that was assumed by Autoscope effective on July 21, 2021. In 2025, the Board amended Mr. Markese's grant so that it is under the Autoscope Technologies Corporation 2022 Stock Option and Incentive Plan.

Effective January 1, 2025, Mr. Markese’s annual salary for 2025 was \$291,200. Effective January 1, 2026, Mr. Markese’s annual salary was increased to \$299,936. Effective February 2, 2026, the Board approved an award to Mr. Markese of shares Common Stock equivalent to a total value of \$60,000. The shares are to be issued to Mr. Markese in three grants valued at \$20,000 each, to be made on or before January 15, 2027, January 15, 2028 and January 15, 2029. Each issuance is subject to advance approval by the Board of Directors, and the per share value of the Common Stock will be equal to the closing price of Common Stock on the trading day before the grant date of the award.

Effective March 10, 2026, Mr. Markese was named Chief Executive Officer of the Company.

*Schug Employment Offer.* On December 7, 2023, the Company entered into an Employment Offer letter (the “Schug Employment Offer”) with Lori M. Schug pursuant to which she assumed the roles of Chief Financial Officer of Autoscope and the Chief Financial Officer of ISNS. Under the Schug Employment Offer, Ms. Schug is an at-will employee of the Company, and her employment may be terminated by the Company or Ms. Schug at any time.

The Schug Employment Offer provides for an annual salary of \$185,000; a target bonus of up to 25% of Ms. Schug’s salary for the previous calendar year based on the attainment of performance goals set by the Company’s Board of Directors; a \$50,000 retention bonus payable in two installments of \$25,000 each on July 15, 2024 and January 15, 2025, provided Ms. Schug was in good standing and employed with the Company as of June 30, 2024 and December 31, 2024, respectively; insurance and other benefits in accordance with the Company’s standard and executive benefits; and vacation in accordance with Company’s vacation policy.

In connection with the Schug Employment Offer, on January 15, 2024, Autoscope granted Ms. Schug 7,500 shares of restricted stock, of which 2,500 shares will vest annually on each anniversary date of the grant date over a three-year vesting period beginning on January 15, 2025. The restricted shares were granted under the terms of the Image Sensing Systems, Inc. 2014 Stock Option and Incentive Plan that was assumed by Autoscope effective on July 21, 2021.

Effective January 1, 2025, Ms. Schug’s annual salary for 2025 was \$215,000. Effective January 1, 2026, Ms. Schug’s annual salary was increased to \$221,450. Effective February 2, 2026, the Board approved and award of shares of Common Stock equivalent to a total value of \$30,000. The shares are to be issued to Ms. Schug in two grants valued at \$15,000 each, to be made on or before January 15, 2028 and January 15, 2029. Each issuance is subject to advance approval by the Board of Directors, and the per share value of the Common Stock will be equal to the closing price of the Common Stock on the trading day before the grant date of the award.

## **B. Legal/disciplinary history**

None of the current directors and executive officers of the Company have, in the last five years, been the subject of (1) a conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding any traffic violations and other minor offenses); (2) the entry of an order, judgment or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities or banking activities; (3) a finding or judgment by a court of competent jurisdiction (in a civil action), the SEC, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended or vacated; or (4) the entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

## **C. Disclosure of family relationships**

There are no family relationships among or between the Company's directors, officers, or beneficial owners of more than five percent (5%) of any class of Autoscope's equity securities.

## **D. Disclosure of related party transactions**

During and for the years ended December 31, 2025 and December 31, 2024, the Company had no material transactions with related persons, and no such transactions are currently proposed. For purposes of this disclosure:

- a "related person" means any director, executive officer, nominee for director, or beneficial owner of more than five percent (5%) of any class of Autoscope's equity securities, immediate family members of any such person, and any person (other than a tenant or employee) sharing the household of any such person;
- a "transaction" includes, but is not limited to, any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships; and
- "Material" is defined as greater than \$15,000, which is the lesser of \$120,000 or one percent (1%) of the average of the Company's total assets at year-end for its last three fiscal years.

## **E. Disclosure of conflicts of interest**

This item is not applicable, as the Company has had no conflicts of interest involving its directors or executive officers in the years ended December 31, 2025, 2024, 2023 or 2022.

## **Item 12 Financial information for the issuer's most recent fiscal period.**

The Company has provided the following audited Consolidated Financial Statements for each of the years ended December 31, 2025 and December 31, 2024 as part of this 2025 Annual Report, which are hereby incorporated by reference:

1. Independent Auditor's Report
2. Consolidated Balance Sheets
3. Consolidated Statements of Operations
4. Consolidated Statements of Comprehensive Income
5. Consolidated Statements of Cash Flows
6. Consolidated Statements of Shareholders' Equity
7. Notes to Consolidated Financial Statements

**Item 13 Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence.**

The Company has provided the following audited Consolidated Financial Statements for each of the years ended December 31, 2025 and December 31, 2024 as part of this 2025 Annual Report, which are hereby incorporated by reference:

1. Independent Auditor's Report
2. Consolidated Balance Sheets
3. Consolidated Statements of Operations
4. Consolidated Statements of Comprehensive Income
5. Consolidated Statements of Cash Flows
6. Consolidated Statements of Shareholders' Equity
7. Notes to Consolidated Financial Statements

**Item 14 The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to operations, business, development and disclosure.**

Securities Counsel

Vincent M. Pecora  
Winthrop & Weinstine, P. A.  
Capella Tower STE 3500, 225 South Sixth Street  
Minneapolis, MN 55402-4629  
United States

Website: [www.winthrop.com](http://www.winthrop.com)  
Phone: (612) 604-6400  
Email: [vpecora@winthrop.com](mailto:vpecora@winthrop.com)

Auditor

Preparation of the Company's consolidated financial statements is the responsibility of the Company's management. The Company's independent audit firm, Boulay PLLP, is responsible for auditing and expressing an opinion on the Company's consolidated financial statements based on its audits as of and for the years ended December 31, 2025 and December 31, 2024.

Auditor contact information:

Nathan Miller  
Boulay PLLP  
11095 Viking Dr. #500  
Eden Prairie, MN  
United States

Website: [www.boulaygroup.com](http://www.boulaygroup.com)  
Phone: +1 (952) 841-8296  
Email: [nmiller@boulaygroup.com](mailto:nmiller@boulaygroup.com)

## Investor Relations Consultant

John G Grau  
ICOM Advisors LLC d/b/a InvestorCom  
19 Old Kings Highway S, STE 210  
Darien, CT 06820 United States

Website: [www.investor-com.com](http://www.investor-com.com)  
Phone: +1 (203) 972-9300  
Email: [jgrau@investor-com](mailto:jgrau@investor-com)

### **Item 15 Management's discussion and analysis or plan of operation**

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

This Item is not applicable, as the Company has had revenues from operations in each of the 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 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 or 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 the Econolite License Agreement. This partnership with Econolite 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 Econolite License Agreement is a long-term, exclusive royalty arrangement.

