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, 2023

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 **(State or other jurisdiction of incorporation or organization)**	**46-2482575** **(I.R.S. Employer Identification Number)**

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

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 ☒

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

Title of Each Class	Trading symbol	Name of Exchange on which registered
Class A Common Stock, par value $0.001 per share	**KSCP**	**Nasdaq Global Market**

As of November 8, 2023, there were 75,377,489 shares of the registrant's Class A Common Stock outstanding.

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Cautionary Note on Forward-Looking Statements

This Quarterly Report on Form 10-Q "this Quarterly Report" 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 other than statements of historical fact, including but not limited to, statements regarding our future operating results and financial position, including projections of our future financial performance, our business strategy and plans, market growth, our objectives for future operations, industry trends, anticipated trends in our business and other characterizations of future events or circumstances are forward-looking statements. Words such as "believe," "may," "will," "estimate," "potential," "continue," "anticipate," "intend," "expect," "could," "would," "project," "plan," "target," and similar expressions are intended to identify forward-looking statements.

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

- our expectations regarding future trends, expectations, and performance of our business;
- the success and acceptance of our products and product candidates;
- our ability to raise capital and the availability of future financing; and
- Unpredictable events, such as the COVID-19 pandemic, banking failures, and a rise in the inflation rate resulting in supply chain constraints, increased operating costs, and associated business disruptions could seriously harm our future revenues and financial condition, delay our operations, increase our costs and expenses, and impact our ability to raise capital.

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 risks, uncertainties, and assumptions and other factors that could cause actual results to differ materially from those stated, including those described in "Risk Factors" in Part I, Item 1A of our most recent Annual Report on Form 10-K, in Part II, Item 1A of this Quarterly Report, as such factors may be updated in our filings with the Securities and Exchange Commission, ("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 may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. In particular, disruptions and delays with certain vendors in our supply chain as well as increased operating costs resulting from a rise in the inflation rate, may adversely impact component manufacturers' ability to meet our client demand timely. Additionally, the prioritization of shipments of certain products, as a result of component availability and client readiness, could cause delays in our ability to deploy our ASRs. Such disruptions could result in a delay in our ability to recognize revenue on sales. The physical security industry in general and our financial position and operating results, in particular, are changing rapidly, and cannot be predicted.

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, and we undertake no obligation to update any of these forward-looking statements for any reason after the date of this Quarterly Report or to conform these statements to actual results or revised expectations, except as required by applicable law.

In this Quarterly Report, 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 Consolidated Balance Sheets
(In thousands, except share and per share data)

	September 30, 2023 (unaudited)	December 31, 2022 (1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,611	$ 4,810
Restricted cash	100	—
Accounts receivable (net of allowance for credit losses of $14 as of September 30, 2023 and $229 as of December 31, 2022)	2,094	1,370
Inventory	3,159	2,560
Prepaid expenses and other current assets	1,218	1,349
Total current assets	11,182	10,089
Autonomous Security Robots, net	7,776	5,850
Property, equipment and software, net	920	614
Operating lease right-of-use-assets	1,504	2,012
Goodwill	1,922	1,344
Intangible assets, net	1,646	2,056
Other assets	95	117
Total assets	$ 25,045	$ 22,082
LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 1,718	$ 2,457
Accrued expenses	1,559	2,403
Deferred revenue	1,884	1,711
Debt obligations	273	2,144
Operating lease liabilities, current	701	731
Other current liabilities	1,561	1,063
Total current liabilities	7,696	10,509
Debt obligations	—	6,554
Preferred stock warrant liability	6,752	10,011
Derivative liability	390	1,146
Other noncurrent liabilities	284	356
Operating lease liabilities, noncurrent	783	1,309
Total liabilities	15,905	29,885
Commitments and contingencies (Note 8)		
Preferred Stock, $0.001 par value; 43,405,324 shares authorized as of September 30, 2023, and December 31, 2022, 9,519,934 and 11,351,841 shares issued and outstanding as of September 30, 2023, and December 31, 2022, respectively; aggregate liquidation preference of $35,473 and $37,733 as of September 30, 2023, and December 31, 2022, respectively	34,311	35,783
Stockholders' deficit:		
Class A Common Stock, $0.001 par, 114,000,000 shares authorized as of September 30, 2023, and December 31, 2022, 73,372,816 and 28,029,238 shares issued and outstanding as of September 30, 2023, and December 31, 2022, respectively	73	28
Class B Common Stock, $0.001 par, 30,000,000 shares authorized as of September 30, 2023, and December 31, 2022, 9,357,822 and 10,319,884 shares issued and outstanding as of September 30, 2023, and December 31, 2022, respectively	9	10
Additional paid-in capital	129,671	95,716
Accumulated deficit	(154,924)	(139,340)
Total stockholders' deficit	(25,171)	(43,586)
Total liabilities, preferred stock and stockholders' deficit	$ 25,045	$ 22,082

