UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to
Commission File Number: 001-41248

Knightscope, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**46-2482575**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1070 Terra Bella Avenue
Mountain View, CA 94043
(Address of Principal Executive Offices) (Zip Code)
(650) 924-1025
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.001 Par Value per Share	KSCP	The Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐		
Non-accelerated filer	☒	Smaller reporting company	☒	Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 13, 2024, there were 3,481,691 shares of the registrant's Class A Common Stock outstanding and 336,759 shares of the registrant's Class B Common Stock outstanding.

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Cautionary Note on Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future operating results and financial position, including profitability, our business strategy and plans, market growth, product and service releases, the status of product development, compliance with applicable listing requirements or standards of The Nasdaq Capital Market, demand for our products and services, and our objectives for future operations, are forward-looking statements. In some cases the words "believe," "may," "will," "estimate," "potential," "continue," "anticipate," "intend," "expect," "could," "would," "project," "plan," "target," or the negative of these terms and similar expressions are intended to identify forward-looking statements.

Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- The success of our products and product candidates, which will require significant capital resources and years of development efforts;
- Our deployments and market acceptance of our products;
- Our ability to protect our intellectual property and to develop, maintain and enhance a strong brand;
- Our limited operating history by which performance can be gauged;
- Our ability to continue as a going concern;
- Our ability to comply with all applicable listing requirements or standards of The Nasdaq Capital Market;
- Our ability to operate and collect digital information on behalf of our clients, which is dependent on the privacy laws of jurisdictions in which our Autonomous Security Robots ("ASR") and Emergency Communication Devices ("ECD") operate, as well as the corporate policies of our clients, which may limit our ability to fully deploy our technologies in various markets;
- Our ability to raise capital; and
- Our ability to manage our research, development, expansion, growth, and operating expenses.

We have based these forward-looking statements on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of known and unknown risks, uncertainties, and assumptions and other important factors that could cause actual results to differ materially from those stated, including:

- We have not yet generated any profits or significant revenues, anticipate that we will incur continued losses for the foreseeable future, and may never achieve profitability.
- The report of our independent registered public accounting firm expresses substantial doubt about our ability to continue as a going concern, and we may not be able to continue to operate the business if we are not successful in securing additional funding.
- We expect to experience future losses as we implement our business strategy and will need to generate significant revenues to achieve profitability, which may not occur.
- We are subject to potential fluctuations in operating results due to our sales cycle.

- If we are unable to acquire new customers, our future revenues and operating results will be harmed. Likewise, potential customer turnover in the future, or costs we incur to retain our existing customers, could materially and adversely affect our financial performance.
- We are subject to the loss of contracts, due to terminations, non-renewals or competitive re-bids, which could adversely affect our results of operations and liquidity, including our ability to secure new contracts from other customers.
- Our future operating results are difficult to predict and may be affected by a number of factors, many of which are outside of our control.
- Our financial results will fluctuate in the future, which makes them difficult to predict.
- Changes in global economic conditions, including, but not limited to, those driven by inflation and interest rates, may adversely affect customer spending and the financial health of our customers and others with whom we do business, which may adversely affect our financial condition, results of operations, and cash resources.
- Adverse developments affecting the financial services industry, including events or concerns involving liquidity, defaults or non-performance by financial institutions, could adversely affect our business, financial condition or results of operations.
- We have a limited number of deployments, and limited market acceptance of our products could harm our business.
- We cannot assure you that we will effectively manage our growth.
- Our costs may grow more quickly than our revenues, harming our business and profitability.
- Any debt arrangements that we enter into may impose significant operating and financial restrictions on us, which may prevent us from capitalizing on business opportunities. A breach of any of the restrictive covenants under such debt arrangements may cause us to be in default under our debt arrangements, and our lenders could foreclose on our assets.
- The other risks, uncertainties, and important factors described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I, Item 2 of this Quarterly Report on Form 10-Q and "Risk Factors" in Part I, Item 1A of our most recent Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission ("the SEC") on April 1, 2024, as amended by our Annual Report on Form 10-K/A, filed with the SEC on April 29, 2024 (together, our "Annual Report"), as updated in our other filings with the SEC.

Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance, or achievements. Our forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q, and we undertake no obligation to update any of these forward-looking statements for any reason after the date of this Quarterly Report on Form 10-Q or to conform these statements to actual results or revised expectations, except as required by applicable law.

In this Quarterly Report on Form 10-Q, the words "we," "us," "our," "the Company" and "Knightscope" refer to Knightscope, Inc., unless the context requires otherwise.

PART I —FINANCIAL INFORMATION

Item 1. Financial Statements

KNIGHTSCOPE, INC.
Condensed Balance Sheets
(In thousands, except share and per share data)

	September 30, 2024 (unaudited)	December 31, 2023 (1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,199	$ 2,282
Restricted cash	102	100
Accounts receivable, net of allowance for credit losses of $283 and $15 as of September 30, 2024 and December 31, 2023, respectively	2,355	2,090
Inventory	2,896	2,320
Prepaid expenses and other current assets	977	1,421
Total current assets	11,529	8,213
Autonomous Security Robots, net	8,781	8,845
Property, equipment and software, net	722	857
Operating lease right-of-use-assets	556	1,458
Goodwill	1,922	1,922
Intangible assets, net	1,320	1,557
Other assets	92	122
Total assets	$ 24,922	$ 22,974
LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 2,563	$ 1,858
Accrued expenses	1,744	1,155
Deferred revenue	2,477	1,741
Operating lease liabilities, current	557	733
Debt obligations, current	2,773	—
Other current liabilities	1,409	1,459
Total current liabilities	11,523	6,946
Non-current liabilities:		
Debt obligations, net of debt issuance costs of $336 and $194 as of September 30, 2024 and December 31, 2023, respectively	3,932	1,242
Preferred stock warrant liability	—	5,976
Derivative liability	—	271
Other noncurrent liabilities	212	259
Operating lease liabilities, noncurrent	—	711
Total liabilities	15,667	15,405
Commitments and contingencies (Note 8)		
Preferred Stock, $0.001 par value; 40,000,000 and 43,405,324 shares authorized as of September 30, 2024 and December 31, 2023, 0 and 189,982 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively; aggregate liquidation preference of $0 and $35,361 as of September 30, 2024 and December 31, 2023 respectively (2)	—	34,203
Stockholders' equity (deficit) (2):		
Class A Common Stock, $0.001 par, 228,000,000 and 114,000,000 shares authorized as of September 30, 2024 and December 31, 2023, 3,235,809 and 1,603,772 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	3	2
Class B Common Stock, $0.001 par, 30,000,000 shares authorized as of September 30, 2024 and December 31, 2023, 336,759 and 187,156 shares issued and outstanding as of September 30, 2024 and December 31, 2023	—	—
Additional paid-in capital	195,477	134,822
Accumulated deficit	(186,225)	(161,458)
Total stockholders' equity (deficit)	9,255	(26,634)
Total liabilities, preferred stock and stockholders' equity (deficit)	$ 24,922	$ 22,974

(1) The condensed balance sheet as of December 31, 2023 was derived from the audited balance sheet as of that date.
(2) Share amounts as of December 31, 2023 have been adjusted to reflect the impact of a 1-for-50 reverse stock split of the Company's common stock effected in September 2024 as discussed in Note 1.

The accompanying notes are an integral part of these condensed financial statements.

KNIGHTSCOPE, INC.
Condensed Statements of Operations
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue, net				
Service	$ 1,861	$ 1,915	$ 5,502	$ 5,488
Product	674	1,409	2,490	4,296
Total revenue, net	2,535	3,324	7,992	9,784
Cost of revenue, net				
Service	2,382	2,488	8,256	7,020
Product	853	786	2,439	2,918
Total cost of revenue, net	3,235	3,274	10,695	9,938
Gross profit (loss)	(700)	50	(2,703)	(154)
Operating expenses:				
Research and development	1,770	1,903	4,976	4,782
Sales and marketing	1,000	1,395	4,043	3,716
General and administrative	4,238	3,235	10,613	10,148
Restructuring charges	33	—	447	149
Total operating expenses	7,041	6,533	20,079	18,795
Loss from operations	(7,741)	(6,483)	(22,782)	(18,949)
Other income (expense):				
Change in fair value of warrant and derivative liabilities	(2,966)	(1,800)	(1,515)	4,015
Interest income (expense), net	(130)	(8)	(323)	(462)
Other income (expense), net	(67)	(51)	(147)	(188)
Total other income (expense)	(3,163)	(1,859)	(1,985)	3,365
Net loss before income tax expense	(10,904)	(8,342)	(24,767)	(15,584)
Income tax expense	—	—	—	—
Net loss	$ (10,904)	$ (8,342)	$ (24,767)	$ (15,584)
Basic and diluted net loss per common share	$ (3.58)	$ (5.36)	$ (10.19)	$ (13.11)
Weighted average shares used to compute basic and diluted net loss per share (1)	3,042,301	1,555,271	2,431,269	1,188,466

(1) Share amounts for the periods ended September 30, 2023 have been adjusted to reflect the impact of a 1-for-50 reverse stock split of the Company's common stock effected in September 2024 as discussed in Note 1.

The accompanying notes are an integral part of these condensed financial statements.

KNIGHTSCOPE, INC.
Condensed Statements of Preferred Stock and Stockholders' Equity (Deficit)
(In thousands, except share and per share data)
(Unaudited)

	Series m Preferred Stock		Series m-2 Preferred Stock		Series S Preferred Stock		Series A Preferred Stock		Series B Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in capital	Accumulative Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance as of June 30, 2023	**36,019**	**$ 4,676**	**3,200**	**$ 480**	**53,531**	**$ 21,668**	**28,368**	**$ 614**	**69,977**	**$ 7,098**	**1,270,382**	**$ 1**	**207,156**	**$ —**	**$ 121,263**	**$ (146,582)**	**$ (25,318)**
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	843	—	843
Offering proceeds, net of issuance costs	—	—	—	—	—	—	—	—	—	—	175,993	1	—	—	7,423	—	7,424
Share conversion to common stock	(206)	(26)	—	—	(490)	(199)	—	—	—	—	21,081	—	(20,000)	—	225	—	225
Share conversion costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(3)	—	(3)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(8,342)	(8,342)
Balance as of September 30, 2023	**35,813**	**$ 4,650**	**3,200**	**$ 480**	**53,041**	**$ 21,469**	**28,368**	**$ 614**	**69,977**	**$ 7,098**	**1,467,456**	**$ 2**	**187,156**	**$ —**	**$ 129,751**	**$ (154,924)**	**$ (25,171)**

	Series m Preferred Stock		Series m-2 Preferred Stock		Series S Preferred Stock		Series A Preferred Stock		Series B Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in capital	Accumulative Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance as of December 31, 2022	**37,107**	**$ 4,818**	**3,200**	**$ 480**	**54,295**	**$ 21,977**	**61,723**	**$ 1,335**	**70,712**	**$ 7,173**	**560,585**	**$ 1**	**206,397**	**$ —**	**$ 95,753**	**$ (139,340)**	**$ (43,586)**
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,020	—	2,020
Conversion of debt obligations to Class A Common Stock	—	—	—	—	—	—	—	—	—	—	208,648	—	—	—	8,592	—	8,592
Stock options exercised	—	—	—	—	—	—	—	—	—	—	4,260	—	4,760	—	263	—	263
Proceeds from Equity Sale, net of issuance costs	—	—	—	—	—	—	—	—	—	—	632,418	1	—	—	21,659	—	21,660
Share conversion to common stock	(1,294)	(168)	—	—	(1,254)	(508)	(33,356)	(721)	(735)	(75)	61,545	—	(24,001)	—	1,472	—	1,472
Share conversion costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(8)	—	(8)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(15,584)	(15,584)
Balance as of September 30, 2023	**35,813**	**$ 4,650**	**3,200**	**$ 480**	**53,041**	**$ 21,469**	**28,368**	**$ 614**	**69,977**	**$ 7,098**	**1,467,456**	**$ 2**	**187,156**	**$ —**	**$ 129,751**	**$ (154,924)**	**$ (25,171)**

Note: Share amounts have been adjusted to reflect the impact of a 1-for-50 reverse stock split of the Company's common stock effected in September 2024 as discussed in Note 1.