*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 director 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 Measures.* We provide certain non-GAAP financial information as supplemental information to financial measures calculated and presented in accordance with U.S. GAAP (Generally Accepted Accounting Principles in the United States). 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 Consolidated Financial Statements included elsewhere in this Annual Report are prepared in accordance with U.S. 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 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, which is a non-GAAP financial measure, to comparable GAAP financial measures (in thousands):

	<b>Year Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Income from operations	\$ 2,397	\$ 6,151
Adjustments to reconcile to non-GAAP income		
Amortization of intangible assets	105	420
Depreciation	180	123
Non-GAAP income from operations	<u>\$ 2,682</u>	<u>\$ 6,694</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 Continuing Operations

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

	Years Ended December 31,	
	2025	2024
Royalties	98.6%	96.9%
Product sales	1.4	3.1
Total revenue	100.0	100.0
Gross profit - product sales	(42.6)	24.5
Gross profit - royalties	100.0	97.6
Selling, marketing and product support	10.3	9.2
General and administrative	31.5	23.2
Research and development	29.6	17.8
Income from operations	26.6	45.1
Other income, net	0.3	0.3
Income tax expense	5.3	13.0
Net income	15.5	33.0

Revenue decreased by \$4.6 million to \$9.0 million in 2025 compared to \$13.6 million in 2024. Revenue from royalties was \$8.9 million in 2025 compared to \$13.2 million in 2024, a decrease of 32.7%. Sales of Autoscope Vision, which drive royalty revenues, decreased in 2025 compared to 2024 due to lower volumes and lower average sales prices as the market transitions to adoption of Autoscope OptiVu and our channel partners drew down high inventory levels. Product sales decreased to \$0.1 million in 2025 from \$0.4 million in 2024, a decrease of 69.9%. The decreased in product sales was primarily due to decreased sales of Wrong Way detection products and decreased sales in the Europe, the Middle East, and Africa (“EMEA”) markets.

Gross margin for 2025 was 97.9%, a 2.6 percentage point increase from a gross margin of 95.3% in 2024. Gross profit for royalties in 2025 decreased \$4.0 million or 31.0% compared to the prior year. The decrease in royalty gross profits is primarily the result of lower royalty revenue. Gross margins on royalty sales increased to 100.0% in 2025 compared to 97.6% in 2024 due to lower product amortization costs associated with capitalized software development which became fully amortized in 2025. Product sales gross profit in 2025 decreased \$160,000 or 152.4% compared to the prior year primarily due to lower product sales. Gross margins on product sales decreased to a negative 42.6% in 2025 from a positive 24.5% in 2024, primarily due to low sales volume and amortization costs associated with capitalized software development, which are fixed.

Selling, marketing and product support expense in 2025 was \$0.9 million, or 10.3% of total revenue, compared to \$1.2 million, or 9.2% of total revenue, in 2024. The decrease in selling, marketing and product support expenses is primarily due to decreased salaries and benefits due to decreased headcount and decreased consulting expenses. The increase in selling, marketing and product support expense as a percent of revenue is primarily the result of lower revenues in 2025 compared to 2024.

General and administrative expense decreased to \$2.8 million, or 31.5% of total revenue, in 2025 compared to \$3.2 million, or 23.2% of total revenue, in 2024. The decrease in general and administrative expense in 2025 over 2024 is primarily the result of decreased consulting expenses and decreased executive incentive pay, partially offset by increased depreciation expense relating to the ERP system implemented in the fourth quarter of 2024. The increase in general and administrative expense as a percent of revenue is primarily the result of lower revenues in 2025 compared to 2024.

Research and development expense increased to \$2.7 million, or 29.6% of total revenue, in 2025 from \$2.4 million, or 17.8% of total revenue, in 2024. The increase is primarily due to increased consulting fees and increased salaries and benefits primarily due to merit increases and increased headcount. The increase in research and development expense as a percent of revenue is primarily the result of higher research and development costs and lower revenues in 2025 compared to 2024.

In 2025, the Company initiated the closure of its Canada and Spain subsidiaries. The cumulative translation loss of \$0.6 million previously recorded in Accumulated Other Comprehensive Loss was reclassified to earnings as a Loss on Closure of Foreign Subsidiaries as part of the loss on disposal. There was no comparable reclassification in 2024.

The Company recognized investment income of \$72,000 for the year ended December 31, 2025 compared to \$140,000 for the year ended December 31, 2024. The decrease in investment income is a result of the decreased investments, primarily in debt securities discussed elsewhere herein.

Income tax expense of \$478,000 was recorded for the year ended December 31, 2025 compared to \$1,768,000 for the year ended December 31, 2024. The decrease in income tax expense is primarily due to lower pre-tax income in 2025 compared to 2024 and the utilization of deferred tax assets in 2024, of which there was no comparable utilization in 2025.

Net income was \$1.4 million, or \$0.25 per basic and diluted share, in 2025 compared to \$4.5 million, or \$0.82 per basic and diluted share, in 2024.

## **Liquidity and Capital Resources**

We believe that cash and cash equivalents on hand coupled with readily available investments in debt and equity securities on December 31, 2025 totaling \$2.7 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.

At December 31, 2025, we had \$0.7 million in cash and cash equivalents compared to \$4.4 million at December 31, 2024.

Net cash provided by operating activities decreased to \$4.6 million in 2025 compared to \$5.2 million provided by operating activities in 2024. The decrease was primarily driven by lower net income, due to lower royalty revenue, and reduced non-cash adjustments, including a decrease in deferred income tax expense and amortization. These impacts were partially offset by favorable changes in working capital, primarily improvements in accounts receivable, inventory and accounts payable.

Net cash provided by investing activities was \$0.9 million in 2025 compared to net cash provided by investing activities of \$2.9 million in 2024. Net cash provided by investing activities decreased in 2025 compared to the prior year primarily due to decreased sales of debt securities, net of purchases of debt securities, partially offset by cash used for capitalized software development for Autoscope Analytics of \$0.3 million. Sales of debt securities were \$4.3 million during 2025 compared to \$10.5 million in 2024, offset by purchases of debt securities of \$3.1 million in 2025 and \$7.3 million in 2024. Proceeds from the sale of debt securities during 2025 and 2024 were used to fund the special dividend paid in their respective periods.

Net cash used for financing activities was \$9.1 million in 2025 compared to net cash used by financing activities of \$10.2 million in 2024. The decrease in net cash used by financing activities in 2025 is primarily due to a lower special dividend paid in 2025 compared to 2024, partially offset by higher quarterly dividends. In 2025, the Company paid a special dividend of \$1.05 per share, totaling \$5.8 million, compared to a special dividend of \$1.32 per share, totaling \$7.2 million, in 2024. The Company paid quarterly dividends of \$0.15 per share each quarter, totaling \$3.2 million, in 2025 compared to quarterly dividends of \$0.13 per share each quarter, totaling \$3.0 million, in 2024.

### **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.

**Part E Issuance History****Item 16 List of securities offerings and shares issued for services in the past two years.**

The following table sets forth information regarding the shares of Common Stock the Company issued during the fiscal years ended December 31, 2024 and 2025 and from December 31, 2025 to the date of this Annual Report:

<b>Date</b>	<b>Nature of Offering</b>	<b>Shares Issued To</b>	<b>Total Number of Shares Issued</b>	<b>Trading Status of Shares</b>	<b>Restricted Shares</b>
January 15, 2024	Vesting of RSAs <sup>(5)</sup>	Chief Executive Officer	2,522	Restricted <sup>(5)</sup>	Yes <sup>(3)</sup>
May 8, 2024	Vesting of RSUs <sup>(3)</sup>	Directors	5,645	Restricted <sup>(1)</sup>	Yes <sup>(3)</sup>
June 17, 2024	Vesting of RSUs <sup>(3)</sup>	Directors	6,330	Restricted <sup>(1)</sup>	Yes <sup>(3)</sup>
July 1, 2024	Vesting of RSAs <sup>(1)</sup>	Former Non-executive employee	2,521	Freely tradeable <sup>(1)</sup>	No <sup>(1)</sup>
September 16, 2024	Vesting of RSUs <sup>(3)</sup>	Directors	4,930	Restricted <sup>(1)</sup>	Yes <sup>(3)</sup>
December 16, 2024	Vesting of RSUs <sup>(3)</sup>	Directors	4,705	Restricted <sup>(1)</sup>	Yes <sup>(3)</sup>
January 15, 2025	Vesting of RSAs <sup>(5)</sup>	Chief Executive Officer	2,515	Restricted <sup>(5)</sup>	Yes <sup>(3)</sup>
January 15, 2025	Vesting of RSAs <sup>(2)</sup>	Chief Financial Officer	2,500	Restricted <sup>(2)</sup>	Yes <sup>(3)</sup>
March 21, 2025	Vesting of RSUs <sup>(3)</sup>	Directors	4,605	Restricted <sup>(1)</sup>	Yes <sup>(3)</sup>
June 16, 2025	Vesting of RSUs <sup>(3)</sup>	Directors	5,005	Restricted <sup>(1)</sup>	Yes <sup>(3)</sup>
September 15, 2025	Vesting of RSUs <sup>(3)</sup>	Directors	5,490	Restricted <sup>(1)</sup>	Yes <sup>(3)</sup>
December 15, 2025	Vesting of RSUs <sup>(3)</sup>	Directors	6,095	Restricted <sup>(1)</sup>	Yes <sup>(3)</sup>
January 15, 2026	Vesting of RSAs <sup>(5)</sup>	Chief Executive Officer	3,333	Restricted <sup>(5)</sup>	Yes <sup>(3)</sup>
January 15, 2026	Vesting of RSAs <sup>(2)</sup>	Chief Financial Officer	2,500	Restricted <sup>(2)</sup>	Yes <sup>(3)</sup>

(1) The grant and vesting of these RSAs were registered under the Securities Act pursuant to Registration Statements on Form S-8 filed by the Company with the SEC and registered with or exempt from registration under Minnesota state securities laws. The RSAs and underlying shares were issued as compensation to these employees, who paid no consideration to the Company for the RSAs or the underlying shares.

(2) The grants of these RSAs and the issuance of the shares of Common Stock upon the vesting of the RSAs were exempt from registration under Section 4(a)(2) of the Securities Act, Rule 506 of Regulation D under the Securities Act and Rule 701 under the Securities Act, and were also exempt from registration under Minnesota state securities laws. The RSAs were issued as compensation to the Chief Financial Officer of the Company, who paid no consideration to the Company for the RSAs or the shares. The sale by the Chief Financial Officer of these shares of Common Stock is restricted and must be conducted in accordance with federal and state securities laws, which may include the applicable provisions of Rule 144 under the Securities Act. The agreement pursuant to which the RSAs were granted includes a provision under which the recipient of the RSAs agreed that sale of the shares was restricted under applicable state and federal securities laws.

(3) The grants of these RSUs and RSAs and the issuances of the shares of Common Stock upon the vesting of the RSUs and RSAs were exempt from registration under Rule 506 of Regulation D under the Securities Act and Section 4(a)(2) of the Securities Act and exempt from registration under applicable state securities laws, consisting of Minnesota, California, Florida and Ohio securities laws. The RSUs, RSAs and the respective underlying shares were issued as compensation to the directors or executive officers of the Company, who paid no consideration to the Company for the RSUs, RSAs or the underlying shares. Any subsequent sale of these shares of Common Stock is restricted and must be conducted in accordance with federal and state securities laws, which may include the applicable provisions of Rule 144 under the Securities Act. The agreements pursuant to which the RSUs and RSAs were granted include a provision under which the recipients of the RSUs and RSAs agreed that the sale of the shares was restricted under applicable state and federal securities laws.

(4) The grants of these stock options were registered under the Securities Act pursuant to Registration Statements on Form S-8 filed by the Company with the SEC and were registered or exempt from registration under Minnesota state securities laws. The exercises of the stock options were exempt from registration under Rule 506 of Regulation D under the Securities Act and Section 4(a)(2) of the Securities Act and exempt from registration under Minnesota state securities laws. The stock options were issued as compensation to the non-executive employees, who paid no consideration to the Company for the stock options. The exercise price of the stock options was \$4.22 per share. The sale by the employees of these shares of Common Stock is restricted and must be conducted in accordance with federal and state securities laws, which may include Rule 144 under the Securities Act. The agreements pursuant to which the stock options were granted include a provision under which the recipients of the stock options agreed that the sale of the shares was restricted under applicable state and federal securities laws.

(5) The grants of these RSAs and the issuance of the shares of Common Stock upon the vesting of the RSAs were exempt from registration under Rule 506 of Regulation D under the Securities Act and Section 4(a)(2) of the Securities Act and exempt from registration under Minnesota state securities laws. The RSAs were issued as compensation to the Chief Executive Officer of the Company, who paid no consideration to the Company for the RSAs or the shares. The sale by the Chief Executive Officer of these shares of Common Stock is restricted and must be conducted in accordance with federal and state securities laws, which may include the applicable provisions of Rule 144 under the Securities Act. The agreement pursuant to which the RSAs were granted includes a provision under which the recipient of the RSAs agreed that the sale of the shares was restricted under applicable state and federal securities laws.

The following table sets forth information regarding Common Stock options and an unvested restricted stock awards issued during the fiscal year ended December 31, 2025; there were no stock options or unvested stock awards issued during the year ended December 31, 2024 and during the period from December 31, 2025 to the date of this Annual Report that have not vested:

<b>Date</b>	<b>Nature of Offering</b>	<b>Shares Issued To</b>	<b>Number of Shares Subject to Stock Options Issued or Restricted Stock Awards Issued</b>	<b>Exercise Price</b>	<b>Purpose</b>
January 15, 2024	Grant of RSA <sup>(1)</sup>	Chief Financial Officer	7,500	Not applicable	Employee RSA

(1) The grant of this RSA was exempt from registration under Rule 506 of Regulation D under the Securities Act and Section 4(a)(2) of the Securities Act and exempt from registration under Minnesota state securities laws. The RSA was issued as compensation to Lori M. Schug, who is the Chief Financial Officer of the Company, who paid no consideration to the Company for the RSA. The agreement pursuant to which the RSA was granted includes a provision under which Ms. Schug agreed that she will not transfer the RSA and that the sale of the shares subject to the RSA is restricted under applicable state and federal securities laws. On January 15, 2025, 2,500 of these shares vested and on January 15, 2026 2,500 of these shares vested.

There were no other offerings by Autoscope of its equity securities, and no issuances of any promissory notes, convertible notes, or convertible debentures, during the two years ended December 31, 2025 and December 31, 2024, or during the period from December 31, 2025 to the date of this Annual Report.

## Part F Exhibits

### Item 17 Material Contracts.

The following are the material contracts of the Company, not made in the ordinary course of business, that will be performed after this Annual Report is posted through [www.OTCIQ.com](http://www.OTCIQ.com) or that were entered into not more than two years before such posting. Each contract dated before January 17, 2023 is incorporated by reference to the Company's filings on the SEC's EDGAR system and is available on EDGAR, and/or is described in this Annual Report. Contract entered into after January 17, 2023 are described in this Annual Report.

- Asset Purchase Agreement between Sensys Networks, Inc. and Image Sensing Systems, Inc. dated as of August 25, 2023.
- Agreement and Plan of Merger dated as of July 20, 2021 by and among Image Sensing Systems, Inc., Autoscope Technologies Corporation, and Spruce Tree Merger Co. Inc.
- Manufacturing, Distributing and Technology License Agreement dated June 11, 1991 by and between Image Sensing Systems, Inc. and Econolite
- Modification to Manufacturing, Distributing and Technology License Agreement dated September 1, 2000 by and between Image Sensing Systems, Inc. and Econolite.
- Letter Agreement dated June 19, 1997 by and between Image Sensing Systems, Inc. and Econolite.
- Extension and Second Modification to Manufacturing, Distributing and Technology License Agreement dated July 13, 2001 by and between Image Sensing Systems, Inc. and Econolite.
- Settlement Agreement, Contract Modification and Mutual Release executed August 3, 2006.
- Production Agreement dated February 14, 2002 by and among Image Sensing Systems, Inc., Wireless Technology, Inc. and Econolite.
- Extension and Third Modification to Manufacturing, Distributing and Technology License Agreement dated July 3, 2008 by and between Image Sensing Systems, Inc. and Econolite.
- International Exclusive License and Distribution Agreement dated January 2, 2011 by and among Image Sensing Systems, Inc., Econolite and Econolite Canada Inc.
- Fourth Modification to Manufacturing, Distributing and Technology License Agreement dated as of December 15, 2011 by and between Image Sensing Systems, Inc. and Econolite.

