Autoscope Technologies Corporation

A Minnesota Corporation
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SIC Code: 3829

Quarterly Report

For the period ending September 30, 2026

(the "Reporting Period")

The number of shares outstanding of our Common Stock was 5,519,037 shares as of September 30, 2026.

The number of shares outstanding of our Common Stock was 5,514,682 shares as of June 30, 2026 (end of previous reporting period).

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

Yes ☐ No ☒ (Double-click and select "Default Value" to check)

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

Yes ☐ No ☒

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

Yes ☐ No ☒

Forward-Looking Statements

Certain statements and information included in this Quarterly Report of Autoscope Technologies Corporation (the "Company," "Autoscope," "we," or "us") for the period ended September 30, 2026 (this "Quarterly Report") constitute "forward-looking statements." Forward-looking statements represent our expectations or beliefs concerning future events and can be identified by the use of forward-looking words such as "believes," "may," "will," "should," "intends," "plans," "estimates," "expects," "anticipates" or other comparable terminology. Forward-looking statements are subject to risks and uncertainties that may cause our actual results to differ materially from the results discussed in the forward-looking statements. These risks and uncertainties include, but are not limited to, factors listed below. New risks and uncertainties that may materially affect our operating results may emerge from time to time. It is not possible to predict all of these risks and uncertainties, nor can we assess the effect that each such risk or uncertainty, or a combination of them, may have on our business.

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

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

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

Issuer Name

The exact name of the issuer is Autoscope Technologies Corporation. There have been no names used by predecessor entities or name changes in the past five years.

Address of Principal Executive Office and Principal Place of Business

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

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

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

Item 2 Shares outstanding.

Common Stock

		September 30, 2026	December 31, 2025	December 31, 2024
(i)	Period end date:			
(ii)	Number of shares authorized	20,000,000	20,000,000	20,000,000
(iii)	Number of shares outstanding	5,519,037	5,502,089	5,478,379
(iv)	Freely tradable shares (public float)	4,473,973	4,243,457	4,248,457
(v)	Number of beneficial shareholders owning at least 100 shares	1,711	1,998	2,057
(vi)	Total number of shareholders of record	28	28	27

Preferred Stock

		September 30, 2026	December 31, 2025	December 31, 2024
(i)	Period end date:			
(ii)	Number of shares authorized	5,000,000	5,000,000	5,000,000
(iii)	Number of shares outstanding	0	0	0
(iv)	Freely tradable shares (public float)	0	0	0
(v)	Number of beneficial shareholders owning at least 100 shares	0	0	0
(vi)	Total number of shareholders of record	0	0	0

Updates to Material Contracts

There were no updates or changes to any material contracts of the Company during the quarter ended September 30, 2026.

Item 3 Interim financial statements.

The following unaudited interim condensed consolidated financial statements of the Company for the quarter ended September 30, 2026 are attached at the end of this Quarterly Report where indicated below:

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

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

A. Plan of Operation

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

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

General

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

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

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

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

The following discussion of period-to-period changes and trends in financial statement results under "Management's Discussion and Analysis of Financial Condition and Results of Operations" aligns with the financial statement presentation included in Item 3 of this Quarterly Report.

Key Financial Terms and Metrics

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

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

Operating Expenses. Our operating expenses fall into three categories: (1) selling, marketing and product support; (2) general and administrative; and (3) research and development. Selling, marketing and product support expenses consist of various costs related to sales and support of our products, including salaries, benefits and commissions paid to our personnel; commissions paid to third parties; travel, trade show and advertising costs; second-tier technical support for Econolite; and general product support, where applicable. General and administrative expenses consist of certain corporate and administrative functions that support the development and sales of our products and provide an infrastructure to support future growth. These expenses include management, supervisory and staff salaries and benefits, legal and auditing fees, travel, rent and costs associated with being a public company, such as board of directors' fees, listing fees and financial 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 Income from Operations. We provide certain financial information as supplemental information to financial measures calculated and presented in accordance with accounting principles generally accepted in the United States ("GAAP"). One such measure is Non-GAAP Income from Operations, which excludes the impact of depreciating fixed assets and amortizing intangible assets. 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 Income from Operations 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. For reconciliation of Non-GAAP Income from Operations to the most directly comparable GAAP measure, please refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations – Reconciliation of Non-GAAP Income from Operations" section of this Quarterly Report.