	Series m Preferred Stock		Series m-2 Preferred Stock		Series S Preferred Stock		Series A Preferred Stock		Series B Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in capital	Accumulative Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance as of June 30, 2024	—	$ —	—	$ —	—	$ —	—	$ —	—	$ —	2,339,348	$ 2	334,515	$ —	$ 186,495	$ (175,321)	$ 11,176
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	724	—	724
Stock options exercised	—	—	—	—	—	—	—	—	—	—	(2,260)	—	2,260	—	—	—	—
Fractional share adjustment due to reverse stock split	—	—	—	—	—	—	—	—	—	—	(7,771)	—	(16)	—	(78)		(78)
Offering proceeds, net of issuance costs	—	—	—	—	—	—	—	—	—	—	906,492	1	—	—	8,336	—	8,337
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(10,904)	(10,904)
Balance as of September 30, 2024	—	$ —	—	$ —	—	$ —	—	$ —	—	$ —	3,235,809	$ 3	336,759	$ —	$ 195,477	$ (186,225)	$ 9,255

	Series m Preferred Stock		Series m-2 Preferred Stock		Series S Preferred Stock		Series A Preferred Stock		Series B Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in capital	Accumulative Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance as of December 31, 2023	35,593	$ 4,621	3,200	$ 480	52,844	$ 21,390	28,368	$ 614	69,977	$ 7,098	1,603,772	$ 2	187,156	$ —	$ 134,822	$ (161,458)	$ (26,634)
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,327	—	1,327
Reclassification of warrant liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,762	—	4,762
Stock options exercised	—	—	—	—	—	—	—	—	—	—	—	—	2,260	—	18	—	18
Fractional share adjustment due to reverse stock split											(7,771)	—	(16)	—	(78)		(78)
Offering proceeds, net of issuance costs	—	—	—	—	—	—	—	—	—	—	1,470,537	1	—	—	20,425	—	20,426
Share conversion to common stock	(35,593)	(4,621)	(3,200)	(480)	(52,844)	(21,390)	(28,368)	(614)	(69,977)	(7,098)	169,271	—	147,359	—	34,203	—	34,203
Share conversion costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(2)	—	(2)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(24,767)	(24,767)
Balance as of September 30, 2024	—	$ —	—	$ —	—	$ —	—	$ —	—	$ —	3,235,809	$ 3	336,759	$ —	$ 195,477	$ (186,225)	$ 9,255

Note: Share amounts have been adjusted to reflect the impact of a 1-for-50 reverse stock split of the Company's common stock effected in September 2024 as discussed in Note 1.

The accompanying notes are an integral part of these condensed financial statements.

KNIGHTSCOPE, INC.
Condensed Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2024	2023
Cash Flows From Operating Activities		
Net loss	$ (24,767)	$ (15,584)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,894	1,761
Loss on disposal of Autonomous Security Robots	1,075	—
Stock compensation expense	1,327	2,020
Change in fair value of warrant and derivative liabilities	1,515	(4,015)
Accrued interest	264	440
Common stock issued in exchange for consulting services	—	385
Amortization of debt discount	51	—
Changes in operating assets and liabilities:		
Accounts receivable, net	(265)	(724)
Prepaid expenses and other current assets	444	(254)
Inventory	(576)	(599)
Other assets	30	22
Accounts payable	676	(739)
Accrued expenses	325	(844)
Deferred revenue	736	(405)
Other current and noncurrent liabilities	(106)	378
Net cash used in operating activities	(17,377)	(18,158)
Cash Flows From Investing Activities		
Purchases and related costs incurred for Autonomous Security Robots	(2,468)	(3,129)
Purchases of property and equipment	(12)	(454)
Net cash used in investing activities	(2,480)	(3,583)
Cash Flows From Financing Activities		
Proceeds from stock options exercised	18	263
Cash paid for fractional shares	(78)	—
Proceeds from equity sale, net of issuance costs	20,426	21,660
Proceeds from issuance of Public Safety Infrastructure Bonds, net of issuance costs	2,639	—
Repayments of debt obligations	(227)	(273)
Share conversion costs	(2)	(8)
Net cash provided by financing activities	22,776	21,642
Net change in cash, cash equivalents and restricted cash	2,919	(99)
Cash, cash equivalents and restricted cash at beginning of the period	2,382	4,810
Cash, cash equivalents and restricted cash at end of the period	$ 5,301	$ 4,711
Supplemental Disclosure of Non-Cash Financing and Investing Activities		
Conversion of preferred stock to common stock	$ 34,203	$ 1,472
Conversion of debt obligations to Class A Common Stock	$ —	$ 8,592
Goodwill adjustment	$ —	$ 578
Capital expenditures in accounts payable and other long-term liabilities	$ 53	$ —
Preferred stock warrant reclassification to equity	$ 4,762	$ —
Promissory note issued in exchange for cancellation of Class A Common Stock Warrants	$ 3,000	$ —

The accompanying notes are an integral part of these condensed financial statements.

KNIGHTSCOPE, INC.
Notes to Condensed financial statements
(Dollars in thousands, unless otherwise stated)
(Unaudited)

NOTE 1: The Company and Summary of Significant Accounting Policies

Description of Business

Knightscope, Inc. was incorporated on April 4, 2013 under the laws of the State of Delaware.

Knightscope, Inc. (the "Company") is an innovator in robotics and artificial intelligence ("AI") technologies focused on public safety. Our technologies are designed to help our clients protect the people, places, and things where we live, work, study, and visit. Our technologies are made in the United States and allow public safety professionals to more effectively identify, deter, intervene, capture, and prosecute criminals.

To support our mission to make the United States the safest country in the world, we design, develop, manufacture, market, deploy and support Autonomous Security Robots ("ASRs"), the proprietary Knightscope Security Operations Center ("KSOC") software user interface, Blue Light emergency communication devices ("ECDs"), and the proprietary Knightscope Emergency Management System ("KEMS") software platform.

Basis of Presentation and Liquidity

The unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures have been condensed or omitted pursuant to such rules and regulations. The unaudited condensed financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for a fair presentation of the period presented. The results of operations for the three and nine months ended September 30, 2024 are not necessarily indicative of the results to be expected for the year ending December 31, 2024 or for other future periods. These condensed financial statements should be read in conjunction with the Company's audited financial statements and accompanying notes for the year ended December 31, 2023 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on April 1, 2024. The Company's significant accounting policies are described in Note 1 to those audited financial statements.

Since its inception, the Company has incurred significant operating losses and negative cash flows from operations which is principally the result of scaling the business and significant research and development activities related to the development, continued improvement, and deployment of the Company's ASRs (hardware and software).

Cash and cash equivalents on hand were $5.2 million as of September 30, 2024, compared to $2.3 million as of December 31, 2023. The Company has historically incurred losses and negative cashflows from operations. As of September 30, 2024, the Company also had an accumulated deficit of approximately $186.2 million and stockholders' equity of approximately $9.3 million. The Company is dependent on additional fundraising in order to sustain its ongoing operations. Based on current operating levels, the Company will need to raise additional funds in the next twelve months by selling additional equity or incurring debt. These factors raise substantial doubt about the Company's ability to continue as a going concern for the twelve months from the date of this report.

Basic and Diluted Net Loss per Share

Net loss per share of common stock is computed using the two-class method required for participating securities based on their participation rights. All series of convertible preferred stock are participating securities as the holders are entitled to participate in common stock dividends with common stock on an as converted basis. The voting, dividend, liquidation and other rights and powers of the common stock are subject to and qualified by the rights, powers and preferences of any series of preferred stock as may be designated by the Company's Board of Directors and outstanding from time to time. In accordance with the two-class method, earnings allocated to these participating securities, which include participation rights in undistributed earnings with common stock, are subtracted from net loss to determine net loss attributable to common stockholders upon their occurrence.

Basic net loss per share is computed by dividing net loss attributable to common stockholders (net adjusted for preferred stock dividends declared or accumulated) by the weighted average number of common shares outstanding during the period. All participating securities are excluded from basic weighted average shares outstanding. In computing diluted net loss attributable to common stockholders, undistributed earnings are re-allocated to reflect the potential impact of dilutive securities. Diluted net loss per share attributable to common stockholders is computed by dividing net loss attributable to common stockholders by diluted weighted average shares outstanding, including potentially dilutive securities, unless anti-dilutive. Potentially dilutive securities that were excluded from the computation of diluted net loss per share for the three and nine months ended September 30, 2024 and 2023 consist of the following:

	September 30, 2024	September 30, 2023
Series A Preferred Stock (convertible to Class B Common Stock)	—	28,368
Series B Preferred Stock (convertible to Class B Common Stock)	—	69,977
Series m Preferred Stock (convertible to Class A Common Stock)	—	35,813
Series m-2 Preferred Stock (convertible to Class B Common Stock)	—	3,200
Series S Preferred Stock (convertible to Class A Common Stock)	—	53,041
Warrants to purchase Class A Common Stock	150,111	22,769
Warrants to purchase Series m-3 Preferred Stock	—	28,656
Warrants to purchase Series S Preferred Stock	—	58,836
Stock options	298,863	210,272
Total potentially dilutive shares	448,974	510,932

As all potentially dilutive securities are anti-dilutive as of September 30, 2024 and 2023, diluted net loss per common share is the same as basic net loss per common share for each period.

On May 15, 2024 (the "Preferred Stock Conversion Date"), pursuant to the terms of the Company's Amended and Restated Certificate of Incorporation, as amended to date (the "Certificate of Incorporation") each share of the Company's Super Voting Preferred Stock was automatically converted into fully-paid, non-assessable shares of Class B common stock and each share of the Company's Ordinary Preferred Stock (together with the Super Voting Preferred Stock, the "Preferred Stock") was automatically converted into fully-paid, non-assessable shares of Class A Common Stock, in each case at the then effective applicable Conversion Rate, (as defined in the Certificate of Incorporation), as a result of the receipt by the Company of a written request for such conversion from the holders of a majority of the voting power of the Preferred Stock then outstanding (the "Automatic Conversion"). As a result of the Automatic Conversion, no shares of previously authorized Preferred Stock remain outstanding.

Segments

The Company has one operating segment and one reportable segment as its chief operating decision maker, who is its Chief Executive Officer, reviews financial information on a regular basis for purposes of allocating resources and evaluating financial performance. All long-lived assets are located in the United States and substantially all revenue is attributed to sellers and buyers based in the United States.

Comprehensive Loss

Net loss was equal to comprehensive loss for the three month and nine month periods ended September 30, 2024 and 2023.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Specific accounts that require management estimates include, but are not limited to, estimating the useful lives of the Company's ASRs, property and equipment and intangible assets, certain estimates required within revenue recognition, warranty and allowance for credit losses, determination of deferred tax valuation allowances, estimating fair values of the Company's share-based awards, warrant liability, and derivative liabilities, inclusive of any contingent assets and liabilities. Actual results could differ from those estimates and such differences may be material to the financial statements.

Reclassifications

Certain reclassifications have been made to the condensed balance sheet as of December 31, 2023 to conform to the fiscal year 2024 presentation. The reclassifications had no impact on total assets, total liabilities, or stockholders' equity (deficit).

Accounting Pronouncements Adopted in 2024

None.

Accounting Pronouncements Not Yet Adopted

In November 2023, Financial Accounting Standards Board ("FASB") released Accounting Standards Update ("ASU") No. 2023-07, *Segment Reporting*. The amendment improves financial reporting by requiring disclosure of incremental segment information on an annual and interim basis. It is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Management does not believe the implementation of this pronouncement will have a material impact on the Company's financial statements.

In December 2023, FASB released ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The ASU enhances income tax disclosures for the effective tax rate reconciliation and income taxes paid. This ASU is effective for fiscal periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating this ASU and the impact it may have on its financial statement disclosures.

Management has reviewed other recently issued accounting pronouncements issued or proposed by the FASB and does not believe any of these accounting pronouncements has had or will have a material impact on the condensed financial statements.

Inventory

Inventory, principally purchased components, is stated at the lower of cost or net realizable value. Cost is determined using an average cost, which approximates actual cost on a first-in, first-out basis. Inventory in excess of salable amounts and inventory which is considered obsolete based upon changes in existing technology is written off. At the point of loss recognition, a new lower cost basis for that inventory is established and subsequent changes in facts and circumstances do not result in the restoration or increase in the new cost basis.

	September 30, 2024	December 31, 2023
Raw materials	$ 2,579	$ 2,112
Work in process	92	82
Finished goods	225	126
	$ 2,896	$ 2,320

Autonomous Security Robots, net

ASRs consist of materials, ASRs in progress and finished ASRs. ASRs in progress and finished ASRs include materials, labor and other direct and indirect costs used in their production. Finished ASRs are valued using a discrete bill of materials, which includes an allocation of labor and direct overhead based on assembly hours. Depreciation expense on ASRs is recorded using the straight-line method over their estimated expected lives, which currently ranges from 3 to 5 years. Depreciation expense of finished ASRs included in research and development expense amounted to $0 and $2, depreciation expense of finished ASRs included in sales and marketing expense amounted to $0 and $2, and depreciation expense included in cost of revenue, net amounted to $467 and $412 for the three months ended September 30, 2024 and 2023, respectively. Depreciation expense of finished ASRs included in research and development expense amounted to $1 and $6, depreciation expense of finished ASRs included in sales and marketing expense amounted to $0 and $15, and depreciation expense included in cost of revenue, net amounted to $1,457 and $1,182 for the nine months ended September 30, 2024 and 2023, respectively.