- Sixth Modification to Manufacturing, Distributing and Technology License Agreement dated May 21, 2013.
- Seventh Modification to Manufacturing, Distributing and Technology License Agreement dated July 1, 2025.
- Image Sensing Systems, Inc. 2014 Stock Option and Incentive Plan.
- Autoscope Technologies Corporation 2022 Stock Option and Incentive Plan.
- Assignment and Assumption Agreement dated as of July 21, 2021 by and between Image Sensing Systems, Inc. and Autoscope Technologies Corporation.
- Employment Offer letter dated as of December 7, 2023 by and among Autoscope Technologies Corporation, Image Sensing Systems, Inc. and Andrew (Andy) M. Markese.
- Employment Offer letter dated as of December 7, 2023 by and among Autoscope Technologies Corporation, Image Sensing Systems, Inc. and Lori M. Schug.
- Restricted Stock Award Agreement dated as of January 15, 2024 by and between Andrew (Andy) M. Markese and Autoscope Technologies Corporation.
- Restricted Stock Award Agreement dated as of January 15, 2024 by and between Lori M. Schug and Autoscope Technologies Corporation.
- Form of Stock Option Agreement for Autoscope Technologies Corporation.
- Form of Restricted Stock Unit Agreement for Autoscope Technologies Corporation.
- Business Loan Agreement dated as of December 10, 2021 between Image Sensing Systems, Inc. and Coulee Bank.
- Promissory Note dated as of December 10, 2021 between Image Sensing Systems, Inc. and Coulee Bank.
- Mortgage dated as of December 10, 2021 between Image Sensing Systems, Inc. and Coulee Bank.
- Assignment of Rents dated as of December 10, 2021 between Image Sensing Systems, Inc. and Coulee Bank.
- Extension of Modification to Manufacturing, Distributing and Technology License Agreement dated May 31, 2002 by and between Image Sensing Systems, Inc. and Econolite.

**Item 18 Articles of Incorporation and Bylaws.**

A complete copy of our Articles is incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 filed by the Company with the SEC on August 12, 2021.

A complete copy of our Bylaws is incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K12B filed by the Company with the SEC on July 21, 2021.

**Item 19 Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

None.

**Item 20 Issuer's Certifications.**

I, Andrew M. Markese, certify that:

1. I have reviewed this Annual 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: March 12, 2026

/s/ Andrew M. Markese  
Chief Executive Officer

I, Lori M. Schug, certify that:

1. I have reviewed this Annual 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: March 12, 2026

/s/ Lori M. Schug  
Chief Financial Officer



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders  
of Autoscope Technologies Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Autoscope Technologies Corporation (the “Company”), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, comprehensive income, shareholders’ equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### **Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Other Information Included in the Company's Annual Report**

Management is responsible for the other information included in the Company's Annual Report. The other information comprises certain financial and other information, but it does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Boulay PLLP*

Minneapolis, Minnesota  
March 12, 2026

**AUTOSCOPE TECHNOLOGIES CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share data)

	<b>December 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 735	\$ 4,355
Accounts receivable, net of allowance for credit losses of \$0 and \$5, respectively	2,685	4,064
Inventories	2,117	2,717
Investments in available-for-sale debt securities	1,679	2,840
Investments in equity securities	253	251
Prepaid expenses and other current assets	357	393
Total current assets	7,826	14,620
Property and equipment:		
Furniture and fixtures	137	133
Equipment	780	710
Real property	2,059	2,059
	2,976	2,902
Accumulated depreciation	1,022	842
Property and equipment, net	1,954	2,060
Intangible assets, net	742	575
Deferred income taxes	1,502	1,908
Operating lease asset, net	29	10
<b>TOTAL ASSETS</b>	<b>\$ 12,053</b>	<b>\$ 19,173</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 44	\$ 27
Deferred revenue	74	104
Warranty	20	20
Accrued compensation	64	248
Operating lease obligation	9	11
Current maturities of long-term debt	1,493	63
Other current liabilities	79	74
Total current liabilities	1,783	547
Non-current liabilities		
Operating lease obligation	20	—
Long-term debt, net of current maturities	—	1,493
<b>TOTAL LIABILITIES</b>	<b>1,803</b>	<b>2,040</b>
Commitments and contingencies (Note 17)		
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, 5,502,089 and 5,478,379 issued and outstanding, respectively	55	55
Additional paid-in capital	26,188	25,979
Accumulated other comprehensive income (loss)	37	(526)
Accumulated deficit	(16,030)	(8,375)
Total shareholders' equity	10,250	17,133
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 12,053</b>	<b>\$ 19,173</b>

*See accompanying notes to the consolidated financial statements.*

**AUTOSCOPE TECHNOLOGIES CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)

	<b>Years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Revenue:		
Royalties	\$ 8,885	\$ 13,200
Product sales	129	429
	9,014	13,629
Cost of revenue:		
Royalties	—	315
Product sales	184	324
	184	639
Gross profit	8,830	12,990
Operating expenses:		
Selling, marketing and product support	929	1,248
General and administrative	2,837	3,166
Research and development	2,667	2,425
	6,433	6,839
Income from operations	2,397	6,151
Loss on closure of foreign subsidiaries	(561)	—
Other income	24	43
Investment income	72	140
Interest expense	(61)	(65)
Income before income taxes	1,871	6,269
Income tax expense	478	1,768
Net income	\$ 1,393	\$ 4,501
Net income per share:		
Basic	\$ 0.25	\$ 0.82
Diluted	\$ 0.25	\$ 0.82
Weighted average number of common shares outstanding:		
Basic	5,484	5,456
Diluted	5,492	5,463

*See accompanying notes to the consolidated financial statements.*

**AUTOSCOPE TECHNOLOGIES CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(in thousands)**

	<u>Years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Net income	\$ 1,393	\$ 4,501
Other comprehensive income (loss):		
Foreign currency translation adjustment	2	(37)
Reclassification adjustment from closure of foreign subsidiaries	561	—
Unrealized gain (loss) on available-for-sale debt securities, net of tax	—	63
Comprehensive income	<u>\$ 1,956</u>	<u>\$ 4,527</u>

*See accompanying notes to the consolidated financial statements.*

**AUTOSCOPE TECHNOLOGIES CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
(in thousands)

	<b>Years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>Operating activities:</b>		
Net income	\$ 1,393	\$ 4,501
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	180	123
Software amortization	105	420
Stock-based compensation	209	214
Amortization of debt issuance costs	3	3
Deferred income tax benefit	406	1,542
Loss on disposal of assets	—	1
Loss on closure of foreign entities	561	—
Investment amortization	(36)	51
Unrealized gain on equity investments	(2)	(2)
Changes in operating assets and liabilities:		
Accounts receivable, net	1,379	(984)
Inventories	600	174
Prepaid expenses and other current assets	36	98
Accounts payable	17	(1,098)
Accrued expenses and other current liabilities	(211)	112
Net cash provided by operating activities	4,640	5,155
<b>Investing activities:</b>		
Purchases of property and equipment	(75)	(211)
Capitalized software development costs	(272)	—
Purchase of available-for-sale debt securities	(3,127)	(7,294)
Sale of available-for-sale debt securities	4,324	10,453
Net cash provided by investing activities	850	2,948
<b>Financing activities:</b>		
Dividend paid	(9,048)	(10,154)
Principal payments on long-term debt	(66)	(63)
Net cash used by financing activities	(9,114)	(10,217)
Effect of exchange rate changes on cash	4	(37)
Decrease in cash and cash equivalents	(3,620)	(2,151)
Cash and cash equivalents at beginning of period	4,355	6,506
Cash and cash equivalents at end of period	\$ 735	\$ 4,355
<b><u>Supplemental Disclosure of Cash Flows</u></b>		
Cash paid during the year for:		
Interest expense	\$ 61	\$ 65
Income taxes	\$ 64	\$ 285
Non-Cash Transactions:		
Right of use assets exchanged for operating lease obligations	\$ 27	\$ —