Rounding. Certain financial amounts presented in this report have been rounded to the nearest thousand or million, as applicable. Certain percentage changes and ratios are calculated using amounts in the financial statements herein and, therefore, may not agree precisely with calculations based on rounded figures presented.

Critical Accounting Policies

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

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

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

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

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

Reconciliation of Non-GAAP Income from Operations. The table below reconciles non-GAAP Income from Operations, which is a non-GAAP financial measure, to Income from Operations, the most directly comparable GAAP financial measure (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Income from Operations	$ 481	$ 260	$ 1,925	$ 1,834
Adjustments to reconcile to Non-GAAP Income from Operations				
Amortization of intangible assets	42	27	111	79
Depreciation	52	45	146	135
Non-GAAP Income from Operations	$ 575	$ 332	$ 2,182	$ 2,048

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

Results of Operations

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

	Three-Month Periods Ended September 30,	
	2026	**2025**
Royalties	99.6%	99.2%
Product sales	0.4	0.8
Total revenue	100.0	100.0
Gross profit - product sales	(288.9)	(240.0)
Gross profit - royalties	98.7	100.0
Selling, general and administrative	39.1	48.3
Research and development	34.6	35.0
Income from operations	23.3	13.9
Loss on closure of foreign subsidiaries	0.0	(30.1)
Other income, net	0.5	0.9
Income tax expense (benefit)	6.1	(4.0)
Net income	17.7	(11.2)

	Nine-Month Periods Ended September 30,	
	2026	**2025**
Royalties	98.2%	98.4%
Product sales	1.8	1.6
Total revenue	100.0	100.0
Gross profit - product sales	(15.6)	(24.8)
Gross profit - royalties	98.9	100.0
Selling, general and administrative	39.6	42.4
Research and development	29.6	29.0
Income from operations	27.6	26.5
Loss on closure of foreign subsidiaries	—	(8.1)
Other income, net	0.5	0.2
Income tax expense	6.3	5.3
Net income	21.9	13.3

The 2026 third quarter revenue for the Company, which includes the results of Image Sensing Systems, Inc, a wholly-owned subsidiary of the Company, was $2.1 million, a 10.6 percent increase from $1.9 million in the third quarter of 2025. Revenue from royalties was $2.1 million in the third quarter of 2026 compared to $1.9 million in the third quarter of 2025, an 11.0 percent increase, due to higher sales volume. Product sales in the third quarter of 2026 were $9,000 compared to $15,000 in the third quarter of 2025. The decrease in product sales was primarily driven by lower sales of the Company's IntelliSight product ("IntelliSight"), which had no comparable sales in the third quarter of 2026.

Gross margin for the third quarter of 2026 was 97.0 percent, compared to 97.3 percent for the same period in 2025. Royalty gross margin was 98.7 percent in the third quarter of 2026 compared to 100.0 percent for the same period in 2025. Royalty gross margin decreased in the third quarter of 2026 due to costs associated with capitalized software development relating to the Company's OptiVu product ("OptiVu"). Product sales gross margin percent was negative 288.9 percent for the third quarter of 2026, compared to a negative 240.0 percent in the third quarter of 2025, reflecting low sales volume and fixed amortization costs associated with capitalized software development.

Selling, general and administrative expenses were $0.8 million in the third quarter of 2026, a 10.4 percent decrease compared to $0.9 million in the third quarter of 2025. Selling, general and administrative expenses decreased in the third quarter of 2026 compared to the prior year period primarily due to decreased consulting fees and fees relating to the closure of foreign entities, partially offset by increased salaries and benefits due to annual merit increases.