ASRs, net, consisted of the following:

	September 30, 2024	December 31, 2023
Raw materials	$ 2,429	$ 3,841
ASRs in progress	1,220	1,575
Finished ASRs	10,503	12,130
	14,152	17,546
Less: accumulated depreciation on Finished ASRs	(5,371)	(8,701)
ASRs, net	$ 8,781	$ 8,845

In the first quarter of 2024, the Company discontinued the K5 v3 machines and as a result, in the first nine months of 2024, wrote off approximately $1.1 million against service cost of revenue, net.

The components of the Finished ASRs, net are as follows:

	September 30, 2024	December 31, 2023
ASRs on lease or available for lease	$ 9,778	$ 10,804
Demonstration ASRs	42	607
Research and development ASRs	186	194
Charge boxes	497	525
	10,503	12,130
Less: accumulated depreciation	(5,371)	(8,701)
Finished ASRs, net	$ 5,132	$ 3,429

Intangible Assets

The gross carrying amounts and accumulated amortization of the intangible assets with determinable lives are as follows:

		September 30, 2024		
Intangible assets with determinable lives	**Amortization Period (years)**	**Gross carrying amount**	**Accumulated amortization**	**Carrying amount, net**
Developed technology	5	$ 990	$ (388)	$ 602
Customer relationships	8	950	(232)	718
Total		$ 1,940	$ (620)	$ 1,320

Intangible assets with determinable lives	Amortization Period (years)	December 31, 2023 Gross carrying amount	Accumulated amortization	Carrying amount, net
Developed technology	5	$ 990	$ (239)	$ 751
Customer relationships	8	950	(144)	806
Total		$ 1,940	$ (383)	$ 1,557

Intangible assets amortization expense totaled $79 and $137 for the three months ended September 30, 2024 and 2023 respectively. Intangible assets amortization was recorded in sales and marketing and cost of revenue, net - service in the amounts of $30 and $49, respectively for the three month period ended September 30, 2024 compared to amortization expense recorded in sales and marketing and cost of revenue, net - service in the amounts of $87 and $50, respectively for the three month period ended September 30, 2023.

Intangible assets amortization expense totaled $237 and $410 for the nine months ended September 30, 2024 and 2023 respectively. Intangible asset amortization was recorded in sales and marketing and cost of revenue, net - service in the amounts of $89 and $148, respectively for the nine month period ended September 30, 2024 compared to amortization expense recorded in sales and marketing and cost of revenue, net - service in the amounts of $261 and $149, respectively for the nine month period ended September 30, 2023.

As of September 30, 2024, future intangible assets amortization expense for each of the next five years and thereafter is as follows:

Year ending December 31,	Amount
2024 (remaining three months)	$ 80
2025	317
2026	317
2027	275
2028	118
2029 and thereafter	213
Total	$ 1,320

Other Current Liabilities

Other current liabilities consisted of the following:

	September 30, 2024	December 31, 2023
Sales tax	$ 387	$ 364
Customer deposits	243	239
Warranty liability	446	406
Other	333	450
	$ 1,409	$ 1,459

Warranty Liability

The liability for estimated warranty claims is accrued at the time of sale and the expense is recorded in the condensed statements of operations in cost of revenue, net - product. The liability is established using historical warranty claim experience. The current provision may be adjusted to take into account unusual or non-recurring events in the past or anticipated changes in future warranty claims. Adjustments to the warranty accrual are recorded if actual claim experience indicates that adjustments are necessary. Warranty reserves are reviewed to ensure critical assumptions are updated for known events that may impact the potential warranty liability.

Change in the warranty liability for the nine months ended consisted of the following:

	September 30, 2024	September 30, 2023
Balance January 1,	$ 406	$ 145
Provision for warranties issued	331	339
Warranty services provided	(291)	(109)
	$ 446	$ 375

Accrued Expenses

Accrued expenses consisted of the following:

	September 30, 2024	December 31, 2023
Legal, consulting and financial services	$ 710	$ 117
Payroll and payroll taxes	278	604
Credit cards	224	244
Accrued interest	275	10
Other	257	180
	$ 1,744	$ 1,155

Convertible Preferred Warrant Liabilities and Common Stock Warrants

Freestanding warrants to purchase shares of the Company's preferred stock were classified as liabilities on the balance sheets at their estimated fair value because the underlying shares of preferred stock were contingently redeemable and, therefore, may have obligated the Company to transfer assets at some point in the future. The preferred stock warrants were recorded at fair value upon issuance and were subject to remeasurement to their respective estimated fair values. At the end of each reporting period, changes in the estimated fair value of the preferred stock warrants were recorded in the condensed statements of operations. The Company adjusted the liability associated with the preferred stock warrants for changes in the estimated fair value until the earlier of the exercise or conversion. On May 15, 2024, the preferred stock warrants converted into warrants to purchase common stock and any liabilities recorded for the preferred stock warrants were reclassified to additional paid-in capital and are no longer subject to remeasurement.

Common stock warrants that are not considered derivative liabilities are accounted for at fair value at the date of issuance in additional paid-in capital.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with Accounting Standards Codification ("ASC") 718, *Compensation - Stock Compensation*, which requires that the estimated fair value on the date of grant be determined using the Black-Scholes option pricing model with the fair value recognized over the requisite service period of the awards, which is generally the option vesting period. The Company's determination of the fair value of the stock-based awards on the date of grant, using the Black-Scholes option pricing model, is affected by the fair value of the Company's common stock as well as other assumptions regarding a number of highly complex and subjective variables. These variables include but are not limited to the Company's expected stock price volatility over the term of the awards, and actual and projected employee option exercise behaviors. Because there is insufficient historical information available to estimate the expected term of the stock-based awards, the Company adopted the simplified method of estimating the expected term of options granted by taking the average of the vesting term and the contractual term of the option. The Company recognizes forfeitures as they occur when calculating stock-based compensation for its equity awards.

Reverse Stock Split

On August 16, 2024, the Company held an annual meeting of stockholders at which the Company's stockholders approved, among other items, amendments to the Company's Certificate of Incorporation, to effect a reverse stock split of the Company's Class A Common Stock at a ratio ranging from any whole number between 1-for-5 and 1-for-50, as determined by the Company's Board of Directors (the "Board") in its discretion, subject to the Board's authority to abandon such amendments (the "Class A Reverse Stock Split Amendment"), and effect a reverse stock split of the Company's Class B Common Stock at a ratio ranging from any whole number between 1-for-5 and 1-for-50 (which ratio shall be the same ratio as the reverse stock split determined by the Board with respect to the Class A Common Stock), as determined by the Board in its discretion, subject to the Board's authority to abandon such amendments (the "Class B Reverse Stock Split Amendment" and, together with the Class A Reverse Stock Split Amendment, the "Reverse Stock Split Amendment"). The Reverse Stock Split Amendment was described in the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on July 5, 2024. The Board had previously approved the Reverse Stock Split Amendment. On September 4, 2024, the Board selected a reverse stock split of the Class A Common Stock at a final ratio of 1-for-50 and a reverse stock split of the Class B Common Stock at a final ratio of 1-for-50 and abandoned all other reverse stock split amendments at different ratios. On September 13, 2024, the Company filed a Certificate of Amendment to Certificate of Incorporation (the "Certificate of Amendment") with the Secretary of State of the State of Delaware to effect the Reverse Stock Split Amendment. The Reverse Stock Split Amendment became effective at 5:00 p.m. Eastern Time on the date of filing of the related Certificate of Amendment. No fractional shares of either Class A Common Stock or Class B Common Stock were issued if, as a result of the Reverse Stock Split Amendment, a stockholder would otherwise have become entitled to a fractional share because the number of shares of Class A Common Stock or Class B Common Stock, as applicable, that they held before the Reverse Stock Split Amendment was not evenly divisible by the split ratio; instead, each stockholder received a cash payment in lieu of such fractional share based on the closing price per share as reported by The Nasdaq Capital Market on September 13, 2024, which totaled approximately $78. All stock options outstanding under the Company's Equity Incentive plan immediately prior to the Reverse Stock Split Amendment were adjusted by dividing the number of affected shares of common stock by 50 and, as applicable, multiplying the exercise price by 50. All share and per-share amounts in these condensed financial statements have been restated to reflect the Reverse Stock Split Amendment as if it had occurred at the beginning of the earliest period presented.

NOTE 2: Revenue and Deferred Revenue

Revenue Recognition

ASR related revenues

The Company generates revenue primarily through the lease of its ASRs, along with access to the browser-based interface, KSOC. These revenues are recognized under the lease accounting framework, with contracts typically having an initial term of 12 months and an automatic renewal provision. The ASR lease agreements, which include access to KSOC, are classified as leases for revenue recognition purposes, with revenue being recognized over the lease term as the service is provided.

ECD related revenues

The Company also derives revenues from sales of its ECDs and related services, such as installation, maintenance, and upgrades. Revenue is recognized when clients sign a full or partial certificate of completion, at which point, Knightscope can generate an invoice for its products and services. Clients also have the option to sign up for ongoing preventative and maintenance agreements. The maintenance revenue is recognized in the period the service is performed and the Company has determined that the term of the contracts has been fulfilled. Installation or upgrades revenue are recognized upon completion of the project/contracts. In certain cases, deferred revenue is recognized to account for unfinished contracts.

The Company determines revenue recognition through the following steps:

- identification of the contract, or contracts, with a client;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, the Company satisfies a performance obligation.

ASR subscription revenue

The Company recognizes ASR subscription revenue as follows:

ASR subscription revenue is generated from the lease of proprietary ASRs along with access to the browser-based interface KSOC through contracts that typically have 12 month terms. These revenue arrangements adhere to lease accounting guidance and are classified as leases for revenue recognition purposes. Currently, all revenue arrangements qualify as operating leases where consideration allocated to the lease deliverables is recognized ratably over the lease term.

Deferred revenue

In connection with the Company's Machine-as-a-Service ("MaaS") subscription for the Company's ASRs, the Company's standard billing terms are annual in advance. In these situations, the Company records the invoices as deferred revenue and amortizes the subscription amount when the services are delivered, which generally is a 12 month period. In addition, the Company refers certain transactions to financing companies, whereby the financing company advances the full value of the MaaS subscription to the Company, less a processing fee. The advanced payment is recorded in deferred revenue and amortized over the term of the subscription once the ASR is delivered to the deployment site.

The Company derives its revenue from the lease subscription of its proprietary ASRs along with access to its browser and mobile based software interface, KSOC. MaaS subscription agreements typically have a 12 month term.

The Company also records deferred revenue from unfinished contracts for certain ECD related services.

Deferred revenue includes billings in excess of revenue recognized. Revenue recognized at a point in time generally does not result in significant increases in deferred revenue. Revenue recognized over a period generally results in a majority of the increases in deferred revenue as the performance obligations are fulfilled after the billing event. Deferred revenue was as follows:

	September 30, 2024
Deferred revenue - short term	$ 2,477
Revenue recognized in the nine months ended related to amounts included in deferred revenue as of January 1, 2024	$ 1,441

Deferred revenue represents amounts invoiced to customers for contracts for which revenue has yet to be recognized based for subscription services to be delivered to the Company's clients. Typically, the timing of invoicing is based on the terms of the contract.

Customer Deposits

Customer deposits primarily relate to sales of ECDs to certain customers dependent upon creditworthiness. The customer deposits are recorded as current liabilities and reclassed as a contra accounts receivable account at the time that the final invoice for the sale is generated following the completion of the revenue recognition criteria.

Disaggregation of revenue

The Company disaggregates revenue from contracts with customers into the timing of the transfers of goods and services by product line.

The following table summarizes revenue by product line and timing of recognition:

	Three Months Ended September 30,					
	2024			2023		
	Point in time	Over time	Total	Point in time	Over time	Total
ASRs	$ 20	$ 1,123	$ 1,143	$ 89	$ 1,075	$ 1,164
ECDs	1,191	201	1,392	2,119	41	2,160
Total	$ 1,211	$ 1,324	$ 2,535	$ 2,208	$ 1,116	$ 3,324

	Nine Months Ended September 30,					
	2024			2023		
	Point in time	Over time	Total	Point in time	Over time	Total
ASRs	$ 67	$ 3,078	$ 3,145	$ 129	$ 3,157	$ 3,286
ECDs	4,345	502	4,847	6,299	199	6,498
Total	$ 4,412	$ 3,580	$ 7,992	$ 6,428	$ 3,356	$ 9,784

Other revenue, net

Other non-ASR service-related revenues such as deployment services, decals and training revenue are recognized when services are delivered. Revenue from these transactions has been immaterial for all periods presented and is included in service revenue, net.