*See accompanying notes to the consolidated financial statements.*

**AUTOSCOPE TECHNOLOGIES CORPORATION**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(in thousands, except share data)

	<u>Shares Issued</u>	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance, December 31, 2023	5,446,747	\$ 55	\$ 25,765	\$ (552)	\$ (2,722)	\$ 22,546
Stock-based compensation	31,632	—	214	—	—	214
Dividends declared	—	—	—	—	(10,154)	(10,154)
Comprehensive income (loss):						
Foreign currency translation adjustment	—	—	—	(37)	—	(37)
Unrealized gain on available-for-sale debt securities, net of tax	—	—	—	63	—	63
Net income	—	—	—	—	4,501	4,501
Balance, December 31, 2024	<u>5,478,379</u>	<u>55</u>	<u>25,979</u>	<u>(526)</u>	<u>(8,375)</u>	<u>17,133</u>
Stock-based compensation	23,710	—	209	—	—	209
Dividends declared	—	—	—	—	(9,048)	(9,048)
Comprehensive income (loss):						
Foreign currency translation adjustment	—	—	—	2	—	2
Reclassification adjustment from closure of foreign subsidiaries	—	—	—	561	—	561
Net income	—	—	—	—	1,393	1,393
Balance, December 31, 2025	<u>5,502,089</u>	<u>55</u>	<u>26,188</u>	<u>37</u>	<u>(16,030)</u>	<u>10,250</u>

*See accompanying notes to the consolidated financial statements.*

**Autoscope Technologies Corporation**  
**Notes to Consolidated Financial Statements**

**December 31, 2025**

**1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

**DESCRIPTION OF BUSINESS**

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 then newly-formed 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 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 were terminated.

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

The Company develops and markets video processing 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**

The Consolidated Financial Statements include the accounts of Autoscope; its wholly-owned subsidiary, ISNS; and its 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. All significant inter-company transactions and balances have been eliminated.

In the third quarter of 2016, in order to streamline our operating and cost structure, we initiated the closure of our wholly-owned subsidiaries, Image Sensing Systems HK Limited (ISS HK) in Hong Kong and Image Sensing Systems (Shenzhen) Limited (ISS WOFE) in China. During 2020, we initiated the closure of Image Sensing Systems EMEA (ISS UK) and Image Sensing Systems Holdings Limited (ISS Holdings). During the third quarter of 2025, we initiated the closure of Image Sensing Systems Spain SLU and ISS Image Sensing Systems Canada. We incurred \$57,000 of legal entity closure costs in the year ended December 31, 2025 compared to \$51,000 in the year ended December 31, 2024. In the third quarter of 2025, we reclassified \$561,000 of foreign currency translation adjustments previously recorded in Accumulated Other Comprehensive Income as a Loss on Closure of Foreign Subsidiaries as part of the loss on the closure of these foreign entities.

In the second quarter of 2021, the Company began the process of forming a subsidiary in Chennai, India. Autoscope Technologies India Private Limited ("Autoscope India") was legally formed on October 14, 2021. Autoscope India's operations will solely focus on research and development.

### ***Cash Dividend***

On January 15, 2025, the Board of Directors of the Company approved a special cash dividend of \$1.05 per share to shareholders of record on the close of business on January 27, 2025, which was paid to shareholders on February 3, 2025.

On February 5, 2025, the Board of Directors of the Company approved a cash dividend of \$0.15 per share to shareholders of record on the close of business on February 18, 2025, which was paid to shareholders on February 25, 2025.

On May 7, 2025, the Board of Directors of the Company approved a cash dividend of \$0.15 per share to shareholders of record on the close of business on May 19, 2025, which was paid to shareholders on May 27, 2025.

On August 5, 2025, the Board of Directors of the Company approved a cash dividend of \$0.15 per share to shareholders of record on the close of business on August 18, 2025, which was paid to shareholders on August 25, 2025.

On November 5, 2025, the Board of Directors of the Company approved a cash dividend of \$0.15 per share to shareholders of record on the close of business on November 17, 2025, which was paid to shareholders on November 24, 2025.

Subsequent to the year ended December 31, 2025, the Board of Directors of the Company approved a cash dividend payment. The first quarter cash dividend of \$0.15 per share was paid on February 26, 2026 to shareholders of record on the close of business on February 19, 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;
- 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.

Revenue disaggregated by revenue source for the years ended December 31, 2025 and 2024 consists of the following (in thousands); revenue excludes sales and usage-based taxes where it has been determined that we are acting as a pass-through agent:

	<b>Years Ended December</b>	
	<b>31,</b>	
	<b>2025</b>	<b>2024</b>
Royalties	\$ 8,885	\$ 13,200
Product sales	129	429
Total revenue	<u>\$ 9,014</u>	<u>\$ 13,629</u>

#### Product Sales:

Product revenue is generated from the direct sales of our Autoscope video systems in 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.

The opening balances of accounts receivable and deferred revenue were \$3,080,000 and \$144,000, respectively, at January 1, 2024.

#### 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 three 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 \$40,000 and \$92,000 at December 31, 2025 and 2024, 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. As of December 31, 2025 and 2024, cash and cash equivalents were \$735,000 and \$4,355,000, respectively.

## 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 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 Statements of Operations. The Company assess 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 collectively 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. The Company has adopted the practical expedient to assume that the current conditions as of the balance sheet date will remain unchanged for the remaining life of the asset when developing a reasonable and supportable forecast as part of estimating expected credit losses on these assets. Accounts considered to be uncollectible are written off against the allowance for credit losses. The allowance for credit losses was \$0 and \$5,000 at December 31, 2025 and 2024, respectively.

## 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. Our tax provision for the year ended December 31, 2025 was not impacted by the loss on closure of foreign subsidiaries.

## 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. Subsequent to reaching technological feasibility for certain software products and upon the beginning of development stages for certain software products, we capitalized approximately \$272,000 and \$0 during the years ended December 31, 2025 and 2024.

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 both December 31, 2025 and 2024, there were no indefinite-lived intangible assets.

## IMPAIRMENT OF LONG-LIVED ASSETS

We review the carrying value of long-lived assets or asset groups, such as property and equipment and intangible assets 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 loss recorded is the amount by which the carrying value of the impaired asset or asset group exceeds its fair value. No such impairment losses were recorded during the years ended December 31, 2025 and 2024.

## 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 2024, 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 Consolidated Statements of Operations as a component of investment income or loss.

## RESEARCH AND DEVELOPMENT

Research and development costs associated with new products are charged to operations in the period incurred.

## WARRANTIES

We generally provide a two- to five-year warranty on product sales. We estimate warranty costs at the time of the sale and accrue for specific items at the time that their existence is known and the amounts are determinable. We estimate warranty costs using standard quantitative measures based on historical warranty claim experience and evaluation of specific customer warranty issues. In addition, warranty provisions are recognized for certain nonrecurring product claims that are individually significant.