Research and development expenses increased 9.3 percent to $715,000 in the third quarter of 2026 as compared to $654,000 in the third quarter of 2025. Research and development expenses increased in the third quarter of 2026 compared to the prior year period primarily due to increased consulting fees and salaries and benefits, partially offset by decreased travel and parts and materials expenses.

During the third quarter of 2025, the Company initiated the closure of its Canada and Spain subsidiaries. The cumulative foreign currency 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 in the third quarter of 2025 as part of the loss on disposal. There was no comparable reclassification in the same period of 2026.

The tax expense for the third quarter of 2026 was $126,000 compared to a tax benefit of $75,000 in the third quarter of 2025. The increase in tax expense is primarily due to the tax benefit related to the loss on closure of foreign subsidiaries recorded in the third quarter of 2025, for which there were no comparable loss or tax benefit in the third quarter of 2026.

The Company reported net income for the third quarter of 2026 of $0.4 million, or $0.07 per diluted share, compared to net loss of $0.2 million, or $0.04 per diluted share in the prior year period.

The revenue for the nine months ended September 30, 2026 was $7.0 million, a 0.8 percent increase from $6.9 million in the nine months ended September 30, 2025. Revenue from royalties was relatively unchanged at $6.8 million in the nine months ended September 30, 2026 and in the nine months ended September 30, 2025. Product sales in the first nine months of 2026 were $122,000 compared to $113,000 in the first nine months of 2025. The increase in product sales was primarily driven by increased sales of IntelliSight and the Company's Autoscope Analytics product, partially offset by lower sales of the Company's OptiVu and Wrong Way products, both of which had no comparable sales in the first nine months of 2026.

Gross margin for the first nine months of 2026 was 96.9 percent, compared to 98.0 percent for the same period in 2025. Royalty gross margin was 98.9 percent in the first nine months of 2026 compared to 100.0 percent for the same period in 2025. Royalty gross margin decreased in the first nine months of 2026 due to costs associated with capitalized software development relating to OptiVu. Product sales gross margin percent was negative 15.6 percent for the first nine months of 2026, compared to negative 24.8 percent in the first six months of 2025, reflecting low product sales volume and fixed amortization costs associated with capitalized software development.

Selling, general and administrative expenses decreased 5.8 percent to $2.8 million in the first nine months of 2026 compared to $2.9 million in the first nine months of 2025. Selling, general and administrative expenses decreased primarily due to decreased consulting fees, fees relating to the closure of foreign entities and board of directors' fees, partially offset by increased salaries and benefits due to annual merit increases.

Research and development expenses increased 2.6 percent to $2.1 million in the first nine months of 2026 compared to $2.0 million in the first nine months of 2025. Research and development expenses increased in the first nine months of 2026 compared to the prior year period primarily due to increased salaries and benefits due to annual merit increases and increased incentive pay, partially offset by decreased parts and materials expenses.

During the first nine months of 2025, the Company initiated the closure of its Canada and Spain subsidiaries. The cumulative foreign currency 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 in the first nine months of 2025 as part of the loss on disposal. There was no comparable reclassification in the same period of 2026.

The tax expense for the first nine months of 2026 was $438,000 compared to tax expense of $367,000 in the first nine months of 2025. The increase in tax expense is primarily due to the tax benefit related to the loss on closure of foreign subsidiaries recorded in the first nine months of 2025, for which there were no comparable loss or tax benefit in the first nine months of 2026.

The Company reported net income for the first nine months of 2026 of $1.5 million or $0.28 per diluted share, compared to net income of $0.9 million or $0.17 per diluted share in the prior year period.

Liquidity and Capital Resources

We believe that cash and cash equivalents on hand, coupled with readily available investments in debt and equity securities on September 30, 2026 totaling $3.3 million, along with the cash provided by operating activities, will satisfy our projected working capital needs, investing activities, and other cash requirements for the foreseeable future. As of September 30, 2026, all long-term debt is classified as current maturities, for which the Company plans to refinance in December 2026.