NOTE 3: Fair Value Measurement

The Company determines the fair market values of its financial instruments based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following are three levels of inputs that may be used to measure fair value:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. The Company considers a market to be active when transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The valuation of Level 3 investments requires the use of significant management judgments or estimation.

In certain cases where there is limited activity or less transparency around inputs to valuation, securities are classified as Level 3. Level 3 liabilities that are measured at fair value on a recurring basis consist of the convertible preferred stock warrant liabilities. The inputs used in estimating the fair value of the warrant liabilities are described in Note 6 - *Capital Stock and Warrants*.

The following tables summarize, for each category of assets or liabilities carried at fair value, the respective fair value as of September 30, 2024 and December 31, 2023, and the classification by level of input within the fair value hierarchy:

	Total	Level 1	Level 2	Level 3
September 30, 2024				
Assets				
Cash equivalents:				
Money market funds	$ 2,631	$ 2,631	$ —	$ —

	Total	Level 1	Level 2	Level 3
December 31, 2023				
Assets				
Cash equivalents:				
Money market funds	$ 1,104	$ 1,104	$ —	$ —
Liabilities				
Warrant liability – Series m-3 Preferred Stock	$ 284	$ —	$ —	$ 284
Warrant liability – Series s Preferred Stock	$ 5,692	$ —	$ —	$ 5,692
Derivative liability – Class A Common Stock warrants	$ 271	$ —	$ —	$ 271

During the nine month period ended September 30, 2024 and 2023, there were no transfers between Level 1, Level 2, or Level 3 assets or liabilities reported at fair value on a recurring basis and the valuation techniques used did not change compared to the Company's established practice.

As of September 30, 2024, there were no liabilities measured and recognized at fair value on a recurring basis.

The following table sets forth a summary of the changes in the fair value of Company's Level 3 warrant and derivative liabilities during the nine month periods ended September 30, 2024 and 2023, which were measured at fair value on a recurring basis:

	September 30, 2024	September 30, 2023
Beginning Balance	$ 6,247	$ 11,157
Warrants cancelled	(3,000)	(308)
Revaluation of Series m-3 and S Preferred Stock warrants	(1,214)	(2,951)
Reclassification of Series m-3 and S Preferred Stock warrants	(4,762)	—
Revaluation of common stock warrants	2,729	(756)
Ending Balance	$ —	$ 7,142

The following table sets forth a summary of the changes in the fair value of Company's Level 3 convertible note liabilities during the nine month periods ended September 30, 2024 and 2023, which were measured at fair value on a recurring basis:

	September 30, 2024	September 30, 2023
Beginning Balance	$ —	$ 8,152
Notes converted	—	(8,592)
Interest accretion	—	440
Ending Balance	$ —	$ —

NOTE 4: Debt Obligations

Public Safety Infrastructure Bonds

On September 29, 2023, the Company filed an Offering Circular on Form 1-A/A (File No. 024-12314) (the "Offering Circular") for the issuance of up to $10.0 million in Public Safety Infrastructure Bonds (the "Bonds") pursuant to Regulation A of the Securities Act. The Offering Circular was qualified with the SEC on October 2, 2023. The price per Bond is $1,000. The Bonds are unsecured, bearing interest at 10% per annum, payable annually on December 31 each year, starting on December 31, 2024, with the Bonds maturing on the fifth anniversary of the initial issuance.

August 2024 Note

On October 10, 2022, the Company entered into a Securities Purchase Agreement (the "2022 Purchase Agreement") with Alto Opportunity Master Fund, SPC - Segregated Master Portfolio B (the "Holder"), pursuant to which the Company issued and sold to the Holder in a private placement (i) senior secured convertible notes (the "2022 Notes"), and (ii) warrants (the "2022 Warrants") to purchase up to 1,138,446 shares of the Company's Class A Common Stock. The 2022 Warrants included an adjustment mechanism, whereby the exercise price and number of shares issuable upon the exercise of the 2022 Warrants (the "Warrant Exercise Price") were subject to adjustment from time to time, such that immediately after an issuance of shares of Class A Common Stock (a "Stock Issuance"), excluding At The Market ("ATM") offering, at any price per share of Class A Common Stock that was lower than the then in effect Warrant Exercise Price (the "Reset Price"), the Warrant Exercise Price would be reduced to equal the Reset Price, and the number of shares issuable upon the exercise of the 2022 Warrants would be increased to the number necessary to maintain the value of the 2022 Warrants immediately prior to such Stock Issuance. In connection with the entry into the 2022 Purchase Agreement, the Company and the Holder also entered into a registration rights agreement (the "2022 Registration Rights Agreement"), pursuant to which the Company agreed to provide the Holder with certain registration rights under the Securities Act.

On August 1, 2024 (the "Issuance Date"), the Company and the Holder entered into an Agreement and Waiver (the "Waiver"), pursuant to which, on the Issuance Date, the Company issued to the Holder a Senior Secured Promissory Note due on July 1, 2025, in an aggregate amount equal to $3.0 million (the "Principal") in exchange for the cancellation of the Holder's 2022 Warrants (the "August 2024 Note"). The Company has agreed to pay the Principal in two separate installments: the first installment in an amount equal to $2,500,000 payable in 11 equal consecutive monthly installments beginning on September 1, 2024, and the second installment in an amount equal to $500,000 payable on the earlier of (x) October 15, 2024, and (y) upon any issuance by the Company or any of its subsidiaries of common stock or common stock equivalents for cash consideration, indebtedness or a combination of units thereof (other than pursuant to a customary at the-market offering program and equity line of credits). Upon the occurrence of a Change of Control (as defined in the August 2024 Note), the Holder may, at its option, exercisable at any time commencing on the public announcement of such Change of Control until the 30th day after the consummation thereof, require the Company to repay the August 2024 Note in full. The August 2024 Note shall not bear interest; provided, however, upon the occurrence and during the continuance of an Event of Default (as defined in the August 2024 Note), the outstanding principal amount of the Principal shall, automatically upon the occurrence and during the continuance of such Event of Default, bear interest at a rate equal to ten percent of the amount payable per annum until such date that the Event of Default is cured or the August 2024 Note is paid in full.

Additionally, pursuant to the Waiver, the Holder agreed that the Company's obligations under the 2022 Notes, the 2022 Purchase Agreement, the 2022 Registration Rights Agreement, the 2022 Warrants, and the other Transaction Documents (as defined in the 2022 Purchase Agreement) have been satisfied in full and such documents are terminated, except that the Company shall continue to comply with and perform Section 4.10 of the 2022 Purchase Agreement and Section 6 of the 2022 Registration Rights Agreement, in each case which provide for indemnification, and which in each case survive and shall remain in full force and effect.

The Waiver and August 2024 Note contain various representations and warranties, affirmative and negative covenants, financial covenants, events of default and other provisions and obligations.

In connection with the entry into the Waiver and the August 2024 Note, on the Issuance Date, the Company and the Holder entered into a security agreement, pursuant to which the Company granted to the Holder a security interest in substantially all current and future properties, assets, and rights of the Company.

As of September 30, 2024, the outstanding balance of the August 2024 Note is $2.8 million and is included in the current portion of debt obligations.

The amortized carrying amount of the Company’s debt obligations consists of the following:

	September 30, 2024	December 31, 2023
Bonds, net of unamortized issuance costs of $336 and $194, respectively	$ 3,932	$ 1,242
August 2024 Note	2,773	—
Total debt	6,705	1,242
Less: current portion of debt obligations	(2,773)	—
Non-current portion of debt obligations	$ 3,932	$ 1,242

The Company issued Bonds with a total principal amount of approximately $2.8 million, in aggregate, generating net proceeds to the Company of approximately $2.6 million, net of issuance costs of approximately $0.2 million during the nine months ended September 30, 2024.

NOTE 5: Stock-Based Compensation

Equity Incentive Plans

In April 2014, the Board of Directors adopted the 2014 Equity Incentive Plan (the “2014 Plan”) allowing for the issuance of up to 40,000 shares of common stock through grants of options, stock appreciation rights, restricted stock or restricted stock units. In December 2016, the 2014 Plan was terminated, and the Company’s Board of Directors adopted a new equity incentive plan defined as the 2016 Equity Incentive Plan (the “2016 Plan”) in which the remaining 38,720 shares available for issuance under the 2014 Plan at that time were transferred to the Company’s 2016 Plan. Awards outstanding under the 2014 Plan at the time of the 2014 Plan’s termination will continue to be governed by their existing terms. The shares underlying any awards that are forfeited, canceled, repurchased or are otherwise terminated by the Company under the 2014 Plan will be added back to the shares of common stock available for issuance under the Company’s 2016 Plan. The 2016 Plan provides for the granting of stock awards such as incentive stock options, non - statutory stock options, stock appreciation rights, restricted stock or restricted stock units to employees, directors and outside consultants as determined by the Board of Directors.

On June 23, 2022, following approval by the Board of Directors, the Company’s stockholders adopted the 2022 Equity Incentive Plan (the “2022 Plan”) allowing for the issuance of up to 100,000 shares of Class A Common Stock through grants of options, stock appreciation rights, restricted stock awards, restricted stock units, performance awards, and other stock or cash-based awards. In connection with the adoption of the 2022 Plan, shares previously available for issuance under the 2016 Plan became available for issuance under the 2022 Plan. The number of shares authorized under the 2022 Plan will be increased each January 1st, beginning January 1, 2023 and ending on (and including) January 1, 2032, by an amount equal to the lesser of (a) 5% of our Class A Common Stock and Class B Common Stock outstanding on December 31st of the immediately preceding calendar year (rounded up to the nearest whole share) and (b) a number of shares determined by the plan administrator. Shares subject to awards (including under the 2016 Plan and the 2014 Plan) that lapse, expire, terminate, or are canceled prior to the issuance of the underlying shares or that are subsequently forfeited to or otherwise reacquired by us will be added back to the shares of common stock available for issuance under the 2022 Plan.

The Board of Directors may grant stock options under the 2022 Plan at an exercise price of not less than 100% of the fair market value of the Company's common stock on the date the option is granted. Options generally have a term of ten years from the date of grant. Incentive stock options granted to employees who, on the date of grant, own stock representing more than 10% of the voting power of all of the Company's classes of stock, are granted at an exercise price of not less than 110% of the fair market value of the Company's common stock. The maximum term of incentive stock options granted to employees who, on the date of grant, own stock having more than 10% of the voting power of all of the Company's classes of stock, may not exceed five years. The Board of Directors also determines the terms and conditions of awards, including the vesting schedule and any forfeiture provisions. Options granted under the 2022 Plan may vest upon the passage of time, generally four years, or upon the attainment of certain performance criteria established by the Board of Directors. The Company may from time-to-time grant options to purchase common stock to non-employees for advisory and consulting services. At each measurement date, the Company will remeasure the fair value of these stock options using the Black - Scholes option pricing model and recognize the expense ratably over the vesting period of each stock option award. Stock options comprise all of the awards granted since the 2022 Plan's inception.

Stock option activity under all of the Company's equity incentive plans for the nine month period ended September 30, 2024 is as follows:

	Shares Available for Grant	Number of Shares Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (000's)
Available and outstanding as of December 31, 2023	2,003	201,372	$ 135.77	7.14	$ 141
2022 Equity incentive plan increase	187,296	—			
Granted	(183,600)	183,600	20.63		
Exercised	2,260	(2,260)	8.00		
Forfeited	83,829	(83,829)	189.04		
Expired	20	(20)	8.00		
Available and outstanding as of September 30, 2024	91,808	298,863	$ 51.07	8.23	$ —
Vested and exercisable as of September 30, 2024		97,682	$ 85.64	5.67	$ —

The weighted average grant date fair value of options granted during the nine month period ended September 30, 2024 was $11.23 per share. There were 2,260 options exercised during the nine month period ended September 30, 2024 compared to 9,020 options exercised in the prior year period. The fair value of the options that vested during the nine months ended September 30, 2024 and 2023 was $1.1 million and $2.4 million, respectively.

As of September 30, 2024, the Company had unamortized stock-based compensation expense of $3.2 million that will be recognized over the weighted average remaining vesting term of options of 1.8 years.