## FOREIGN CURRENCY

The financial position and results of operations of our foreign subsidiaries are measured using local currency as the functional currency. Assets and liabilities are translated using fiscal period-end exchange rates, and statements of operations are translated using average exchange rates applicable to each period, with the resulting translation adjustments recorded as a separate component of shareholders' equity under "Accumulated other comprehensive loss." Gains and losses from foreign currency transactions are recognized in the Consolidated Statements of Operations and Comprehensive Income.

## NET INCOME PER SHARE

Basic income per share excludes dilution and is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted income per share includes potentially dilutive common shares consisting of stock options and restricted stock using the treasury stock method. Under the treasury stock method, shares associated with certain stock options have been excluded from the diluted weighted average shares outstanding calculation because the exercise of those options would lead to a net reduction in common shares outstanding. As a result, stock options to acquire 30,000 weighted common shares have been excluded from the diluted weighted shares outstanding calculation for the year ended December 31, 2024, because the exercise prices were greater than the average market price of the common shares during the period and were excluded from the calculation of diluted net income per share. There were no stock options excluded from the diluted weighted shares outstanding calculation for the year ended December 31, 2025.

## LOSS CONTINGENCIES

We establish an accrual for loss contingencies when it is both probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. When loss contingencies are not probable and cannot be reasonably estimated, we do not establish an accrual. However, when there is at least a reasonable possibility that a loss has been incurred, but it is not probable or reasonably estimated, we disclose the nature of the loss contingency and an estimate of the possible loss or range of loss as applicable. Any adjustment made to a loss contingency accrual during an accounting period affects the earnings of the period.

## USE OF ESTIMATES

The preparation of financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Ultimate results could differ from those estimates. Changes in these estimates will be reflected in the consolidated financial statements in future periods. Significant estimates include warranty reserves, the allowance for credit losses, inventory reserves, the valuation of investments, and the valuation of deferred tax assets.

## STOCK-BASED COMPENSATION

We measure the cost of employee services received in exchange for the award of equity instruments based on the fair value of the award at the date of grant and recognize the cost over the period during which an employee is required to provide services in exchange for the award. Stock options or awards are granted at exercise prices equal to the closing market price of our stock on the day before the date of grant.

For purposes of determining the estimated fair value of stock options, we utilize the Black-Scholes option pricing model, which requires the input of certain assumptions requiring management judgment. Because our employee stock option awards have characteristics significantly different from those of traded options, and because changes in the input assumptions can materially affect fair value estimates, existing models may not provide a reliable single measure of the fair value of employee stock options. Management will continue to assess the assumptions and methodologies used to calculate the estimated fair value of stock-based compensation. Circumstances may change and additional data may become available over time that could result in changes to these assumptions and methodologies and thereby materially impact the fair value determination of future grants of stock-based payment awards. If factors change and we employ different assumptions in future periods, the compensation expense recorded may differ significantly from the stock-based compensation expense recorded in the current period.

## 2. New Accounting Standards Adopted

Effective January 1, 2023, the Company adopted Financial Accounting Standards Board Accounting Standards (FASB) Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. This guidance changes the methodology to be used to measure credit losses for certain instruments and financial assets, including trade receivables. The new methodology requires the recognition of an allowance that reflects the current estimate of credit losses expected to be incurred over the life of the financial asset. The adoption of the guidance did not have a material impact on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07: *Improvements to Reportable Segment Disclosures*. This ASU, which amends Topic 280: *Segment Reporting*, improves disclosure requirements for reportable segments and enhances disclosures for companies with single reportable segments. The Company has a single reportable segment, "Intersection", based on the nature of its operations. The nature of business and the accounting policies of the segment are the same as described throughout Note 1. The Company's Chief Operating Decision Maker ("CODM") is its executive team. The CODM assesses the reportable segment's performance and allocates resources for the reportable segment based on the net income and total assets which are the same amounts in all material respects as those reported on the Consolidated Statements of Operations and Balance Sheets. The Company adopted the standard on January 1, 2024. The adoption did not have a material impact on the Company's consolidated financial statements.

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. INVENTORIES

Inventories consisted of the following (in thousands):

	<b>December 31,</b>	
	<b>2025</b>	<b>2024</b>
Finished goods	\$ 2,117	\$ 2,717
Total	<u>\$ 2,117</u>	<u>\$ 2,717</u>

#### 5. INVESTMENTS IN AVAILABLE-FOR-SALE DEBT SECURITIES

Investments in available-for-sale debt securities as of December 31, 2025 and 2024 are summarized by type below (in thousands).

	<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>

	<b>December 31, 2024</b>			
	<b>Amortized Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>	<b>Fair Value<sup>(1)</sup></b>
U.S. government	\$ 2,840	\$ —	\$ —	\$ 2,840
	<u>\$ 2,840</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,840</u>

The fair value of available-for-sale debt securities at December 31, 2025 and 2024 are summarized below by contractual maturity dates (in thousands).

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

	<b>December 31, 2024</b>		
	<b>Due in one year or less</b>	<b>Due after one year through five years</b>	<b>Total</b>
Amortized cost	\$ 2,840	\$ —	\$ 2,840
Fair value <sup>(1)</sup>	\$ 2,840	\$ —	\$ 2,840

(1) The fair value of the Company's available-for-sale debt securities are 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, summarized by type of securities and length of time that individual securities had been in a continuous loss position deemed to be temporary as of December 31, 2025 and 2024 (in thousands).

		<b>December 31, 2025</b>					
		<b>Less than 12 months</b>		<b>12 months or more</b>		<b>Total</b>	
		<b>Gross unrealized gains (losses)</b>		<b>Gross unrealized gains (losses)</b>		<b>Gross unrealized gains (losses)</b>	
		<b>Fair value<sup>(1)</sup></b>		<b>Fair value<sup>(1)</sup></b>		<b>Fair value<sup>(1)</sup></b>	
U.S. government		\$ 1,679	\$ —	\$ —	\$ —	\$ 1,679	\$ —
		<u>\$ 1,679</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,679</u>	<u>\$ —</u>
		<b>December 31, 2024</b>					
		<b>Less than 12 months</b>		<b>12 months or more</b>		<b>Total</b>	
		<b>Gross unrealized gains (losses)</b>		<b>Gross unrealized gains (losses)</b>		<b>Gross unrealized gains (losses)</b>	
		<b>Fair value<sup>(1)</sup></b>		<b>Fair value<sup>(1)</sup></b>		<b>Fair value<sup>(1)</sup></b>	
U.S. government		\$ 2,840	\$ —	\$ —	\$ —	\$ 2,840	\$ —
		<u>\$ 2,840</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,840</u>	<u>\$ —</u>

We did not consider any of our available-for-sale securities to be impaired as of December 31, 2025. When evaluating securities 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.

## 6. INVESTMENTS IN EQUITY SECURITIES

Investments in equity securities as of December 31, 2025 and 2024 are summarized based on the primary industry of the investee in the table below (in thousands).

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

  

	<u>December 31, 2024</u>		
	Net unrealized Gains		
	<u>Cost Basis</u>	<u>(Losses)</u>	<u>Fair value <sup>(1)</sup></u>
Banks and finance	\$ 250	\$ 1	\$ 251
	<u>\$ 250</u>	<u>\$ 1</u>	<u>\$ 251</u>

(1) The fair value of the Company's equity investments are determined based on readily available market data and are classified as level 1 fair value measurements.

## 7. OPERATING LEASES

The Company is subject to various non-cancelable operating leases for office space and IT equipment expiring at various dates through March 2029. These leases do not have significant rent escalation, holidays, concessions, leasehold improvement incentives, or other buildout clauses. Further, the leases do not contain contingent rent provisions.