As of September 30, 2026, we had $1.6 million in cash and cash equivalents compared to $0.7 million on December 31, 2025. Net cash provided by operating activities decreased to $3.3 million in the first nine months of 2026 compared to $3.9 million in the same period of 2025. The decrease was primarily attributable to lower cash flow contributions from accounts receivable and inventory, partially offset by favorable changes in accrued expenses and other current liabilities.

Net cash provided by investing activities was $0.1 million in the first nine months of 2026 compared to $0.7 million in the same period in 2025. The decrease in net cash provided by investing activities in the first nine months of 2026 compared to the same period in the prior year is primarily due to lower net proceeds from investment activity, partially offset by the absence of capitalized software development costs. Proceeds from the sale of debt securities in the first nine months of 2025 were used to fund the special dividend paid.

Net cash used by financing activities was $2.5 million in the first nine months of 2026, compared to $8.3 million in the same period of 2025. The decrease in cash used by financing activities was primarily due to the payment of a special dividend of $1.05 per share, totaling $5.8 million, during the first nine months of 2025. There was no special dividend paid in 2026. The Company paid regular quarterly dividends of $0.15 per share in each quarter of both periods, totaling $2.5 million in the first nine months of 2026 compared to $2.4 million, in the first nine months of 2025, reflecting an increase in shares outstanding.

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, revenue, expenses, liquidity, or results of operations.

Item 5 Legal proceedings.

None.

Item 6 Defaults upon senior securities.

None.

Item 7 Other Information.

None.

Item 8 Exhibits.

None.

Item 9 Certifications.

I, Andrew M. Markese, certify that:

1. I have reviewed this Quarterly Report of Autoscope Technologies Corporation;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: November 5, 2026

/s/ Andrew M. Markese
Chief Executive Officer

I, Lori M. Schug, certify that:

1. I have reviewed this Quarterly Report of Autoscope Technologies Corporation;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: November 5, 2026

/s/ Lori M. Schug
Chief Financial Officer

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

	September 30, 2026 (Unaudited)	December 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,579	$ 735
Accounts receivable, net of allowance for doubtful accounts of $0 and $0, respectively	1,810	2,685
Inventories	2,065	2,117
Investments in available-for-sale debt securities	1,494	1,679
Investments in equity securities	249	253
Prepaid expenses and other current assets	334	357
Total current assets	7,531	7,826
Property and equipment:		
Furniture and fixtures	137	137
Equipment	857	780
Real property	2,059	2,059
	3,053	2,976
Accumulated depreciation	1,161	1,022
	1,892	1,954
Intangible assets, net	631	742
Deferred income taxes	1,125	1,502
Operating lease asset, net	23	29
TOTAL ASSETS	$ 11,202	$ 12,053
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 21	$ 44
Deferred revenue	55	74
Warranty	20	20
Accrued compensation	117	64
Operating lease obligations	9	9
Current maturities of long-term debt	1,444	1,493
Other current liabilities	126	79
Total current liabilities	1,792	1,783
Non-current liabilities:		
Operating lease obligation	14	20
TOTAL LIABILITIES	1,806	1,803
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, 5,519,037 and 5,502,089 issued and outstanding at September 30, 2026 and December 31, 2025, respectively.	55	55
Additional paid-in capital	26,300	26,188
Accumulated other comprehensive loss	26	37
Accumulated deficit	(16,985)	(16,030)
Total shareholders' equity	9,396	10,250
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 11,202	$ 12,053

See accompanying notes to the condensed consolidated financial statements.