The assumptions utilized for option grants during the three and nine months ended September 30, 2024 and 2023 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Risk-free interest rate	4.32 %	3.96 %	4.22 %	3.81 %
Expected dividend yield	— %	— %	— %	— %
Expected volatility	54.02 %	54.00 %	54.29 %	54.32 %
Expected term (in years)	5.8	6.0	5.7	5.8

A summary of stock-based compensation expense recognized in the Company's condensed statements of operations is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of revenue, net	$ 75	$ 97	$ 140	$ 297
Research and development	146	149	414	274
Sales and marketing	24	67	104	175
General and administrative	479	530	669	1,274
Total	$ 724	$ 843	$ 1,327	$ 2,020

NOTE 6: Capital Stock and Warrants

On the Preferred Stock Conversion Date, pursuant to the terms of the Company's Certificate of Incorporation, each share of the Company's Super Voting Preferred Stock (as defined in the Certificate of Incorporation) was automatically converted into fully-paid, non-assessable shares of Class B Common Stock and each share of the Company's Ordinary Preferred Stock (as defined in the Certificate of Incorporation) was automatically converted into fully-paid, non-assessable shares of Class A Common Stock, in each case at the then effective applicable Conversion Rate (as defined in the Certificate of Incorporation), as a result of the receipt by the Company of a written request for such conversion from the holders of a majority of the voting power of the Preferred Stock then outstanding (the "Automatic Conversion"). As a result of the Automatic Conversion, there were no shares of Preferred Stock outstanding after the Preferred Stock Conversion Date.

For periods subsequent to May 15, 2024, the preferred warrants were no longer subject to contractual modification provisions and were reclassified from a liability classification to an equity classification on the condensed balance sheet.

As described further in Note 1, on August 16, 2024, the Company held an annual meeting of stockholders at which the Company's stockholders approved, among other items, amendments to the Certificate of Incorporation, to authorize 40,000,000 shares of "blank check" preferred stock, issuable in one or more series, and (ii) implement ancillary and conforming changes in connection with the authorization of "blank check" preferred stock and to remove provisions related to the Company's former Super Voting Preferred Stock and Ordinary Preferred Stock, which are no longer outstanding. The term "blank check" preferred stock refers to preferred stock, the creation and issuance of which is authorized in advance by a company's stockholders and the terms, rights and features of which are determined by the Board of Directors of a company without seeking further actions or vote of the stockholders.

A summary of the Company's outstanding warrants as of September 30, 2024 is as follows:

Class of shares	Number of Warrants	Exercise Price	Expiration Date
Class A Common Stock (previously Series m-3 Preferred Stock)	28,656	$ 200.00	December 31, 2027
Class A Common Stock (previously Series S Preferred Stock)	121,455	$ 93.87	December 31, 2027

Common Stock Reserved for Future Issuance

Shares of common stock reserved for future issuance relate to outstanding preferred stock, warrants and stock options as follows:

	September 30, 2024
Stock options to purchase common stock	298,863
Warrants outstanding for future issuance of common stock	150,111
Stock options available for future issuance	91,808
Total shares of Class A Common Stock reserved	540,782

At-the-Market Offering Program

In February 2023, the Company commenced an at-the-market offering program with H.C. Wainwright & Co., LLC ("Wainwright"), as sales agent, in connection with which the Company filed a prospectus supplement filed on February 9, 2023 (the "February Prospectus

Supplement”), allowing the Company to offer and sell from time to time up to $20.0 million in shares of Class A Common Stock, subject to, and in accordance with, SEC rules. Pursuant to General Instruction I.B.6 of Form S-3, the February Prospectus Supplement provided that in no event would the Company sell any securities in a public primary offering with a value exceeding one-third of the Company’s non-affiliated public float in any 12 month period unless the Company’s non-affiliated public float subsequently rose to $75.0 million or more. On August 18, 2023, after the Company’s non-affiliated public float subsequently rose to an amount greater than $75.0 million, the Company filed a new prospectus supplement (the “August Prospectus Supplement”) providing for the offer and sale from time to time of up to $25.0 million in shares of Class A Common Stock subject to, and in accordance with, SEC rules. On April 8, 2024, the Company filed a prospectus supplement (the “April Prospectus Supplement”), relating to the issuance and sale from time to time of up to $6.4 million in shares of Class A Common Stock subject to, and in accordance with, SEC rules. On June 7, 2024, the Company filed a prospectus supplement (the “June Prospectus Supplement”) to amend the April Prospectus Supplement to increase the issuance and sale from time to time to up to $11.66 million in shares of Class A Common Stock subject to, and in accordance with, SEC rules. During the nine months ended September 30, 2024, the Company issued 1,470,537 shares of Class A Common Stock under the at-the-market offering program for net proceeds of approximately $20.4 million, net of brokerage and placement fees of approximately $0.8 million.

NOTE 7: Related parties and related-party transactions

One of the Company’s vendors, Konica Minolta, Inc. (“Konica Minolta”), is a stockholder of the Company. Konica Minolta provides the Company with repair services to its ASRs. The Company paid Konica Minolta $44 and $53 in service fees for the three month periods ended September 30, 2024 and 2023, respectively. The Company paid Konica Minolta $241 and $297 in service fees for the nine month periods ended September 30, 2024 and 2023, respectively. The Company had payables of $65 and $84 owed to Konica Minolta as of September 30, 2024 and December 31, 2023, respectively.

NOTE 8: Commitments and contingencies

Leases

The Company leases facilities for office space under non-cancelable operating lease agreements. The Company leases space for its corporate headquarters in Mountain View, California through August 2025.

As of September 30, 2024 and December 31, 2023, the components of leases and lease costs are as follows:

	September 30, 2024	December 31, 2023
Operating lease right-of-use assets	$ 556	$ 1,458
Operating lease liabilities, current portion	$ 557	$ 733
Operating lease liabilities, non-current portion	—	711
Total operating lease liabilities	$ 557	$ 1,444

Operating lease costs were approximately $0.3 million and $0.3 million for the three month periods ended September 30, 2024 and 2023, respectively and approximately $0.8 million and $0.8 million for the nine month periods ended September 30, 2024 and 2023, respectively.

As of September 30, 2024, future minimum operating lease payments for each of the next three years and thereafter is as follows:

Years ending December 31,	Amount
2024 (remaining three months)	$ 159
2025	428
Total future minimum lease payments	587
Less – Interest	(30)
Present value of lease liabilities	$ 557

Weighted average remaining lease term is 0.95 years as of September 30, 2024 and the weighted average discount rate is 12.89%.

Purchase Commitments

The Company executed a purchase agreement on September 13, 2024, in order to secure the acquisition of raw materials essential to ASR production. This agreement stipulates monthly purchases of $40 commencing in January 2025 and concluding in August 2026, culminating in a total expenditure of $800.

Legal Matters

The Company may be subject to pending legal proceedings and regulatory actions in the ordinary course of business; however, no such claims have been identified as of September 30, 2024 that would have a material adverse effect on the Company's financial position, results of operations or cash flows.

The Company from time to time enters into contracts that contingently require the Company to indemnify parties against third party claims. These contracts primarily relate to: (i) arrangements with clients which generally include certain provisions for indemnifying clients against liabilities if the services infringe a third party's intellectual property rights, (ii) the Regulation A Issuer Agreement where the Company may be required to indemnify the placement agent for any loss, damage, expense or liability incurred by the other party in any claim arising out of a material breach (or alleged breach) as a result of any potential violation of any law or regulation, or any third party claim arising out of any investment or potential investment in the offering, and (iii) agreements with the Company's officers and directors, under which the Company may be required to indemnify such persons from certain liabilities arising out of such persons' relationships with the Company. The Company has not incurred any material costs as a result of such obligations and has not accrued any liabilities related to such obligations in the condensed financial statements as of September 30, 2024 and December 31, 2023.

Sales Tax Contingencies

The Company has historically not collected state sales tax on the sale of its MaaS product offering but has paid sales tax and use tax on all purchases of raw materials and in conjunction with the financing arrangement of the Company's ASRs with Farnam Street Financial. The Company's MaaS product offering may be subject to sales tax in certain jurisdictions. If a taxing authority were to successfully assert that the Company has not properly collected sales or other transaction taxes, or if sales or other transaction tax laws or the interpretation thereof were to change, and the Company was unable to enforce the terms of their contracts with Clients that give the right to reimbursement for the assessed sales taxes, tax liabilities in amounts that could be material may be incurred. Based on the Company's assessment, the Company has recorded a use tax liability of $0.4 million as of September 30, 2024 and December 31, 2023 which has been included in other current liabilities on the accompanying condensed balance sheets. The Company continues to analyze possible sales tax exposure but does not currently believe that any individual claim or aggregate claims that might arise will ultimately have a material effect on its results of operations, financial position or cash flows.

NOTE 9: Subsequent Events

At-the-market offering program

From October 1, 2024 to November 13, 2024, the Company sold 245,882 shares of Class A Common Stock, generating approximately $2.3 million of proceeds, net of commissions and other issuance costs, under the Company's at-the-market offering program.

On October 11, 2024, the Company filed a prospectus supplement (the "October Prospectus Supplement") to amend the June Prospectus Supplement to increase the issuance and sale from time to time to up to $1.347 million in shares of Class A Common Stock subject to, and in accordance with, SEC rules.

August 2024 Note

From October 1 and November 13, 2024, the Company paid approximately $955 toward the August 2024 note, leaving a remaining balance of approximately $1.8 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with the (1) unaudited condensed financial statements and the related notes thereto included elsewhere in this report, and (2) the audited financial statements and the related notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2023 included in our Annual Report.

The historical results presented below are not necessarily indicative of the results that may be expected for any future period. Forward-looking statements about our business, results of operations, cash flows, financial condition and prospects based on current expectations that involve risks, uncertainties, and assumptions, and other important factors. Our actual results could differ materially from such forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those identified below and those discussed in "Risk Factors" in Part I, Item 1A of our Annual Report, as updated by our other filings with the SEC, and the section titled "Cautionary Note on Forward-Looking Statements" included elsewhere herein.

Overview

Knightscope builds robotics and artificial intelligence ("AI") technologies focused on public safety. Our products are manufactured in the United States and are designed to protect people and assets across various environments, including workplaces, schools, and public areas.

Our Autonomous Security Robots ("ASRs") are designed to enhance perimeter security by acting as a force multiplier for security teams, providing improved situational awareness. The ASRs perform real-time, on-site video-audio data collection and provide incident alerts for security personnel via the Knightscope Security Operations Center ("KSOC"). The KSOC is a real-time dashboard connected to each K5 robot and K1 Hemisphere unit, allowing clients to access data for instant action or for investigative and evidence collection purposes.

Our Emergency Communication Devices ("ECDs") include the K1 Blue Light Tower, K1 E-Phone, and K1 Call Box. These devices provide emergency communication services using cellular and satellite networks. The towers, powered by solar energy, are highly visible, while the smaller E-Phones and Call Boxes offer the same communication capabilities with a more compact footprint, with options for solar or plug-in power.

We offer our ASR and stationary security solutions under an annual subscription, Machine-as-a-Service ("MaaS") model. This model includes the provision of the ASR unit, maintenance, support, data transfer, access to the KSOC, charging stations, and software, firmware, and hardware updates. Our ECD devices are sold to our clients either directly or through partners who also install and manage them. The ECDs also provide a recurring revenue opportunity through the Emergency Monitoring System platform.

The Knightscope Emergency Monitoring System ("KEMS"), integrated into our ECDs, includes a self-diagnostic, alarm monitoring software solution that provides system owners with daily reports on the operational status of their emergency devices. The cloud-based application monitors the overall system's health, alerts users to operational issues, provides real-time error detection and diagnostics, and generates system performance reports.

In the third quarter of 2024, the management team focused on regaining compliance with the listing standards of The Nasdaq Stock Market LLC (Nasdaq) while we continued to implement changes to deliver on the Company's path to profitability.

Nasdaq Listing Rules Compliance

On October 26, 2023, the Company was listed on The Nasdaq Global Market and received written notice (the "Notice") from Nasdaq indicating that the Company was no longer in compliance with Nasdaq Listing Rule 5450(a)(1) which requires that a company must maintain a minimum bid price of $1.00 per share (the "Minimum Bid Price Requirement") and had 180 calendar days, or until April 23, 2024, to regain compliance. Effective on March 4, 2024, the Company transferred to The Nasdaq Capital Market and was afforded the remainder of the compliance period to regain compliance.

On April 24, 2024, the Company received a delisting determination letter (the "Delisting Determination Letter") from the Nasdaq Listing Qualifications staff (the "Staff") of Nasdaq indicating that the Company had not regained compliance with the Minimum Bid Price

Requirement. On April 30, 2024, the Company appealed and requested a hearing before the Nasdaq Hearings Panel (“Panel”). Pursuant to Nasdaq Listing Rule 5815(a)(1)(B), the hearing request stayed the suspension of trading and delisting of the Company’s Class A Common Stock pending the conclusion of the hearing process.

On June 4, 2024, the Panel granted the Company an exception until October 4, 2024, to regain compliance with the Minimum Bid Price Requirement, subject to certain milestones which included obtaining shareholder approval for a reverse stock split (“RSS”), effecting the RSS, and maintaining the Minimum Bid Price Requirement for a minimum of ten consecutive business days by October 4, 2024.