(1) The condensed consolidated balance sheet as of December 31, 2022 was derived from the audited consolidated balance sheet as of that date.

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

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

	Three-Months Ended September 30, 2023	Three-Months Ended September 30, 2022	Nine-months ended September 30, 2023	Nine-months ended September 30, 2022
Revenue, net				
Service	$ 1,915	$ 1,296	$ 5,488	$ 3,281
Product	1,409	—	4,296	—
Total revenues	3,324	1,296	9,784	3,281
Cost of revenue, net				
Service	2,581	2,195	7,465	5,420
Product	693	—	2,473	—
Total cost of revenues, net	3,274	2,195	9,938	5,420
Gross profit (loss)	50	(899)	(154)	(2,139)
Operating expenses:				
Research and development	1,903	2,070	4,782	5,983
Sales and marketing	1,395	1,907	3,716	6,905
General and administrative	3,235	2,899	10,148	8,185
Restructuring charges	—	—	149	—
Total operating expenses	6,533	6,876	18,795	21,073
Loss from operations	(6,483)	(7,775)	(18,949)	(23,212)
Other income (expense):				
Change in fair value of warrant liabilities	(1,800)	2,543	4,015	18,190
Interest income (expense), net	(8)	—	(462)	(8,910)
Other income (expense), net	(51)	(6)	(188)	(35)
Total other income (expense)	(1,859)	2,537	3,365	9,245
Loss before income tax expense	(8,342)	(5,238)	(15,584)	(13,967)
Income tax expense	—	—	—	—
Net loss	$ (8,342)	$ (5,238)	$ (15,584)	$ (13,967)
Basic and diluted net loss per common share	$ (0.11)	$ (0.14)	$ (0.26)	$ (0.40)
Weighted average shares used to compute basic and diluted net loss per share	77,749,478	36,941,848	59,409,199	34,803,126

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

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

	Series m Preferred Stock		Series m-1 Preferred Stock		Series m-2 Preferred Stock		Series m-3 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	Shares	Amount	Shares	Amount			
June 30, 2022	**1,932,021**	**$ 5,017**	**—**	**$ —**	**160,000**	**$ 480**	**—**	**$ —**	**2,783,404**	**$22,532**	**3,249,104**	**$ 1,406**	**3,541,767**	**$ 7,185**	**26,085,487**	**$ 26**	**10,362,170**	**$ 10**	**$ 89,314**	**$ (122,426)**	**$ (33,076)**
Stock based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,119	—	1,119
Stock options exercised	—	—	—	—	—	—	—	—	—	—	—	—	—	—	221,686	—	—	—	330	—	330
Shares issued for consulting services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	236,567	—	—	—	653	—	653
Share conversion to common stock	(52,075)	(135)	—	—	—	—	—	—	(42,063)	(341)	(139,944)	(61)	(6,146)	(11)	285,874	—	(42,286)	—	548	—	548
Proceeds from equity sale, net of issuance costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	323,298	1	—	—	973	—	974
Share conversion costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(16)	—	(16)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(5,238)	(5,238)
Balance as of September 30, 2022	**1,879,946**	**$ 4,882**	**—**	**$ —**	**160,000**	**$ 480**	**—**	**$ —**	**2,741,341**	**$22,191**	**3,109,160**	**$ 1,345**	**3,535,621**	**$ 7,174**	**27,152,912**	**$ 27**	**10,319,884**	**$ 10**	**$ 92,921**	**$ (127,664)**	**$ (34,706)**

