

IMAGE SENSING SYSTEMS, INC.
AUDIT COMMITTEE CHARTER

I. Purpose

The purposes of the Audit Committee (“Committee”) of Image Sensing Systems, Inc. (the “Company”) are to assist the Company’s Board of Directors (“Board”) in its oversight of the integrity of the Company’s financial statements; its oversight of the accounting and financial reporting processes of the Company and the audits of the Company’s financial statements; the appointment, compensation, qualifications, independence and performance of the Company’s independent registered public accounting firm; the performance of the Company’s internal audit function (if established); the Company’s management of business and financial risk; and the Company’s systems of disclosure controls and procedures, internal controls over financial reporting, and compliance with ethical standards adopted by the Company.

The Committee’s function is one of oversight, and it does not relieve the Company’s management of its responsibilities for the Company’s financial reporting process, including the Company’s system of internal controls. The Committee’s function also does not relieve the independent registered public accounting firm of its responsibilities relating to the audit or review of the Company’s financial statements.

II. Membership

The Committee is a standing committee of and approved by the Board and shall be comprised of at least three directors, each of whom shall be independent as required by the Securities Exchange Act of 1934, as amended (“Exchange Act”), the applicable rules and regulations promulgated thereunder by the Securities and Exchange Commission (“SEC”), and the rules of The NASDAQ Stock Market, Inc. (“NASDAQ”), as the Exchange Act and any of such rules and regulations may be amended from time to time. No member of the Committee shall have participated in the preparation of the Company’s financial statements or the financial statements of any current subsidiary of the Company at any time during the past three years. All members of the Committee shall be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement. At least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. The Board will determine whether at least one member of the Committee qualifies as an “audit committee financial expert” in compliance with the criteria established by the SEC, as such criteria may be amended from time to time. The existence of such a member, including his or her name, will be disclosed in periodic filings or other reports as required by the SEC. The term of appointment of each Committee member and the Committee Chair is at the discretion of the Board.

III. Responsibilities

The Committee’s responsibilities shall include the following:

Oversight of Financial Statements and Disclosure

1. Review and discuss with the Company’s financial management and independent registered public accounting firm the Company’s (i) annual audited financial statements and quarterly financial statements, including the Company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” prior to the Company’s release of such financial statements or filing of such forms with the SEC; (ii) earnings press releases prior to their issuance by the Company; and (iii) management’s assessment of internal control over financial reporting to be included in the Company’s Annual Report on Form 10-K.
2. Receive and review any disclosure from the Company’s CEO or CFO to be made in connection with the certification of the Company’s quarterly and annual reports filed with the SEC of: (i) all significant deficiencies and material weaknesses in the design or operation of internal control over

financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize, and report financial information; and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

3. Recommend to the Board whether, based on the review and discussions described in paragraph 1 above, the annual audited financial statements should be included in the Company's Annual Report on Form 10-K.
4. Review with the independent registered public accounting firm its judgments as to the quality of the Company's accounting principles and underlying estimates as applied in its financial reporting.
5. Review with the Company's outside counsel any legal issues that may have a significant impact on the Company's financial statements.
6. Oversee the preparation of an annual Committee report for inclusion in the Company's annual proxy statement in accordance with applicable rules and regulations of the SEC.
7. Discuss with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 16, *Communications with Audit Committees*, relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, any significant disagreements with management, and any accounting adjustments that were noted or proposed by the independent registered public accounting firm but were "passed" as immaterial or otherwise.

Engagement and Oversight of the Independent Registered Public Accounting Firm

8. Ascertain the independence of the independent registered public accounting firm. The Committee shall receive a written statement annually from the independent registered public accounting firm delineating all relationships between the independent registered public accounting firm and the Company, and the Committee shall discuss with the independent registered public accounting firm any disclosed relationships or services that may impact the objectivity and independence of the independent registered public accounting firm. The Committee shall take, or recommend that the full Board take, appropriate action to ensure the independence of the independent registered public accounting firm.
9. Be directly responsible for the appointment, compensation, retention and oversight of the work of the independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent registered public accounting firm shall report directly to the Committee, and the Committee shall oversee the resolution of disagreements between management and the independent registered public accounting firm if they arise. The Committee shall recommend to the Board that the Board submit its appointment of the independent registered public accounting firm to the Company shareholders for ratification.
10. Prior to each audit review, discuss with the independent registered public accounting firm and approve the scope and plans for its audit examination. Review and discuss with the independent registered public accounting firm its audit procedures and the results of the annual audit examination, including, but not limited to, accompanying management letters and the performance of the independent registered public accounting firm.
11. If required, review the independent registered public accounting firm attestation and report on management's internal control report from the time that such reports are prepared.