On August 16, 2024, the Company held its annual meeting of stockholders (the “Annual Meeting”). At the Annual Meeting, the stockholders of the Company approved the RSS of the Company’s Class A and its Common B Common Stock at a ratio ranging from any whole number between 1-for-5 and 1-for-50.

Subsequently, on September 4, 2024, the Company’s Board of Directors (the “Board”) approved a RSS of both the Class A Common Stock and the Class B Common Stock at a final ratio of 1-for-50. On September 13, 2024, the Company filed a Certificate of Amendment to the Company’s Amended and Restated Certificate of Incorporation (the “Certificate of Incorporation”) with the Secretary of State of the State of Delaware to effect the RSS, which became effective at 5:00 p.m. Eastern Time. The Class A Common Stock began trading on an as-adjusted basis on September 16, 2024.

On October 1, 2024, Knightscope received written notice from the Nasdaq Office of General Counsel informing the Company that, from September 16, 2024 to September 30, 2024, the Company’s minimum bid price had been $1.00 per share or higher and, accordingly, it had regained compliance with the bid price requirement and that the matter was now closed.

Reverse Stock Split

On August 16, 2024, the Company held an annual meeting of stockholders (the “Annual Meeting”) at which the Company’s stockholders approved, among other items, amendments to the Certificate of Incorporation, to effect a reverse stock split of the Company’s Class A Common Stock at a ratio ranging from any whole number between 1-for-5 and 1-for-50, as determined by the Company’s Board in its discretion, subject to the Board’s authority to abandon such amendments (the “Class A Reverse Stock Split Amendment”), and effect a reverse stock split of the Company’s Class B Common Stock at a ratio ranging from any whole number between 1-for-5 and 1-for-50 (which ratio shall be the same ratio as the reverse stock split determined by the Board with respect to the Class A Common Stock), as determined by the Board in its discretion, subject to the Board’s authority to abandon such amendments (the “Class B Reverse Stock Split Amendment” and, together with the Class A Reverse Stock Split Amendment, the “Reverse Stock Split Amendment”). On September 4, 2024, the Board selected a reverse stock split of the Class A Common Stock at a final ratio of 1-for-50 and a reverse stock split of the Class B Common Stock at a final ratio of 1-for-50 and abandoned all other reverse stock split amendments at different ratios. On September 13, 2024, the Company filed a Certificate of Amendment to the Certificate of Incorporation (the “Certificate of Amendment”) with the Secretary of State of the State of Delaware to effect the Amendments. The Reverse Stock Split Amendment became effective at 5:00 p.m. Eastern Time on the date of filing of the related Certificate of Amendment.

Capital Structure

The Company has prioritized restructuring Knightscope’s capital structure to better align with its public company peers. Below is a summary of actions taken, which we believe, set up the Company for long term success.

Increase in Authorized Shares - On April 5, 2024, we held a special meeting of stockholders (the “Special Meeting”) at which the Company’s stockholders approved an amendment (the “Share Increase Amendment”) to the Certificate of Incorporation to increase the number of authorized shares of the Company’s Class A Common Stock, par value $0.001 per share from 114,000,000 to 228,000,000 shares. Our Board believes it is in the best interests of the Company and our stockholders to have additional shares available for use as our Board deems appropriate or necessary. As such, the primary purpose of the Share Increase Amendment was to provide the Company with greater flexibility with respect to managing its Class A Common Stock in connection with such corporate purposes as may, from time to time, be considered advisable by our Board. These corporate purposes could include, without limitation, (i) financing activities, including the at-the-market offering program that we commenced in February 2023, as amended in August 2023, with H.C. Wainwright & Co., LLC as sales agent; (iii) stock dividends or splits; (iv) conversions of convertible securities; (v) issuance of stock options and other equity awards pursuant to our incentive plans; and (vi) establishing strategic relationships. Having an increased number of authorized but unissued shares of Class A Common Stock allows the Company to take prompt action with respect to corporate opportunities that develop, without the delay and expense of convening a special meeting of stockholders for the purpose of approving an increase in our capitalization. Our Board will determine whether, when and on what terms the issuance of shares of Class A Common Stock may be warranted in connection with any of the foregoing purposes.

Preferred Stock Conversion to Common - On May 15, 2024 (the "Preferred Stock Conversion Date"), pursuant to the terms of the Certificate of Incorporation, each share of the Company's Super Voting Preferred Stock was automatically converted into fully-paid, non-assessable shares of Class B common stock and each share of the Company's Ordinary Preferred Stock (together with the Super Voting Preferred Stock, the "Preferred Stock") was automatically converted into fully-paid, non-assessable shares of Class A common stock, in each case at the then effective applicable Conversion Rate, as a result of the receipt by the Company of a written request for such conversion from the holders of a majority of the voting power of the Preferred Stock then outstanding (the "Automatic Conversion"). As a result of the Automatic Conversion, no shares of previously authorized preferred stock remain outstanding. Management believes this change helps the Company maintain compliance with Nasdaq listing rules by helping the Company meet the minimum stockholders' equity requirement under the Equity Standard for continued listing pursuant to Nasdaq Listing Rule 5550(b)(1) on The Nasdaq Capital Market.

On August 16, 2024, at its Annual Meeting, the Company received stockholder approval to authorize 40,000,000 shares of "blank check" preferred stock, issuable in one or more series, and (ii) implement ancillary and conforming changes in connection with the authorization of "blank check" preferred stock and to remove provisions related to the Company's former Super Voting Preferred Stock and Ordinary Preferred Stock, which are no longer outstanding. The term "blank check" preferred stock refers to preferred stock, the creation and issuance of which is authorized in advance by a company's stockholders and the terms, rights and features of which are determined by the Board of Directors of a company without seeking further actions or vote of the stockholders.

Extinguishment of Warrants with Anti-Dilution Features - On October 10, 2022, the Company entered into a Securities Purchase Agreement (the "2022 Purchase Agreement") with Alto Opportunity Master Fund, SPC - Segregated Master Portfolio B (the "Holder"), pursuant to which the Company issued and sold to the Holder in a private placement (i) senior secured convertible notes (the "2022 Notes"), and (ii) warrants (the "2022 Warrants") to purchase up to 22,768 shares of the Company's Class A common stock. The 2022 Warrants included an adjustment mechanism, whereby the exercise price and number of shares issuable upon the exercise of the 2022 Warrants (the "Warrant Exercise Price") were subject to adjustment from time to time, such that immediately after an issuance of shares of Common Stock (a "Stock Issuance") at any price per share of Common Stock that was lower than the then in effect Warrant Exercise Price (the "Reset Price"), the Warrant Exercise Price would be reduced to equal the Reset Price, and number of shares issuable upon the exercise of the 2022 Warrants would be increased to the number necessary to maintain the value of the 2022 Warrants immediately prior to such Stock Issuance. In connection with the entry into the 2022 Purchase Agreement, the Company and the Holder also entered into a registration rights agreement (the "2022 Registration Rights Agreement"), pursuant to which the Company agreed to provide the Holder with certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder. Capitalized terms not defined herein have the meaning assigned to them in the 2022 Purchase Agreement.

On August 1, 2024 (the "Issuance Date"), the Company and the Holder entered into an Agreement and Waiver (the "Waiver") pursuant to which, on the Issuance Date, the Company issued to the Holder a Senior Secured Promissory Note due on July 1, 2025, in an aggregate amount equal to $3.0 million (the "Principal"), in exchange for the cancellation of the Holder's 2022 Warrants (the "August 2024 Note") . The Company has agreed to pay the Principal in two separate installments: the first installment in an amount equal to $2,500,000 payable in 11 equal consecutive monthly installments beginning on September 1, 2024, and the second installment in an amount equal to $500,000, payable on the earlier of (x) October 15, 2024, and (y) upon any issuance by the Company or any of its subsidiaries of common stock or common stock equivalents for cash consideration, indebtedness or a combination of units thereof (other than pursuant to a customary at-the-market offering program and equity lines of credit). Upon the occurrence of a Change of Control (as defined in the August 2024 Note), the Holder may, at its option, require the Company to repay the Note in full, starting from the public announcement of such a Change of Control until 30 days after its completion. The August 2024 Note does not bear interest under normal circumstances; however, if an Event of Default occurs (as defined in the August 2024 Note), the outstanding principal will automatically bear interest at a rate of 10% per annum until the default is resolved or the Note is paid in full. As of November 13, 2024, approximately $1.8 million of the note is remaining.

Financial Efficiency
The Company is focused on scaling its business and on implementing strategies to decrease gross margin loss over time. We have continued our focus on controlling costs with steps that include

- decreasing expenditures for real estate leases – we exited two long-term leases;
- optimizing team composition and size – we increased the size of the sales team to drive growth;
- optimizing the manufacturing process through leverage of third-party manufacturers;
- reducing telecommunication service and cloud costs to further reduce our ongoing support, repair and maintenance costs; and
- continuing to streamline our ASR and ECD production processes towards a more traditional assembly line workflow for improved quality, efficiency, and throughput.

In the third quarter of 2024, Knightscope continued to streamline operations of the ECD product line which was acquired when the Company purchased the assets of CASE Emergency Management. Although the disruptions from restructuring changes we made in the first half of this year continue to impact operations, we are beginning to see benefits, primarily as we work closely with our third-party partners to streamline field services for our ECD clients.

Additionally, we believe our efforts to improve the ASR K5 v5 are showing promise as we see increased customer retention and a resulting increase in install base. The Company plans to invest in what management believes will be revenue-generating activities such as expansion of the sales team, developing channel partnerships and updating its website to attract new leads.

Our strategy is to try to keep fixed costs low while minimizing variable costs in conjunction with pursuing our overall growth objectives.

As of October 31, 2024, the Company had a total backlog of approximately $2.9 million, comprised of $2.4 million related to orders for ECDs and $0.5 million related to ASR orders.

Results of Operations

Comparison of the Three Months Ended September 30, 2024 and 2023

The following table sets forth selected Condensed Statements of Operations data (in thousands) and such data as a percentage of total revenue.

	Three Months Ended September 30,			
	2024	% of Revenue	2023	% of Revenue
Revenue, net				
Service	$ 1,861	73 %	$ 1,915	58 %
Product	674	27 %	1,409	42 %
Total revenue, net	2,535	100 %	3,324	100 %
Cost of revenue, net				
Service	2,382	94 %	2,488	75 %
Product	853	34 %	786	24 %
Total cost of revenue, net	3,235	128 %	3,274	98 %
Gross profit (loss)	(700)	(28)%	50	2 %
Operating expenses:				
Research and development	1,770	70 %	1,903	57 %
Sales and marketing	1,000	39 %	1,395	42 %
General and administrative	4,238	167 %	3,235	97 %
Restructuring charges	33	1 %	—	— %
Total operating expenses	7,041	278 %	6,533	197 %
Loss from operations	(7,741)	(305)%	(6,483)	(195)%
Other income (expense):				
Change in fair value of warrant and derivative liabilities	(2,966)	(117)%	(1,800)	(54)%
Interest income (expense), net	(130)	(5)%	(8)	(0)%
Other income (expense), net	(67)	(3)%	(51)	(2)%
Total other income (expense)	(3,163)	(125)%	(1,859)	(56)%
Net loss before income tax expense	(10,904)	(430)%	(8,342)	(251)%
Income tax expense	—	— %	—	— %
Net loss	$ (10,904)	(430)%	$ (8,342)	(251)%

Revenue, net

Total revenue, net for the three months ended September 30, 2024 decreased by approximately $0.8 million compared to the same period in the prior year due to a $0.7 million decrease in product revenue and $0.1 million decrease in Service revenue. Product revenue decreased by approximately $0.7 million or approximately 52% in the three months ended September 30, 2024 compared to the same period in the prior year, primarily due to lower sales of ECD products which were impacted by the Company's decision to move production from Irvine, CA to its headquarters location in Mountain View, CA. As a result, there were significant disruptions in our ability to build and deliver units to customers. The Company expects some disruptions to continue in the near future as it evaluates opportunities to optimize production and operations, which may include seeking a new, larger facility. Service revenue, net for the three months ended September 30, 2024 remained relatively flat compared to the same period in the prior year.

Cost of revenue, net

In the first quarter of 2024, the Company made a strategic decision to outsource its ECD field services function to third-party service and maintenance organizations with technicians better able to efficiently support our clients. We expect that this outsourcing will allow the Company to better focus on its technology and innovation while reducing costs related to non-core business functions. However, we also expect that the short-term impact of these significant changes will result in higher costs and a decline in gross margin yield.

Total cost of revenue, net of $3.2 million for the three months ended September 30, 2024 remained relatively flat compared to the same period in the prior year primarily due to $0.2 million in reduced headcount and $0.1 million of reduced cellular costs, partially offset by $0.4 million higher costs related to third party field services.