	Series m Preferred Stock		Series m-1 Preferred Stock		Series m-2 Preferred Stock		Series m-3 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	Shares	Amount	Shares	Amount			
Balance as of December 31, 2021	**4,574,917**	**$11,881**	**186,872**	**$ 1,319**	**1,251,666**	**$ 3,755**	**16,757**	**$ 46**	**3,705,239**	**$29,995**	**6,155,564**	**$ 2,663**	**3,726,092**	**$ 7,559**	**5,936,929**	**$ 6**	**13,131,197**	**$ 13**	**$ 30,745**	**$ (113,697)**	**$ (82,933)**
Stock based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,571	—	2,571
Warrants exercised	—	—	—	—	—	—	—	—	—	—	—	—	—	—	156,483	—	—	—	370	—	370
Conversion of debt obligations to Class A Common Stock	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6,513,385	7	—	—	16,004	—	16,011
Stock options exercised	—	—	—	—	—	—	—	—	—	—	—	—	—	—	349,432	—	25,000	—	532	—	532
Offering proceeds, net of issuance costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,236,619	2	—	—	19,623	—	19,625
Share conversion to common stock	(2,694,971)	(6,999)	(186,872)	(1,319)	(1,091,666)	(3,275)	(16,757)	(46)	(963,898)	(7,804)	(3,046,404)	(1,318)	(190,471)	(385)	11,205,577	11	(2,836,313)	(3)	21,138	—	21,146
Shares issued for consulting service	—	—	—	—	—	—	—	—	—	—	—	—	—	—	236,567	—	—	—	653	—	653
Proceeds from equity sale, net of issuance costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	517,920	1	—	—	1,351	—	1,352
Share conversion costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(66)	—	(66)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(13,967)	(13,967)
Balance as of September 30, 2022	**1,879,946**	**$ 4,882**	**—**	**$ —**	**160,000**	**$ 480**	**—**	**$ —**	**2,741,341**	**$22,191**	**3,109,160**	**$ 1,345**	**3,535,621**	**$ 7,174**	**27,152,912**	**$ 27**	**10,319,884**	**$ 10**	**$ 92,921**	**$ (127,664)**	**$ (34,706)**

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	Series m Preferred Stock		Series m-1 Preferred Stock		Series m-2 Preferred Stock		Series m-3 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	Shares	Amount	Shares	Amount			
Balance as of June 30, 2023	**1,800,959**	**$ 4,676**	**—**	**$ —**	**160,000**	**$ 480**	**—**	**$ —**	**2,676,565**	**$21,668**	**1,418,381**	**$ 614**	**3,498,859**	**$ 7,098**	**63,519,101**	**$ 64**	**10,357,822**	**$ 10**	**$ 121,190**	**$ (146,582)**	**$ (25,318**
Stock based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	843	—	843
Proceeds from equity sale, net of issuance costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	8,799,634	8	—	—	7,416	—	7,424
Share conversion to common stock	(10,306)	(26)	—	—	—	—	—	—	(24,524)	(199)	—	—	—	—	1,054,081	1	(1,000,000)	(1)	225	—	225
Share conversion costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(3)	—	(3
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(8,342)	(8,342
Balance as of September 30, 2023	**1,790,653**	**$ 4,650**	**—**	**$ —**	**160,000**	**$ 480**	**—**	**$ —**	**2,652,041**	**$21,469**	**1,418,381**	**$ 614**	**3,498,859**	**$ 7,098**	**73,372,816**	**$ 73**	**9,357,822**	**$ 9**	**$ 129,671**	**$ (154,924)**	**$ (25,171**