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

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2026	**2025**	**2026**	**2025**
Revenue:				
Royalties	$ 2,055	$ 1,851	$ 6,842	$ 6,798
Product sales	9	15	122	113
	2,064	1,866	6,964	6,911
Cost of Revenue:				
Royalties	26	—	78	—
Product sales	35	51	141	141
	61	51	219	141
Gross profit	2,003	1,815	6,745	6,770
Operating expenses:				
Selling, general and administrative	807	901	2,760	2,929
Research and development	715	654	2,060	2,007
	1,522	1,555	4,820	4,936
Income from operations	481	260	1,925	1,834
Loss on closure of foreign subsidiaries	—	(561)	—	(561)
Other income	9	9	33	12
Investment income	17	23	51	50
Interest expense	(15)	(15)	(46)	(46)
Income from operations before income taxes	492	(284)	1,963	1,289
Income tax expense	126	(75)	438	367
Net income (loss)	$ 366	$ (209)	$ 1,525	$ 922
Net income (loss) per share:				
Basic	$ 0.07	$ (0.04)	$ 0.28	$ 0.17
Diluted	$ 0.07	$ (0.04)	$ 0.28	$ 0.17
Weighted average number of common shares outstanding:				
Basic	5,513	5,486	5,508	5,481
Diluted	5,515	5,493	5,510	5,492

See accompanying notes to the condensed consolidated financial statements.

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

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2026	**2025**	**2026**	**2025**
Net income (loss)	$ 366	$ (209)	$ 1,525	$ 922
Other comprehensive income:				
Reclassification adjustment from closure of foreign subsidiaries	—	561	—	561
Foreign currency translation adjustment	(3)	(1)	(11)	6
Comprehensive income	$ 363	$ 351	$ 1,514	$ 1,489

See accompanying notes to the condensed consolidated financial statements.

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

	Nine-Month Periods Ended September 30,	
	2026	**2025**
Operating activities:		
Net Income	$ 1,525	$ 922
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	146	135
Software amortization	111	79
Amortization of debt issuance costs	—	2
Stock-based compensation	113	162
Deferred income tax expense	375	354
Loss on closure of foreign subsidiaries	—	561
Investment amortization	—	(1)
Realized gain on AFS investments	(30)	(13)
Unrealized loss on AFS investments	—	1
Unrealized (gain) loss on equity investments	4	(2)
Changes in operating assets and liabilities:		
Accounts receivable, net	875	1,287
Inventories	51	588
Prepaid expenses and other current assets	23	(42)
Accounts payable	(23)	(2)
Accrued expenses and other current liabilities	81	(180)
Net cash provided by operating activities	3,251	3,851
Investing activities:		
Capitalized software development costs	—	(272)
Purchases of property and equipment	(84)	(34)
Purchases of debt securities	(2,105)	(2,245)
Sale of debt securities	2,320	3,241
Net cash provided by investing activities	131	690
Financing activities:		
Dividend paid	(2,480)	(8,223)
Deferred finance fees	2	—
Principal payments on long-term debt	(51)	(49)
Net cash used by financing activities	(2,529)	(8,272)
Effect of exchange rate changes on cash	(9)	(1)
Change in cash and cash equivalents	844	(3,732)
Cash and cash equivalents at beginning of period	735	4,355
Cash and cash equivalents at end of period	$ 1,579	$ 623
Non-Cash investing and financing activities:		
Cash paid for interest	46	46

See accompanying notes to the condensed consolidated financial statements.

1. Description of Business and Significant Accounting Policies

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

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

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

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

Consolidation

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

Cash Dividend

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

On May 6, 2026, the Board of Directors approved a cash dividend of $0.15 per share to shareholders of record on the close of business on May 21, 2026, which was paid to shareholders on May 28, 2026.

On August 4, 2026, the Board of Directors approved a cash dividend of $0.15 per share to shareholders of record on the close of business on August 20, 2026, which was paid to shareholders on August 27, 2026.

Summary of Significant Accounting Policies

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

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

We determine revenue recognition through the following steps:

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

In the table below, revenue for the three and nine months ended September 30, 2026 and 2025 has been disaggregated by revenue source and excludes sales and usage-based taxes when or if it has been determined that we are acting as a pass-through agent:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	**2025**	**2026**	**2025**
Royalties	$ 2,055	$ 1,851	$ 6,842	$ 6,798
Product sales	9	15	122	113
Total revenue	$ 2,064	$ 1,866	$ 6,964	$ 6,911

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

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

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

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

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

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

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

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

Shipping and Handling

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

Cash and Cash Equivalents
We consider all highly liquid investments with an original maturity of six months or less when purchased to be cash equivalents. Cash equivalents, both inside and outside the United States, are invested in money market funds and bank deposits in local currency denominations. Cash located in foreign banks was $0 and $40,000 at September 30, 2026 and December 31, 2025, respectively. We hold our cash and cash equivalents with financial institutions and, at times, the amounts of our balances may be in excess of deposit insurance limits.