12. Review and pre-approve the engagement of the independent registered public accounting firm for all audit and non-audit services (to the extent such service is not prohibited by Section 10A(g) of the Exchange Act) and the fee for such services, and consider whether the independent registered public accounting firm's performance of any non-audit services is compatible with its independence. The Committee has delegated the authority to pre-approve services provided by the independent registered public accounting firm to the Chair of the Committee, who shall report any pre-approval decisions to the Committee at its next scheduled meeting.
13. Maintain open communication with the independent registered public accounting firm by regularly holding private meetings with the independent registered public accounting firm. The Committee shall provide the independent registered public accounting firm with open access to the Chair of the Committee so that such firm may bring matters to the Chair's attention at any time.
14. Review and evaluate the lead partner of the independent registered public accounting firm team. Ensure the rotation of the lead (and coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.
15. Review the Company's hiring of employees or former employees of the independent registered public accounting firm in accordance with the following policy:
 - No member with the position of partner, director, manager, advising member of the department of professional practice, reviewing actuary, reviewing tax professional and any other persons having similar responsibility for providing audit assurance (including all work that results in the expression of an opinion on financial statements and audits of statutory accounts) of an audit team that is auditing the Company or any of its businesses can be hired by the Company for a period of two years following association with that audit;
 - No former employee of the independent registered public accounting firm may sign a Company SEC filing for five years following employment with the independent registered public accounting firm;
 - No former employee of the independent registered public accounting firm may be named an officer of the Company or any of its subsidiaries for three years following employment by the independent registered public accounting firm;
 - The Company's Chief Financial Officer must approve all hires from an independent registered public accounting firm; and
 - The Company's Chief Financial Officer must report annually to the Audit Committee any hires from the independent registered public accounting firm during the preceding year.

Oversight of Internal Audit Function

16. Review the appointment, performance and replacement of the manager of the internal audit function (if established), and appoint or replace any outsourced provider of the internal audit function (if established).
17. If an internal auditor is appointed, approve the annual audit plan of such internal auditor.
18. Review with the internal auditor (if one is appointed) and other appropriate Company personnel the results of his, her or its audits with specific regard to the adequacy of financial controls and to improvements in accounting procedures, systems and policies; review management's response to the issues raised thereby; and confirm that there are no unjustified restrictions or limitations that

affect or impair the scope of the internal audit personnel's activities or their access to required information.

19. Evaluate the Company's internal control procedures with financial management, the internal auditor (if one is appointed) and the independent registered public accounting firm.
20. Maintain open communication with the internal auditor (if one is appointed) by regularly holding private meetings with the internal auditor.
21. Obtain and review a report from the independent registered public accounting firm at least annually regarding the independent registered public accounting firm's internal quality control procedures; any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm; and any steps taken by the firm to deal with any such issues. Evaluate the qualifications and performance of the independent registered public accounting firm, including whether the firm's quality controls are adequate and whether the provision of permitted non-audit services is compatible with maintaining the firm's independence.

Risk Oversight

22. Discuss the Company's policies with respect to risk assessment and risk management and generally review processes established by management to manage and assess risk.
23. Discuss and review with management the Company's major business and financial risk exposures and the steps management has taken to monitor and control such exposures.

Corporate Compliance Oversight

24. Investigate any allegations of deviations from ethical or accepted business practices brought to the Committee's attention, including initiating or authorizing the implementation of any special investigations with outside resources on behalf of the Board.
25. Annually review the procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by the Company employees of concerns regarding questionable accounting or auditing matters.
26. Discuss with management and the independent registered public accounting firm any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies.

Other Committee Responsibilities

27. Periodically review the quality, effectiveness and performance of the Company's financial organization.
28. Approve all related party and related person transactions (as defined by applicable NASDAQ and SEC rules) in which the Company is a participant and ensure that appropriate disclosures regarding related party and related person transactions have been made.
29. Review and reassess the adequacy of this Charter at least annually and recommend any proposed changes to the Board for approval.
30. Annually review the performance and effectiveness of the Committee.

The Committee will provide regular reports of its activities to the Board specifically addressing any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the performance and independence of the Company's independent registered public accounting firm, the performance of the Company's internal audit function, the Company's management of business and financial risk, or the Company's systems of disclosure controls and procedures, internal controls over financial reporting and compliance with ethical standards.

IV. Meetings

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. A majority of the members of the Committee will constitute a quorum for the transaction of business. The Committee will record the results of reviews made and actions taken at such meetings, and the Chair of the Committee will report to the full Board with respect to its meetings, including recommending actions to the full Board. In the absence of the Chair of the Committee, the members of the Committee may appoint any other Committee member to preside.

V. Resources and Authority

The Company shall provide appropriate funding to the Committee, as determined by the Committee, for payment of (i) compensation to any independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit review or attest services for the Company, and any outsourced internal auditor for services approved by the Committee; (ii) compensation to any advisers employed or retained by the Committee; and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee shall have the resources and authority appropriate to discharge its responsibilities, including authority to:

- conduct or authorize investigations into any matters within its scope of responsibilities;
- engage outside auditors for special audits, reviews and other procedures;
- retain special counsel and other experts and consultants to advise the Committee; and
- approve the fees and other retention terms for all of such parties.

The Committee may request to have any officer, employee, outside counsel or independent registered public accounting firm of the Company attend a meeting of the Committee or meet with any members of, or consultants to, the Committee. The Committee has the authority to use other resources, either within or outside the Company, to address special circumstances when appropriate.

The Committee may delegate its authority to subcommittees established by the Committee from time to time, which subcommittees will consist of one or more members of the Committee and will report to the Committee.

VI. Adoption of Charter

This revised Charter was adopted by the Board on April 12, 2005 and revised on March 2, 2016.