	Series m Preferred Stock		Series m-1 Preferred Stock		Series m-2 Preferred Stock		Series m-3 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 Stockholder Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance as of December 31, 2022	**1,855,328**	**$ 4,818**	**—**	**$ —**	**160,000**	**$ 480**	**—**	**$ —**	**2,714,732**	**$21,977**	**3,086,160**	**$ 1,335**	**3,535,621**	**$ 7,173**	**28,029,238**	**$ 28**	**10,319,884**	**$ 10**	**$ 95,716**	**$ (139,340)**	**$ (43,58**
Stock based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,020	—	2,02
Conversion of debt obligations to Class A Common Stock	—	—	—	—	—	—	—	—	—	—	—	—	—	—	10,432,428	11	—	—	8,581	—	8,59
Stock options exercised	—	—	—	—	—	—	—	—	—	—	—	—	—	—	213,020	—	238,000	—	263	—	26
Proceeds from equity sale, net of issuance costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	31,620,860	31	—	—	21,629	—	21,66
Share conversion to common stock	(64,675)	(168)	—	—	—	—	—	—	(62,691)	(508)	(1,667,779)	(721)	(36,762)	(75)	3,077,270	3	(1,200,062)	(1)	1,470	—	1,47
Share conversion costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(8)	—	(
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(15,584)	(15,58
Balance as of September 30, 2023	**1,790,653**	**$ 4,650**	**—**	**$ —**	**160,000**	**$ 480**	**—**	**$ —**	**2,652,041**	**$21,469**	**1,418,381**	**$ 614**	**3,498,859**	**$ 7,098**	**73,372,816**	**$ 73**	**9,357,822**	**$ 9**	**$ 129,671**	**$ (154,924)**	**$ (25,17**

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

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

	Nine-months ended September 30, 2023	2022
Cash Flows From Operating Activities		
Net loss	$ (15,584)	$ (13,967)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,761	1,157
Stock compensation expense	2,020	2,571
Change in fair value of warrant liabilities	(4,015)	(18,190)
Accrued interest	440	24
Common stock issued in exchange for consulting services	385	67
Amortization of debt discount	—	8,878
Changes in operating assets and liabilities:		
Accounts receivable, net	(724)	877
Prepaid expenses and other current assets	(254)	(72)
Inventory	(599)	—
Other assets	22	—
Accounts payable	(739)	188
Accrued expenses	(844)	(35)
Deferred revenue	(405)	470
Other current and noncurrent liabilities	378	(359)
Net cash used in operating activities	(18,158)	(18,391)
Cash Flows From Investing Activities		
Purchases and related costs incurred for Autonomous Security Robots	(3,129)	(2,756)
Purchase of property and equipment	(454)	(76)
Net cash used in investing activities	(3,583)	(2,832)
Cash Flows From Financing Activities		
Proceeds from stock options exercised	263	532
Offering proceeds, net of issuance costs	—	19,625
Repayment of sellers note	(273)	—
Proceeds from equity sale, net of issuance costs	21,660	1,352
Share conversion costs	(8)	(66)
Net cash provided by financing activities	21,642	21,443
Net change in cash and cash equivalents and restricted cash	(99)	220
Cash, cash equivalents and restricted cash at beginning of the period	4,810	10,849
Cash, cash equivalents and restricted cash at end of the period	$ 4,711	$ 11,069
Supplemental Disclosure of Non-Cash Financing Activities		
Conversion of preferred stock to Class A Common Stock	$ 1,472	$ 21,146
Conversion of debt obligations to Class A Common Stock	$ 8,592	$ 16,011
Goodwill adjustment	$ 578	$ —
Cashless exercise of warrants	$ —	$ 370
Common stock issued for consulting services	$ —	$ 586

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

KNIGHTSCOPE, INC.
Notes to Condensed Consolidated 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 advanced public safety technology company that builds fully autonomous security robots and Blue Light emergency communications systems. The Company's mission is to make the United States of America the safest country in the world by helping to protect the people, places, and assets where we live, work, study, and visit.

To support this mission, the Company designs, develops, manufactures, markets, deploys, and supports Autonomous Security Robots ("ASRs"), autonomous charging stations, the proprietary Knightscope Security Operations Center ("KSOC") software user interface, Blue Light emergency communication devices, and its newly released Knightscope Emergency Management System ("KEMS") platform.

Basis of Presentation and Liquidity

The unaudited condensed consolidated 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 consolidated financial statements have been prepared on the same basis as the annual consolidated 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, 2023, are not necessarily indicative of the results to be expected for the year ending December 31, 2023 or for other future periods. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2022 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 31, 2023. The Company's significant accounting policies are described in Note 1 to those audited consolidated financial statements.