Service cost of revenue, net for the three months ended September 30, 2024 decreased by approximately $0.1 million to approximately $2.4 million, compared to the three months ended September 30, 2023. This was primarily due to a $0.2 million decline in headcount related expenses due to outsourcing of field services partially offset by a $0.4 million increase in third-party costs. Additionally, there was a $0.1 million decrease in cellular fees as the Company continues to innovate around data usage and associated costs. The service cost of revenue, net includes the average service cost per unit, depreciation of the ASRs, and third-party fees. Additional costs relate to the ongoing maintenance and support of our installed base of ECDs which consists primarily of service personnel, vehicle expense, and warranty repair costs.

Product cost of revenue, net was approximately $0.9 million for the three months ended September 30, 2024 compared to approximately $0.8 million for the prior year period.

Gross Profit (Loss)

The revenue and cost of revenue described above resulted in a gross loss for the three months ended September 30, 2024 of approximately $0.7 million, net, compared to a gross profit of $0.1 million for the three months ended September 30, 2023.

Research and Development

	Three Months Ended September 30,			
	2024	2023	$ Change	% Change
Research and development	$ 1,770	$ 1,903	$ (133)	(7)%
Percentage of total revenue	70 %	57 %		

Research and development expenses decreased by approximately $0.1 million, or approximately 7% for the three months ended September 30, 2024, as compared to the same period in the prior year. The decrease is primarily due to $0.3 million lower compensation and material expenses partially offset by $0.2 million in higher consulting fees.

Sales and Marketing

	Three Months Ended September 30,			
	2024	2023	$ Change	% Change
Sales and marketing	$ 1,000	$ 1,395	$ (395)	(28)%
Percentage of total revenue	39 %	42 %		

Sales and marketing expenses decreased by approximately $0.4 million, or approximately 28%, for the three months ended September 30, 2024, as compared to the same period in the prior year. The decrease was primarily due to $0.3 million in lower advertising and promotional costs and $0.1 million lower expenses related to compensation and allocation of amortization expense compared to the same period in the prior year.

General and Administrative

	Three Months Ended September 30,			
	2024	2023	$ Change	% Change
General and administrative	$ 4,238	$ 3,235	$ 1,003	31 %
Percentage of total revenue	167 %	97 %		

General and administrative expenses increased by approximately $1.0 million or approximately 31% for the three months ended September 30, 2024, as compared to the same period in the prior year. The increase was primarily related to a $0.9 million increase in investor relations costs and $0.7 million increase in third-party professional fees, primarily legal and finance services. These increases were partially offset by a decline in payroll expenses of $0.5 million and decline of $0.1 in stock compensation expense driven by a headcount reduction in the first quarter of 2024.

Restructuring Charges

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	$ Change	% Change
Restructuring Charges	$ 33	$ —	$ 33	100 %
Percentage of total revenue	1 %	— %		

Restructuring charges were approximately $33 thousand for the three month period ended September 30, 2024 compared to none for the same period in the prior year.

Other Income (expense)

	Three Months Ended September 30 2024	Three Months Ended September 30 2023	$ Change	% Change
Change in fair value of warrant and derivative liability	$ (2,966)	$ (1,800)	$ (1,166)	(65)%
Interest income (expense), net	(130)	(8)	(122)	(1,525)%
Other income (expense), net	(67)	(51)	(16)	(31)%
Total other income (expense)	$ (3,163)	$ (1,859)	$ (1,304)	(70)%

Total other income (expense) decreased by approximately $1.3 million, or 70% for the three months ended September 30, 2024 as compared to the same period in the prior year, resulting in other income (expense), net of approximately $3.2 million for the three months ended September 30, 2024 compared to total other income (expense), net of approximately $1.9 million for the same period in the prior year. Interest expense increased by $0.1 million due to a higher interest-bearing debt balance in the current year period as compared to the same period in the prior year. The increase in the fair value of warrant and derivative liabilities for the three months ended September 30, 2024 was approximately $1.2 million more than in the same period in the prior year. We recorded $22 thousand in lease termination costs in the third quarter of fiscal 2024, resulting from the early termination of two long-term lease arrangements.

Comparison of the Nine Months Ended September 30, 2024 and 2023

The following table sets forth selected Condensed Statements of Operations data (in thousands) and such data as a percentage of total revenue.

	Nine Months Ended September 30,			
	2024	% of Revenue	2023	% of Revenue
Revenue, net				
Service	$ 5,502	69 %	$ 5,488	56 %
Product	2,490	31 %	4,296	44 %
Total revenue, net	7,992	100 %	9,784	100 %
Cost of revenue, net				
Service	8,256	103 %	7,020	72 %
Product	2,439	31 %	2,918	30 %
Total cost of revenue, net	10,695	134 %	9,938	102 %
Gross loss	(2,703)	(34)%	(154)	(2)%
Operating Expenses:				
Research and development	4,976	62 %	4,782	49 %
Sales and marketing	4,043	51 %	3,716	38 %
General and administrative	10,613	133 %	10,148	104 %
Restructuring charges	447	6 %	149	2 %
Total operating expenses	20,079	251 %	18,795	192 %
Loss from operations	(22,782)	(285)%	(18,949)	(194)%
Other income (expense):				
Change in fair value of warrant and derivative liabilities	(1,515)	(19)%	4,015	41 %
Interest income (expense), net	(323)	(4)%	(462)	(5)%
Other income (expense), net	(147)	(2)%	(188)	(2)%
Total other income (expense)	(1,985)	(25)%	3,365	34 %
Net loss before income tax expense	(24,767)	(310)%	(15,584)	(159)%
Income tax expense	—	— %	—	— %
Net loss	$ (24,767)	(310)%	$ (15,584)	(159)%

Revenue, net

Total revenue, net for the nine months ended September 30, 2024 of approximately $8.0 million was a decrease of approximately $1.8 million or 18% as compared to the same period in the prior year. The decrease was due to lower production and installation of the ECD products as the Company has been restructuring the formerly CASE Emergency Management business it acquired in 2022.

Service revenue, net, comprised of ASR MaaS agreements and ECD maintenance agreements remained relatively flat for the nine months ended September 30, 2024 compared to the same period in the prior year. ASR services were impacted by the Company's decision to replace ASR K5 v3 machines with K5 v5 machines due to quality and reliability of the older version.

Product revenue, primarily composed of the ECD line of products, decreased by approximately $1.8 million or approximately 42% in the nine months ended September 30, 2024 compared to the same period in the prior year, primarily due to a decline in product production and installations. In addition, the structural changes implemented during the first quarter of 2024 and the resulting disruption also led to a period-over-period decline in installations across the ECD products.

Cost of revenue, net

Service cost of revenue, net for the nine months ended September 30, 2024 increased by approximately $1.2 million to approximately $8.3 million, compared to the nine months ended September 30, 2023, primarily due to write-offs related to K5 v3 machines. A high percentage of K5 v3 ASRs did not meet expected quality standards resulting in high service, maintenance and repair costs and low customer satisfaction. During the first quarter of 2024, we decided to discontinue the K5 v3 machines and replace them with the improved, better performing K5 v5 machines. K5 v3 machines, totaling approximately $1.1 million, were written off and recorded in service cost of revenue, net in the current year period and we expect this trend to continue throughout the year as we replace existing client machines. In addition, the Company made the decision to outsource its ECD field services function to third-party service and maintenance organizations with technicians better able to efficiently support our clients. As a result of this change, we saw a $1.2 million increase in third-party fees year-over-year. We expect that this outsourcing will allow the Company to better focus on its technology and innovation while reducing costs related to non-core business functions. Higher costs were partially offset by a $0.4 million reduction in headcount costs, a $0.2 million decline in cellular fees and a $0.1 million decline in software related expenses. The service cost of revenue, net is primarily related to the average service cost per unit, depreciation of the ASRs, and third-party fees. Additional costs relate to the ongoing maintenance and support of our installed base of ECDs which consists primarily of service personnel, vehicle expense, and warranty repair costs.

Product cost of revenue, net was approximately $2.4 million for the nine months ended September 30, 2024 compared to approximately $2.9 million for the same period in the prior year. The approximate $0.5 million period over period decrease is primarily attributable to lower sales of ECD products.

Gross Loss

The revenue and cost of revenue described above resulted in a gross loss for the nine months ended September 30, 2024 of approximately $2.7 million, net, compared to a gross loss of approximately $0.2 million, net, for the nine months ended September 30, 2023. The gross loss for the nine months ended September 30, 2024 included a non-recurring expense of approximately $1.1 million attributed to the retirement of the K5 v3 machines.

Research and Development

	Nine Months Ended September 30,			
	2024	2023	$ Change	% Change
Research and development	$ 4,976	$ 4,782	$ 194	4 %
Percentage of total revenue	62 %	49 %		

Research and development expenses increased by approximately $0.2 million, or 4% for the nine months ended September 30, 2024, as compared to the same period in the prior year. The increase is primarily due to higher headcount than in the same period in the prior year which were lower following a workforce reduction in January 2023.

Sales and Marketing

	Nine Months Ended September 30,			
	2024	2023	$ Change	% Change
Sales and marketing	$ 4,043	$ 3,716	$ 327	9 %
Percentage of total revenue	51 %	38 %		

Sales and marketing expenses increased by approximately $0.3 million, or approximately 9%, for the nine months ended September 30, 2024, as compared to the same period in the prior year. The increase was primarily due to increased advertising costs related to the marketing of our Public Safety Infrastructure Bond Offering that closed in March 2024.

General and Administrative

	Nine Months Ended September 30,			
	2024	2023	$ Change	% Change
General and administrative	$ 10,613	$ 10,148	$ 465	5 %
Percentage of total revenue	133 %	104 %		

General and administrative expenses increased by approximately $0.5 million or approximately 5% in the nine months ended September 30, 2024, as compared to the same period in the prior year. This was primarily driven by a $1.2 million increase in investor relations costs, partially offset by a reduction in payroll expense of $0.9 million, reduction in stock compensation expense of $0.6 million, and a $0.2 million reduction in corporate insurance fees. Third-party professional fees, primarily legal and finance, increased nearly $1.1 million, partially offset by a reduction in consulting fees of $0.2 million.

Restructuring Charges

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	$ Change	% Change
Restructuring Charges	$ 447	$ 149	$ 298	200 %
Percentage of total revenue	6 %	2 %		

Restructuring charges were approximately $0.4 million for the nine month period ended September 30, 2024 compared to approximately $0.1 million for the same period in the prior year. These charges are related to the Company's strategic decision to outsource its field services team and to consolidate product production in one location.

Other Income (expense)

	Nine Months Ended September 30 2024	Nine Months Ended September 30 2023	$ Change	% Change
Change in fair value of warrant and derivative liabilities	$ (1,515)	$ 4,015	$ (5,530)	(138)%
Interest income (expense), net	(323)	(462)	139	30 %
Other income (expense), net	(147)	(188)	41	22 %
Total other income (expense)	$ (1,985)	$ 3,365	$ (5,350)	(159)%

Total other income (expense) decreased by approximately $5.4 million, or 159% for the nine months ended September 30, 2024 as compared to the same period in the prior year, resulting in other income (expense), net of approximately ($2.0) million for the nine months ended September 30, 2024 compared to total other income, net of approximately $3.4 million for the same period in the prior year. Interest expense decreased by $0.1 million due to a lower debt balance in the current year period as compared to the same period in the prior year. The increase in the fair value of warrant and derivative liabilities for the nine months ended September 30, 2024 was approximately $5.5 million more than in the same period in the prior year.

Liquidity and Capital Resources

As of September 30, 2024, and December 31, 2023, we had $5.2 million and $2.3 million, respectively, of cash and cash equivalents. As of September 30, 2024, the Company had paid-in capital of $195.5 million, partially offset by an accumulated deficit of approximately $186.2 million, working capital of approximately $0.0 million and total stockholders' equity of approximately $9.3 million. These factors raise substantial doubt about our ability to continue as a going concern. There can be no assurance that the Company will be successful in acquiring additional funding at levels sufficient to fund its future operations. Management's plans include seeking additional financing, such as issuances of equity and issuances of debt and/or convertible debt instruments. Sales of additional equity securities, convertible debt and/or warrants by the Company could result in the dilution of the interests of existing stockholders. The Company will require significant additional financing to meet its planned capital and operational needs and is pursuing opportunities to obtain additional financing through equity and/or debt alternatives. However, there can be no assurance that financing will be available when required in sufficient amounts, on acceptable terms or at all. If the Company is unable to raise additional capital in sufficient amounts or on terms acceptable to it, the Company may have to significantly reduce its operations, delay, scale back or discontinue the development of one or more of its platforms or discontinue operations completely.