Most of these leases include an option to renew. The exercise of lease renewal options is typically at our sole discretion; therefore, the majority of renewals to extend the lease terms are not included in our right-of-use ("ROU") assets and lease liabilities because they are not reasonably certain of exercise. We regularly evaluate the renewal options and, when they are reasonably certain of exercise, we include the renewal period in our lease term.

The cost components of our operating leases were as follows for the years ended December 31, 2025 and 2024 (in thousands):

	<u>2025</u>	<u>2024</u>
Operating lease costs	\$ 9	\$ 15
Total	<u>\$ 9</u>	<u>\$ 15</u>

Maturities for our lease liabilities for all operating leases were as follows as of December 31, 2025 (in thousands):

	<b>Total</b>
2026	\$ 9
2027	10
2028	10
2029	<u>2</u>
Total lease payments	31
Less: Present value discount	<u>(2)</u>
Present value of lease liabilities	<u>\$ 29</u>

The weighted average remaining lease terms and discount rates for all of our operating leases were as follows as of December 31, 2025:

	<b>December 31, 2025</b>
Remaining lease term and discount rate:	
Weighted average remaining lease term (years)	3.25
Weighted average discount rate	<u>4%</u>

Cash paid for amounts included in the measurement of operating lease liabilities was \$9,000 and \$9,000 for the years ended December 31, 2025 and 2024, respectively, and these amounts are included in operating activities in the Consolidated Statements of Cash Flows. During 2025, ISNS amended the existing operating lease which increased operating lease right of use assets and liabilities by approximately \$27,000.

On February 18, 2022, ISNS and Spruce Tree Centre L.L.P. entered into a one-year lease agreement (the "Lease"), for a small office space to store and access certain equipment owned and operated by ISNS with monthly rent of \$700. On February 9, 2023, ISNS and Spruce Tree Centre L.L.P. entered into an Amendment, which amended the Lease to extend the term of the Lease from April 1, 2023 through March 31, 2026. The monthly base rent is \$700 from May 1, 2023 through March 31, 2024, \$725 from April 1, 2024 through March 31, 2025, and \$750 from April 1, 2025 through March 31, 2026. On September 22, 2025, ISNS and Spruce Tree Centre L.L.P. entered into Amendment II, which amended the Lease to extend the term of the Lease from April 1, 2026 through March 31, 2029. The monthly base rent is \$775 from April 1, 2026 through March 31, 2027, \$800 from April 1, 2027 through March 31, 2028, and \$825 from April 1, 2028 through March 31, 2029.

The following is a schedule of minimum future rental income on the operating lease related to the billboard located on the Company's headquarters as of December 31, 2025 (in thousands):

	<b>Total</b>
2026	\$ 38
2027	<u>38</u>
Total minimum future rental income	<u>\$ 76</u>

The operating lease related to the billboard is for an initial term of seven years, through December 31, 2027. The lease automatically renews on an annual basis thereafter, cancellable by either party.

## 8. INTANGIBLE ASSETS

Intangible assets include capitalized software development costs consisting of the following (dollars in thousands):

	<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
	<u>\$ 4,447</u>	<u>\$ (3,705)</u>	<u>\$ 742</u>	5.8

  

	<b>December 31, 2024</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	(265)	575	5.5
	<u>\$ 4,175</u>	<u>\$ (3,600)</u>	<u>\$ 575</u>	5.5

The estimated future amortization expense related to other intangible assets for the next five fiscal years is as follows (dollars in thousands):

	<b>Amortization Expense</b>
2026	\$ 119
2027	139
2028	139
2029	139
2030 and thereafter	206

The above amortization expense relates to various capitalized costs related to software development. Future amortization amounts presented above are estimates. Actual future amortization expense may be different due to future acquisitions, impairments, changes in amortization periods, or other factors.

In accordance with GAAP, we performed an assessment of recoverability on our software development costs, which is impacted by estimates and assumptions of future revenue and expenses for these products, as well as other factors such as changes in product technologies. We determined that the amount of the estimated undiscounted cash flows is greater than the asset carrying value, and there were no impairment triggers as of December 31, 2025 and 2024.

## 9. WARRANTIES

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

	Years ended December 31,	
	2025	2024
Beginning balance	\$ 20	\$ 40
Warranty provisions	—	—
Warranty claims	—	—
Adjustments to preexisting warranties	—	(20)
Ending balance	<u>\$ 20</u>	<u>\$ 20</u>

## 10. INCOME TAXES

The components of income before income taxes were as follows (in thousands):

	Years ended December 31,	
	2025	2024
Income from before income taxes		
Domestic	\$ 1,852	\$ 6,298
Foreign	16	(29)
Total	<u>\$ 1,868</u>	<u>\$ 6,269</u>

The components of income tax expense were as follows (in thousands):

	Years ended December 31,	
	2025	2024
Current:		
Federal	\$ 14	\$ 221
State	44	6
Foreign	14	(1)
	<u>\$ 72</u>	<u>\$ 226</u>
Deferred:		
Federal	\$ 241	\$ 1,632
State	28	(75)
Foreign	137	(15)
	<u>406</u>	<u>1,542</u>
Total income tax expense	<u>\$ 478</u>	<u>\$ 1,768</u>

A reconciliation from the federal statutory income tax provision for operations to our effective tax expense is as follows (in thousands):

	<b>Years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
United States federal tax statutory rate	\$ 392	\$ 1,316
State taxes, net of federal benefit	46	14
Permanent differences	140	—
Changes in valuation allowances against deferred tax assets	(521)	491
Effect of closure of foreign subsidiaries	551	—
Research and development tax credits	(157)	(64)
Stock compensation	—	9
Foreign provision different than U.S. tax rate	—	—
Other	27	2
Total	<u>\$ 478</u>	<u>\$ 1,768</u>

A summary of the deferred tax assets and liabilities is as follows (in thousands):

	<b>December 31,</b>	
	<b>2025</b>	<b>2024</b>
Deferred tax assets (liabilities):		
Accrued compensation and benefits	\$ 11	\$ 39
Inventory reserves	1	1
Stock compensation	25	23
Allowance for doubtful accounts	—	1
Prepaid expenses and other	(46)	(52)
Warranty reserves	5	4
Deferred rent/revenue	3	(20)
Intangible and other assets	(174)	(126)
Section 174 capitalization	602	947
Net operating loss carryforwards	—	222
Property, equipment and other	—	(14)
Miscellaneous reserves	12	(6)
Other temporary differences	108	27
Research and development credit	1,904	2,332
Net deferred tax asset:	<u>2,451</u>	<u>3,378</u>
Less: valuation allowance	(949)	(1,470)
Net deferred tax asset	<u>\$ 1,502</u>	<u>\$ 1,908</u>

As of December 31, 2025, the Company has utilized all its federal and state net operating loss carry forwards. The foreign Net Operating Loss Carryover has been reduced to \$0 due to the closure of foreign subsidiaries. The net operating loss-carry forwards in the Federal, State, and Foreign Jurisdictions as of December 31, 2025 are \$0.

On a quarterly basis, the Company evaluates all positive and negative evidence in determining if the valuation allowance is fairly stated. The valuation allowance of \$0.9 million and \$1.5 million at December 31, 2025 and 2024, respectively, relates to state and foreign net operating losses, U.S. federal and state research and development credits, and foreign tax credits that are not more likely than not to be utilized.

In accordance with Accounting Standards Codification 740-30, *Income Taxes*, we have not recognized a deferred tax liability for the undistributed earnings of certain of our foreign operations because those subsidiaries have invested or will invest the undistributed earnings indefinitely. It is impractical for us to determine the amount of unrecognized deferred tax liabilities on these indefinitely reinvested earnings. Deferred taxes are recorded for earnings of foreign operations when we determine that such earnings are no longer indefinitely reinvested. There was no tax impact recorded relating to the loss on closure of foreign subsidiaries in 2025.