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

Cash and cash equivalents on hand were $4.6 million as of September 30, 2023, compared to $4.8 million as of December 31, 2022. The Company has historically incurred losses and negative cashflows from operations. As of September 30, 2023, the Company also had an accumulated deficit of approximately $154.9 million and stockholders' deficit of $25.2 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.

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 consolidated 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.

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. Holders of Series m-4 Preferred Stock were entitled to receive cumulative dividends payable semi-annually in arrears at the rate per share of Series m-4 Preferred Stock equal to the dividend rate for the Series m-4 Preferred Stock, in each case subject to compliance with applicable law. Dividends to holders of Series m-4 Preferred Stock are paid in kind as a dividend of additional shares of Series m-4 Preferred Stock for each dividend period on the applicable dividend payment date using a price per share equal to the original issue price, provided that the Company shall not issue any fractional shares of Series m-4 Preferred Stock. The holders of the Company's preferred stock, other than m-4 preferred stock, are also entitled to noncumulative dividends prior and in preference, to the Company's common stock and do not have a contractual obligation to share in the losses of the Company. All shares of Series m-4 Preferred Stock have converted to Class A Common Stock, leaving no outstanding balance of the Series m-4 Preferred Stock as of September 30, 2023. 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 consist of the following:

	September 30, 2023	September 30, 2022
Series A Preferred Stock (convertible to Class B Common Stock)	1,418,381	3,109,160
Series B Preferred Stock (convertible to Class B Common Stock)	3,498,859	3,535,621
Series m Preferred Stock (convertible to Class A Common Stock)	1,790,653	1,879,946
Series m-2 Preferred Stock (convertible to Class B Common Stock)	160,000	160,000
Series S Preferred Stock (convertible to Class A Common Stock)	2,652,041	2,741,341
Warrants to purchase Class A Common Stock	1,138,446	—
Warrants to purchase Series m-3 Preferred Stock	1,432,786	1,432,786
Warrants to purchase Series s Preferred Stock	2,941,814	4,441,814
Stock options	10,514,700	9,624,595
Total potentially dilutive shares	25,547,680	26,925,263

As all potentially dilutive securities are anti-dilutive for the nine months ended September 30, 2023 and 2022, diluted net loss per share is the same as basic net loss per share for each period.

Comprehensive Loss

Comprehensive loss represents the changes in equity of an enterprise, other than those resulting from stockholder transactions. Net loss was equal to comprehensive loss for the three and nine-month periods ended September 30, 2023 and 2022.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, 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 and property, equipment and software, certain estimates required within revenue recognition, estimating fair values of Company's common stock, share-based awards and warrant liabilities, inclusive of any contingent assets and liabilities. Actual results could differ from those estimates and such differences may be material to the condensed consolidated financial statements.

Accounting Pronouncements Adopted in 2023

In June 2016, the Financial Accounting Standards Board ("FASB") released Accounting Standards Update No. 2016-13, "Financial Instruments – Credit Losses." The amendment revises the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in more timely recognition of losses on financial instruments, including but not limited to available-for-sale debt securities and accounts receivable. The Company's implementation of this pronouncement did not have a material impact on the Company's condensed consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

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 consolidated financial statements.

Out of Period Adjustments

During the quarter ended June 30, 2023, the Company became aware of an error in the calculation of deferred revenue and goodwill associated with the CASE Emergency Systems acquisition in October of 2022. The error resulted in an understatement of acquired deferred revenue and goodwill in the amount of $578. As such, the June 30, 2023 condensed consolidated balance sheet has been adjusted to increase goodwill and deferred revenue by $578. Based on an analysis of Staff Accounting Bulletin 108, "Quantifying Misstatements" and Staff Accounting Bulletin 99, "Materiality," the Company has determined that these errors were immaterial to the previously issued audited consolidated financial statements for the year ended December 31, 2022 and the unaudited condensed consolidated financial statements for the quarters ended March 31, 2023 and June 30, 2023.

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, 2023	December 31, 2022
Raw materials	$ 2,364	$ 2,032
Work in process	91	—
Finished goods	704	528
	$ 3,159	$ 2,560

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 $2 and $18, depreciation expense of finished ASRs included in sales and marketing expense amounted to $2 and $10, and depreciation expense included in cost of revenue, net amounted to $412 and $398 for the three-months ended September 30, 2023 and 2022, respectively. Depreciation expense of finished ASRs included in research and development expense amounted to $6 and $52, depreciation expense of finished ASRs included in sales and marketing expense amounted to $15 and $37, and depreciation expense included in cost of revenue, net amounted to $1,182 and $1,000 for the nine months ended September 30, 2023 and 2022, respectively.