Accounts Receivable
We grant credit to customers in the normal course of business and generally do not require collateral from domestic customers. When deemed appropriate, receivables from customers outside the United States are supported by letters of credit from financial institutions. The Company performs on-going credit evaluations of its customers' financial condition, and it generally requires no collateral. The Company maintains an allowance for credit losses on accounts receivables, which is recorded as an offset to accounts receivable. Changes in the allowance for credit losses are included as a component of operating expenses in the Condensed Consolidated Statements of Operations. The Company assesses credit losses on a collective basis where similar risk characteristics exist. Risk characteristics considered by the Company include customer type, geography, market, credit risk, and age of receivable. Receivables that do not share risk characteristics with other receivables, or where known collection issues exist, are evaluated on an individual basis. In determining the allowance for credit losses, the Company considers historical loss rates, adjusted for current market conditions, and reasonable and supportable forecasts of future economic conditions, when applicable. Accounts considered to be uncollectible are written off against the allowance for credit losses. The allowance for credit losses was $0 at September 30, 2026 and $0 at December 31, 2025.

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

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

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

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

Capitalized software development costs are subject to an ongoing assessment of recoverability, which is impacted by estimates and assumptions of future revenues and expenses for these software products, as well as other factors such as changes in product technologies. Any portion of unamortized capitalized software development costs that are determined to be in excess of net realizable value have been expensed in the period in which such a determination is made. We had no capitalized software development costs during the three months ended September 30, 2026 and 2025. We capitalized approximately $0 and $272,000 in software development costs during the nine months ended September 30, 2026 and 2025.

Intangible assets with finite lives are amortized on a straight-line basis over the expected period to be benefited by future cash flows and reviewed for impairment. At September 30, 2026 and 2025, we determined there was no impairment of intangible assets. At September 30, 2026 and 2025, there were no indefinite-lived intangible assets.

Investments in Debt Securities
We classify investments in debt securities on the acquisition date and at each balance sheet date. At September 30, 2026 and December 31, 2025, all of our investments in debt securities were classified as available-for-sale.

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

2. New Accounting Standards Adopted

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

3. Fair Value Measurements

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

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

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

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

Financial Instruments not Measured at Fair Value

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

4. Investments in available-for-sale debt securities

Investments in available-for-sale debt securities at September 30, 2026 and December 31, 2025 are summarized by type below (in thousands).

	September 30, 2026			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value[1]
U.S. government	$ 1,494	$ 1	$ (1)	$ 1,494
	$ 1,494	$ 1	$ (1)	$ 1,494

	December 31, 2025			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value[1]
U.S. government	$ 1,679	$ 1	$ (1)	$ 1,679
	$ 1,679	$ 1	$ (1)	$ 1,679

The amortized cost and estimated fair value of available-for-sale debt securities at September 30, 2026 and December 31, 2025 are summarized below by contractual maturity dates (in thousands).

	September 30, 2026			
	Due in one year or less	Due after one year through five years	Mortgage-backed securities	Total
Amortized cost	$ 1,494	$ —	$ —	$ 1,494
Fair value[1]	$ 1,494	$ —	$ —	$ 1,494

	December 31, 2025			
	Due in one year or less	Due after one year through five years	Mortgage-backed securities	Total
Amortized cost	$ 1,679	$ —	$ —	$ 1,679
Fair value[1]	$ 1,679	$ —	$ —	$ 1,679

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

The following table shows the gross unrealized holding losses and fair value of our available-for-sale securities with unrealized holding losses at September 30, 2026 and December 31, 2025, summarized by type of securities and length of time that individual securities had been in a continuous loss position deemed to be temporary (in thousands).