The Company had recognized no material uncertain tax positions as of December 31, 2025. The Company files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2020. It is difficult to predict the final timing and resolution of any particular uncertain tax position. Based on the Company's assessment of many factors, including past experience and complex judgments about future events, the Company does not currently anticipate significant changes in its uncertain tax positions over the next 12 months.

## **11. LICENSING**

We have licensed the exclusive right to manufacture and market the Autoscope video technology in the United States, Mexico, Canada and the Caribbean to Econolite, and we receive royalties from Econolite on sales of systems in those territories as well as in non-exclusive territories as allowed from time to time. We may terminate our agreement with Econolite if a minimum annual sales level is not met or if Econolite fails to make royalty payments as required by the agreement. The agreement's term expires in 2031, unless terminated by either party upon three years' notice.

We recognized royalty income from this agreement of \$8.9 million and \$13.2 million in the years ended December 31, 2025 and 2024, respectively.

## **12. SIGNIFICANT CUSTOMERS AND CONCENTRATION OF CREDIT RISK**

Royalty revenue from Econolite comprised 99% and 97% of revenue in the years ended December 31, 2025 and 2024, respectively. Accounts receivable from Econolite were \$2.7 million and \$4.1 million at December 31, 2025 and 2024, respectively. Major disruptions in the manufacturing and distribution of our products by Econolite or the inability of Econolite to make payments on its accounts receivable with us could have a material adverse effect on our business, financial condition and results of operations. Econolite comprised 100% of our accounts receivable at December 31, 2025 and December 31, 2024.

## **13. RETIREMENT SAVINGS PLANS**

Substantially all of our employees in the United States are eligible to participate in our qualified defined contribution 401(k) plan. Participants may elect to have a specified portion of their salary contributed to the plan, and we may make discretionary contributions to the plan. We made contributions totaling \$73,000 and \$69,000 to the plan during the years ended December 31, 2025 and 2024, respectively.

## 14. 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. 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 and awards granted under the 2014 Plan were assumed by Autoscope in the Reorganization. The 2014 Plan expired in April 2024, although as of December 31, 2025, there were options to acquire 95,000 shares and stock awards of 5,000 restricted shares outstanding under the 2014 Plan that were issued before the 2014 Plan expired, the terms of which are governed by the 2014 Plan. Stock option awards are granted at exercise prices equal to the closing price of our stock on the day before the date of grant. Generally, options vest proportionally 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 no issuances of stock option awards under the 2022 Plan. There have been 45,320 restricted shares issued from the 2022 Plan, all of which were vested at December 31, 2025.

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 years ended December 31, 2025 and 2024 was \$209,000 and \$214,000, respectively. At December 31, 2025, 454,680 shares were available for grant under the 2022 Plan.

### *Stock Options*

The following tables summarize stock option activity:

	<b>For the year ended December 31, 2025</b>			
	<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, 2024	95,000	\$ 6.78	7.13	\$ 115,750
Granted	—	\$ —	—	\$ —
Exercised	—	\$ —	—	\$ —
Expired	—	\$ —	—	\$ —
Forfeited	—	\$ —	—	\$ —
Options outstanding at December 31, 2025	<u>95,000</u>	\$ 6.78	6.13	\$ 3,100
Options exercisable at December 31, 2025	<u>86,250</u>	\$ 6.80	6.12	\$ 2,325
	<b>For the year ended December 31, 2024</b>			
	<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, 2023	95,000	\$ 6.78	8.10	\$ 25,500
Granted	—	\$ —	—	\$ —
Exercised	—	\$ —	—	\$ —
Expired	—	\$ —	—	\$ —
Forfeited	—	\$ —	—	\$ —
Options outstanding at December 31, 2024	<u>95,000</u>	\$ 6.78	7.13	\$ 115,750
Options exercisable at December 31, 2024	<u>77,500</u>	\$ 6.82	7.11	\$ 91,775

During the years ended December 31, 2025 and 2024, we recognized \$19,000 in each year of stock-based compensation related to stock options.

At December 31, 2025, there was \$3,000 of unrecognized stock option expense related to non-vested stock options which is expected to be recognized over a weighted average period of 0.5 years.

The fair value of stock options granted under stock-based compensation programs has been estimated as of the date of each grant using the multiple option form of the Black-Scholes valuation model, based on the grant price and assumptions regarding the expected grant life, stock price volatility, dividends, and risk-free interest rates. Each vesting period of an option award is valued separately, with this value being recognized evenly over the vesting period. No options were granted during the years ended December 31, 2025 and December 31, 2024.

#### *Restricted Stock and Stock Awards*

Restricted stock awards are granted under the 2014 Plan or 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, the recipients of common stock may request to receive a net of the number of shares required for employee withholding taxes, which can be withheld up to the relevant jurisdiction's maximum statutory rate. Stock awards granted to consultants are recognized over the performance period based on the stock price on the date when the consultant's performance is complete.

We also issue stock awards as a portion of the annual retainer for each director on a quarterly basis. The stock awards vest over the period set forth in the applicable stock award agreement provided the recipient of the award has continuously provided services to the Company from the grant date of the award to each vesting date. Compensation expense related to stock awards 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.

The following table summarizes restricted stock award activity for the years ended December 31, 2025 and 2024:

	2025		2024	
	Number of Shares	Weighted Average grant date fair value	Number of Shares	Weighted Average grant date fair value
Awards outstanding at beginning of year	7,500	\$ 7.93	2,521	\$ 6.61
Granted	23,710	\$ 7.17	31,632	\$ 7.25
Vested	(26,210)	\$ 7.24	(26,653)	\$ 7.00
Forfeited	—	\$ —	—	\$ —
	5,000	\$ 7.93	7,500	\$ 7.93

As of December 31, 2025, the total stock-based compensation expense related to non-vested awards not yet recognized was \$21,000, which is expected to be recognized over a weighted average period of one year. During the years ended December 31, 2025 and 2024, we recognized \$190,000 and \$195,000, respectively, of stock-based compensation expense related to stock awards.

## 15. INCOME PER COMMON SHARE

Net income per share is computed by dividing 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 have been excluded from the diluted weighted average shares outstanding calculation because the exercise of those options or the vesting of those restricted stock awards would lead to a net reduction in common shares outstanding. As a result, stock options to acquire 30,000 weighted common shares have been excluded from the diluted weighted shares outstanding for the year ended December 31, 2024. There were no stock options excluded from the diluted weighted shares outstanding for the year ended December 31, 2025.

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

	<b>Years ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Numerator:		
Net income	\$ 1,393	\$ 4,501
Denominator:		
Weighted average common shares outstanding	5,484	5,456
Dilutive potential common shares	8	7
Shares used in diluted net loss per common share calculations	5,492	5,463
Basic net loss per common share	\$ 0.25	\$ 0.82
Diluted net loss per common share	\$ 0.25	\$ 0.82

## 16. 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 (the "Loan") to finance the purchase of real and certain personal property (collectively, the "Property") located at 1115 Hennepin Avenue, Minneapolis, Minnesota.

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, with the first payment due 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, estimated at \$1,438,256, due and payable on December 10, 2026. There is no prepayment penalty unless ISNS finances the Loan 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.

Upon the occurrence of an event of default under the Loan Agreement, all indebtedness of ISNS to the Bank immediately will become due and payable, all without notice of any kind to ISNS, except that in the case of an event of default 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 portion of the Property (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 the seller of the Property 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 Loan, 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 \$1,493,000 on the Note as of December 31, 2025 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.

## 17. 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.