

Stock Ownership Guidelines

The Board of Directors believes that ownership of common stock of Image Sensing Systems, Inc. (the “Company”) by the Company’s board members and executive officers demonstrates a commitment to the long-term success of the Company. Accordingly, the Board has adopted these Stock Ownership Guidelines for members of its Board of Directors and executive officers which requires such individuals to acquire and maintain a minimum level of ownership in the Company’s common stock.

The Company grants stock options with the intent of aligning the interests of its management and shareholders. Accordingly, the Company expects management to retain ownership of a portion of the Company’s common stock acquired through this program.

The Company’s Board of Directors has adopted the following Stock Ownership Guidelines, which apply to its executive officers who are required to file reports under Section 16(a) of the Securities Exchange Act of 1934 and to members of the Company’s Board of Directors:

- Ownership targets for Section 16(a) executive officers are a multiple of base salary (not including bonuses, such as performance or signing bonuses), varying by management level, and the ownership target for members of the board is based on the value of the Company’s common shares, as provided in the following table:

Board members	\$100,000
CEO	2.0 times base salary
Other Section 16(a) reporting persons	1.0 times base salary

- Ownership shall be measured as of December 31 each year, with the first measurement date being December 31, 2012 (approximately five years from date of adoption of the Stock Ownership Guidelines) for those Section 16(a) officers or board members employed by the Company on December 31, 2007. Ownership for new Section 16(a) officers and board members will be measured as of December 31 five years after their appointment as a Section 16(a) officer or board member.
- Shares that count include all shares directly or beneficially owned by the board member or executive officer, as well as the value (to the extent it exceeds the strike price) of vested stock options. Unvested stock options shall not count towards the stock ownership guidelines.

Compliance with these Guidelines shall be monitored by the Nominating and Corporate Governance Committee (the “Committee”). The Committee shall make an annual report on the Guidelines to the full Board of Directors. The Committee shall also have the authority to grant waivers to the Guidelines in the event of financial hardship or other good cause. These Guidelines may be modified from time to time by the Board of Directors.

As adopted by the Board of Directors on November 2, 2007.