	September 30, 2026					
	Less than 12 months		12 months or more		Total	
	Fair value[1]	Gross unrealized gains (losses)	Fair value[1]	Gross unrealized gains (losses)	Fair value[1]	Gross unrealized gains (losses)
U.S. government	$ 1,494	$ —	$ —	$ —	$ 1,494	$ —
	$ 1,494	$ —	$ —	$ —	$ 1,494	$ —

	December 31, 2025					
	Less than 12 months		12 months or more		Total	
	Fair value[1]	Gross unrealized gains (losses)	Fair value[1]	Gross unrealized gains (losses)	Fair value[1]	Gross unrealized gains (losses)
U.S. government	$ 1,679	$ —	$ —	$ —	$ 1,679	$ —
	$ 1,679	$ —	$ —	$ —	$ 1,679	$ —

We did not consider any of our available-for-sale securities to be impaired as of September 30, 2026. 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.

5. Investments in equity securities

Investments in equity securities at September 30, 2026 and December 31, 2025 are summarized based on the primary industry of the investee in the table below (in thousands).

	September 30, 2026		
	Cost Basis	Net Unrealized Gains (Losses)	Fair Value[1]
Banks and finance	$ 250	$ (1)	$ 249
	$ 250	$ (1)	$ 249

	December 31, 2025		
	Cost Basis	Net Unrealized Gains (Losses)	Fair Value[1]
Banks and finance	$ 250	$ 3	$ 253
	$ 250	$ 3	$ 253

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

6. Inventories

Inventories consisted of the following (in thousands):

	September 30, 2026	December 31, 2025
Finished Goods	$ 2,065	$ 2,117
Components	—	—
Total	$ 2,065	$ 2,117

7. Intangible Assets

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

	September 30, 2026			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Weighted Average Useful Life (in Years)
Wrong Way development costs	$ 228	$ (228)	$ —	—
Vision development costs	3,107	(3,107)	—	—
Intellisight/OptiVu development costs	840	(449)	391	2.3
Autoscope Analytics development costs	272	(32)	240	1.4
Total	$ 4,447	$ (3,816)	$ 631	3.8

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

8. Warranties

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

	Nine-Month Periods Ended September 30,	
	2026	2025
Beginning balance	$ 20	$ 20
Warranty provisions	—	—
Warranty claims	—	—
Adjustments to preexisting warranties	—	—
Currency	—	—
Ending balance	$ 20	$ 20

9. Stock-Based Compensation

We compensate officers, directors, key employees and consultants with stock-based compensation under the Autoscope Technologies Corporation 2022 Stock Option and Incentive Plan (the "2022 Plan") and the Image Sensing Systems, Inc. 2014 Stock Option and Incentive Plan (the "2014 Plan"), which were approved by our shareholders and are administered under the supervision of our Board of Directors. The 2014 Plan expired in April 2024, although as of September 30, 2026, there were options to acquire 35,000 shares of Common Stock and 2,500 restricted shares from stock awards outstanding under the 2014 Plan that were issued before the 2014 Plan expired, the terms of which are governed by the 2014 Plan. The 2014 Plan and awards granted under the 2014 Plan were assumed by Autoscope in the Reorganization. There have been no issuances of stock options under the 2022 Plan. Generally, stock option awards are granted at exercise prices equal to the closing price of our Common Stock on the day before the date of grant. Generally, options vest ratably over periods of three to five years from the dates of the grant, beginning one year from the date of grant, and have a contractual term of nine to 10 years. There have been awards for 62,268 shares issued under the 2022 Plan, all of which were vested at September 30, 2026.

Compensation expense, net of estimated forfeitures, is recognized ratably over the vesting period. Stock-based compensation expense included in general and administrative expense for the three-month periods ended September 30, 2026 and 2025 was $30,000 and $47,000, respectively. Stock-based compensation expense included in general and administrative expense for the nine-month periods ended September 30, 2026 and 2025 was $113,000 and $162,000, respectively. At September 30, 2026, 437,732 shares of Common Stock were available for grant under the 2022 Plan.