At-the-Market Offering Program

In February 2023, we commenced an at-the-market offering program with H.C. Wainwright & Co., LLC ("Wainwright"), as sales agent, in connection with which we filed a prospectus supplement filed on February 9, 2023 (the "February Prospectus Supplement"), allowing us to offer and sell from time to time of up to $20.0 million in shares of Class A Common Stock, subject to, and in accordance with, SEC rules. Pursuant to General Instruction I.B.6 of Form S-3, the February Prospectus Supplement provided that in no event would we sell any securities in a public primary offering with a value exceeding one-third of our non-affiliated public float in any 12 month period unless our non-affiliated public float subsequently rose to $75.0 million or more.

On August 18, 2023, after our non-affiliated public float subsequently rose to an amount greater than $75.0 million, we filed a new prospectus supplement (the "August Prospectus Supplement") providing for the offer and sale from time to time of up to $25.0 million in shares of Class A Common Stock subject to, and in accordance with, SEC rules.

On April 8, 2024, we filed the April Prospectus Supplement, relating to the issuance and sale from time to time of up to $6.4 million in shares of Class A Common Stock, subject to, and in accordance with, SEC rules.

On June 7, 2024, we filed the June Prospectus Supplement to amend the April Prospectus Supplement to increase the issuance and sale from time to time to up to $11.66 million of shares of Class A Common Stock, subject to, and in accordance with, SEC rules. In the event that our public float increases or decreases, we may sell securities in public primary offerings on Form S-3 with a value up to one-third of our public float, in each case calculated pursuant to General Instruction I.B.6 and subject to the terms of the ATM Agreement. In the event that our public float increases above $75.0 million, we will no longer be subject to the limits in General Instruction I.B.6 of Form S-3.

On October 11, 2024, the Company filed a prospectus supplement (the "October Prospectus Supplement") to amend the June Prospectus Supplement to increase the issuance and sale from time to time to up to $1.347 million in shares of Class A Common Stock subject to, and in accordance with, SEC rules.

During the nine months ended September 30, 2024, we issued 1,470,537 shares of Class A Common Stock under the at-the-market offering program for net proceeds of approximately $20.4 million, net of brokerage and placement fees of approximately $0.8 million. From October 1, 2024 to November 13, 2024, we sold 245,882 shares of Class A Common Stock, generating approximately $2.3 million of proceeds, net of commissions and other issuance costs.

August 2024 Note

As noted above, on October 10, 2022, the Company entered into a Securities Purchase Agreement (the "2022 Purchase Agreement") with Alto Opportunity Master Fund, SPC - Segregated Master Portfolio B (the "Holder"), pursuant to which the Company issued and sold to the Holder in a private placement (i) senior secured convertible notes (the "2022 Notes"), and (ii) warrants (the "2022 Warrants") to purchase up to 1,138,446 shares of the Company's Class A Common Stock, par value $0.001 (the "Common Stock"). The 2022 Warrants included an adjustment mechanism, whereby the exercise price and number of shares issuable upon the exercise of the 2022 Warrants (the "Warrant Exercise Price") were subject to adjustment from time to time, such that immediately after an issuance of shares of Class A Common Stock (a "Stock Issuance") at any price per share of Class A Common Stock that was lower than the then in effect Warrant Exercise Price (the "Reset Price"), the Warrant Exercise Price would be reduced to equal the Reset Price, and number of shares issuable upon the exercise of the 2022 Warrants would be increased to the number necessary to maintain the value of the 2022 Warrants immediately prior to such Stock Issuance. In connection with the entry into the 2022 Purchase Agreement, the Company and the Holder also entered into a registration rights agreement (the "2022 Registration Rights Agreement"), pursuant to which the Company agreed to provide the Holder with certain registration rights under the Securities Act.

On August 1, 2024 (the "Issuance Date"), the Company and the Holder entered into an Agreement and Waiver (the "Waiver"), pursuant to which, on the Issuance Date, the Company issued to the Holder a Senior Secured Promissory Note due on July 1, 2025, in an aggregate amount equal to $3.0 million (the "Principal") in exchange for the cancellation of the Holder's 2022 Warrants (the "August 2024 Note"). The Company has agreed to pay the Principal in two separate installments: the first installment in an amount equal to $2,500,000 payable in 11 equal consecutive monthly installments beginning on September 1, 2024, and the second installment in an amount equal to $500,000 payable on the earlier of (x) October 15, 2024, and (y) upon any issuance by the Company or any of its subsidiaries of common stock or common stock equivalents for cash consideration, indebtedness or a combination of units thereof (other than pursuant to a customary at-the-market offering program and equity line of credits). Upon the occurrence of a Change of Control (as defined in the August 2024 Note), the Holder may, at its option, exercisable at any time commencing on the public announcement of such Change of Control until the 30th day after the consummation thereof, require the Company to repay the August 2024 Note in full. The August 2024 Note shall not bear interest; provided, however, upon the occurrence and during the continuance of an Event of Default (as defined in the August 2024 Note), the outstanding principal amount of the Principal shall, automatically upon the occurrence and during the continuance of such Event of Default, bear interest at a rate equal to ten percent of the amount payable per annum until such date that the Event of Default is cured or the August 2024 Note is paid in full.

Additionally, pursuant to the Waiver, the Holder agreed that the Company's obligations under the 2022 Notes, the 2022 Purchase Agreement, the 2022 Registration Rights Agreement, the 2022 Warrants, and the other Transaction Documents (as defined in the 2022 Purchase Agreement) have been satisfied in full and such documents are terminated, except that the Company shall continue to comply with and perform Section 4.10 of the 2022 Purchase Agreement and Section 6 of the 2022 Registration Rights Agreement, in each case which provide for indemnification, and which in each case survive and shall remain in full force and effect.

The Waiver and August 2024 Note contain various representations and warranties, affirmative and negative covenants, financial covenants, events of default and other provisions and obligations.

In connection with the entry into the Waiver and the August 2024 Note, on the Issuance Date, the Company and the Holder entered into a security agreement (the "Security Agreement"), pursuant to which the Company granted to the Holder a security interest in substantially all current and future properties, assets, and rights of the Company.

As of November 13, 2024, approximately $1.8 million of the August 2024 Note is outstanding.

Public Safety Infrastructure Bonds

On September 29, 2023, we filed an Offering Circular on Form 1-A/A (File No. 024-12314) (the "Offering Circular") for the issuance of up to $10.0 million in Public Safety Infrastructure Bonds (the "Bonds") pursuant to Regulation A of the Securities Act. The Offering Circular was qualified with the SEC on October 2, 2023. The price per Bond is $1,000. The Bonds are unsecured, bearing interest at 10% per annum, payable annually on December 31 each year, starting on December 31, 2024, with the Bonds maturing on the fifth anniversary of the initial issuance. We issued Bonds with a total principal amount of approximately $2.8 million, in aggregate, generating net proceeds us of approximately $2.6 million, net of issuance costs of approximately $0.2 million, during the nine months ended September 30, 2024.

Cash Flow

The table below, for the periods indicated, provides selected cash flow information:

	Nine Months Ended September 30,	
	2024	**2023**
Net cash used in operating activities	$ (17,377)	$ (18,158)
Net cash used in investing activities	(2,480)	(3,583)
Net cash provided by financing activities	22,776	21,642
Net increase in cash, cash equivalents and restricted cash	$ 2,919	$ (99)

Net Cash Used in Operating Activities

Net cash used in operating activities is influenced by the amount of cash we invest in personnel, marketing, and infrastructure to support the anticipated growth of our business, the number of clients to whom we lease our ASRs, the amount and timing of accounts receivable collections, inventory procurement, as well as the amount and timing of disbursements to our vendors.

Net cash used in operating activities was approximately $17.4 million for the nine months ended September 30, 2024. Net cash used in operating activities resulted from a net loss of approximately $24.8 million and changes in working capital and non-cash charges.

Net cash used in operating activities for the nine months ended September 30, 2024 decreased by approximately $0.8 million as compared to the same period of the prior year. This was primarily a result of an increase in the net loss of approximately $9.2 million, changes in assets and liabilities of approximately $4.4 million, a decrease in accrued interest of approximately $0.2 million, a decrease in common stock issued in exchange for consulting services of $0.4 million, a decrease in stock based compensation of approximately

$0.7 million partially offset by a decrease in the change in fair value of warrant and derivative liabilities of approximately $5.5 million, a decrease in depreciation and amortization of $0.1 million and a loss on disposal of ASRs and related inventory of approximately $1.1 million.

Net Cash Used in Investing Activities

Our primary investing activities have consisted of capital expenditures and investment in ASRs. As our business grows, we expect our capital expenditures to continue to increase.

Net cash used in investing activities for the nine months ended September 30, 2024 and 2023 was approximately $2.5 and $3.6 million, respectively.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was approximately $22.8 million for the nine months ended September 30, 2024, an increase of approximately $1.1 million as compared to the same period of the prior year. Our financing activities for the nine months ended September 30, 2024, consisted primarily of net proceeds from the issuance of Class A Common Stock under our at-the-market offering program with Wainwright and issuance of Regulation A bonds. In the prior year period our financing activities consisted primarily of net proceeds resulting from our at-the-market agreement with Wainwright.

Critical Accounting Estimates

There have been no material changes to our critical accounting estimates from what was reported in the Annual Report. Please see Note 1 to our condensed financial statements elsewhere in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As we are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide information under this item.

Item 4. Controls and Procedures

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures, (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of September 30, 2024, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company may be subject to pending legal proceedings and regulatory actions in the ordinary course of business. The Company is not presently a party to any litigation that it believes to be material and the Company is not aware of any pending or threatened litigation against the Company that it believes could have a material adverse effect on its business, operating results, financial condition or cash flows.

Item 1A. Risk Factors

You should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report which could materially affect our business, financial condition, cash flows or future results. There have been no material changes in our risk factors included in our Annual Report on Form 10-K. The risks described in our Annual Report are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(a) Disclosure in lieu of reporting on a Current Report on Form 8-K.

None.

(b) Material changes to the procedures by which security holders may recommend nominees to the Board of Directors

None.

(c) Insider trading arrangements and policies.

During the three months ended September 30, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 2.1 to Knightscope, Inc.'s Regulation A Offering Statement on Form 1-A (File No. 024-11004)).
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Knightscope, Inc., dated April 5, 2024 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8 - K (File No. 001 - 41248) filed on April 8, 2024).
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Knightscope, Inc., dated September 13, 2024 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K (File No. 001-41248) filed on September 16, 2024).
3.4	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Knightscope, Inc., dated September 13, 2024 (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K (File No. 001-41248) filed on September 16, 2024).
3.5	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Knightscope, Inc., dated September 13, 2024 (incorporated by reference to Exhibit 3.3 to our Current Report on Form 8-K (File No. 001-41248) filed on September 16, 2024).
3.6	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Knightscope, Inc., dated September 13, 2024 (incorporated by reference to Exhibit 3.4 to our Current Report on Form 8-K (File No. 001-41248) filed on September 16, 2024).
3.7	Bylaws (incorporated by reference to Exhibit 2.2 to Knightscope, Inc.'s Regulation A Offering Statement on Form 1-A (File No. 024-11004)).
10.1	Agreement and Waiver dated August 1, 2024, by and between the Company and Alto Opportunity Master Fund, SPC - Segregated Master Portfolio B (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K (File No. 001-41248) filed on August 7, 2024).
10.2	Secured Promissory Note (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K (File No. 001-41248) filed on August 7, 2024).
31.1†	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2†	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1+	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2+	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS†	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH†	Inline XBRL Taxonomy Extension Schema Document
101.CAL†	Inline XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF†	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104†	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

† Filed herewith.
\+ Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto, duly authorized.

Date: November 14, 2024

KNIGHTSCOPE, INC.

By: /s/ William Santana Li
Name: William Santana Li
Title: Chairman, Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ Apoorv Dwivedi
Name: Apoorv Dwivedi
Title: Executive Vice President and Chief Financial Officer and Secretary
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION

I, William Santana Li, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Knightscope, Inc.;

2. Based on my knowledge, this report 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. 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 registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 14, 2024

By: /s/ William Santana Li
Name: William Santana Li
Title: Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Apoorv Dwivedi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Knightscope, Inc.;

2. Based on my knowledge, this report 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. 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 registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 14, 2024

By:/s/ Apoorv Dwivedi
Name: Apoorv Dwivedi
Title: Executive Vice President, Chief Financial Officer and Secretary
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Knightscope, Inc. (the "Company") hereby certifies, to the best of my knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2024

By: /s/ William Santana Li
Name: William Santana Li
Title: Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Knightscope, Inc. (the "Company") hereby certifies, to the best of my knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2024

By: /s/ Apoorv Dwivedi
Name: Apoorv Dwivedi
Title: Executive Vice President, Chief Financial Officer and Secretary
(Principal Financial Officer)