Stock Options

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

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding at December 31, 2025	95,000	$ 6.78	6.13	$ 3,100
Granted	—	$ —	—	$ —
Exercised	—	$ —	—	$ —
Expired	—	$ —	—	$ —
Forfeited	(60,000)	$ 6.87	—	$ —
Options outstanding at September 30, 2026	35,000	$ 6.63	5.46	$ 2,750
Options exercisable at September 30, 2026	33,750	$ 6.68	5.43	$ 2,063

No stock options were granted, exercised, or expired during the nine-month periods ended September 30, 2026 and 2025. There were 60,000 stock options forfeited during the nine-month period ended September 30, 2026 and no stock options forfeited during the nine-month period ended September 30, 2025. During the nine-month periods ended September 30, 2026 and 2025, we recognized $3,000 and $14,000, respectively, in stock-based compensation expense related to stock options. As of September 30, 2026, there was $357 of unrecognized compensation cost related to non-vested stock options which is expected to be recognized over a weighted average period of 0.2 years.

Restricted Stock Awards and Stock Awards

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

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

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

	Number of Shares	Weighted Average Grant Date Fair Value
Awards outstanding at December 31, 2025	5,000	$ 7.93
Granted	16,948	5.49
Vested	(19,448)	5.80
Forfeited	—	—
Awards outstanding at September 30, 2026	2,500	$ 7.93

As of September 30, 2026, the total stock-based compensation expense related to non-vested awards not yet recognized was $6,000, which is expected to be recognized over a weighted average period of 0.3 years. During the nine months ended September 30, 2026 and 2025 we recognized $110,000 and $148,000, respectively, of stock-based compensation expense related to restricted stock awards.

10. Net Income per Common Share

Net income per share is computed by dividing the net income by the daily weighted average number of common shares outstanding during the applicable periods. Diluted net income per share includes the potentially dilutive effect of common shares subject to outstanding stock options and restricted stock awards using the treasury stock method. Under the treasury stock method, shares subject to certain outstanding stock options and restricted stock awards are excluded from the calculation of the diluted weighted average shares outstanding because the exercise of those options or the vesting of those restricted stock awards would lead to a net reduction in common shares outstanding. We computed diluted net income per share for purposes of our Condensed Consolidated Financial Statements included in this Quarterly Report using the treasury stock method, and as a result, stock options and restricted stock awards to acquire 30,000 weighted shares of Common Stock have been excluded from the diluted weighted shares outstanding for the three-month period ended September 30, 2026 and 30,000 weighted common shares have been excluded from the diluted weighted shares outstanding for the nine-month period ended September 30, 2026. There were no stock options or restricted stock awards excluded from the diluted weighted shares outstanding for the three-month or nine-month periods ended September 30, 2025.

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

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2026	2025	2026	
Numerator:				
Net income	$ 366	$ (209)	$ 1,525	$ 922
Denominator:				
Weighted average shares of Common Stock outstanding	5,513	5,486	5,508	5,481
Dilutive potential shares of Common Stock	2	7	2	11
Shares used in diluted net income per common share calculations	5,515	5,493	5,510	5,492
Basic net income per share of Common Stock	$ 0.07	$ (0.04)	$ 0.28	$ 0.17
Diluted net income per share of Common Stock	$ 0.07	$ (0.04)	$ 0.28	$ 0.17

11. Long-term Debt

Real Property Bank Loan

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

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

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

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

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

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

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

Given the terms of the Note, with the final payment due on December 10, 2026, the balance remaining of $1,444,325 on the Note as of September 30, 2026 is reported as current maturities of long-term debt on the Company’s balance sheet. The Company plans to refinance the related indebtedness prior to December 10, 2026. The Company’s ability to refinance, and the terms of refinancing, will depend on, among other factors, market conditions and the Company’s financial performance.

12. Commitments and Contingencies

Litigation

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