ASRs, net, consisted of the following:

	September 30, 2023	December 31, 2022
Raw materials	$ 3,158	$ 2,732
ASRs in progress	1,760	773
Finished ASRs	11,797	10,198
	16,715	13,703
Accumulated depreciation on Finished ASRs	(8,939)	(7,853)
ASRs, net	$ 7,776	$ 5,850

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

	September 30, 2023	December 31, 2022
ASRs on lease or available for lease	$ 10,469	$ 9,002
Demonstration ASRs	607	622
Research and development ASRs	194	194
Docking stations	527	380
	11,797	10,198
Less: accumulated depreciation	(8,939)	(7,853)
Finished ASRs, net	$ 2,858	$ 2,345

Intangible Assets

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

		September 30, 2023		
Intangible assets with determinable lives	**Amortization Period (years)**	**Gross carrying amount**	**Accumulated amortization**	**Carrying amount, net**
Developed technology	5	$ 990	$ (190)	$ 800
Customer relationships	8	950	(114)	836
Trademark	1	230	(220)	10
Total		$ 2,170	$ (524)	$ 1,646

		December 31, 2022		
Intangible assets with determinable lives	**Amortization Period (years)**	**Gross carrying amount**	**Accumulated amortization**	**Carrying amount, net**
Developed technology	5	$ 990	$ (41)	$ 949
Customer relationships	8	950	(25)	925
Trademark	1	230	(48)	182
Total		$ 2,170	$ (114)	$ 2,056

Intangible assets amortization expense totaling $137 for the three-months ended September 30, 2023 was recorded in sales and marketing expense and cost of revenue, net - service in the amounts of $87 and $50, respectively. Intangible assets amortization expense totaling $410 for the nine months ended September, 30, 2023 was recorded in sales and marketing expense and cost of revenue, net - service in the amounts of $261 and $149, respectively.

As of September 30, 2023, future intangible assets amortization expense for each of the next five years and thereafter is as follows:

Year ending December 31,		Amount
2023 (remaining)	$	89
2024		317
2025		317
2026		317
2027		275
Thereafter		331
Total	$	1,646

Other Current Liabilities

Other current liabilities consisted of the following:

		September 30, 2023		December 31, 2022
Sales tax	$	416	$	419
Customer and vendor deposits		326		50
Warranty liability		375		145
Lease liability – short term		87		92
Other		357		357
	$	1,561	$	1,063

Accrued Warranty

The liability for estimated warranty claims is accrued at the time of sale and the expense is recorded in the condensed consolidated 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,			
		2023		2022
Balance January 1,	$	145	$	—
Provision for warranties issued during nine months		339		—
Warranty services provided		(109)		—
	$	375	$	—

Accrued Expenses

Accrued expenses consisted of the following:

		September 30, 2023		December 31, 2022
Accrued bonuses	$	593	$	961
Payroll and payroll taxes		318		696
Legal, consulting, and financial services		194		542
Other		454		204
	$	1,559	$	2,403

Convertible Preferred Warrant Liabilities and Common Stock Warrants

Freestanding warrants to purchase shares of the Company's preferred stock are classified as liabilities on the balance sheets at their estimated fair value because the underlying shares of preferred stock are contingently redeemable and, therefore, may obligate the Company to transfer assets at some point in the future. The preferred stock warrants are recorded at fair value upon issuance and are 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 are recorded in the condensed consolidated statements of operations. The Company will continue to adjust the liability associated with the preferred stock warrants for changes in the estimated fair value until the earlier of the exercise or expiration of the preferred stock warrants or the completion of a sale of the Company. Upon an initial public offering, the preferred stock warrants will convert into warrants to purchase common stock and any liabilities recorded for the preferred stock warrants will be reclassified to additional paid-in capital and will no longer be 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. The fair value of these common stock warrants is determined using the Black-Scholes option-pricing model.

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.

NOTE 2: Revenue and Deferred Revenue

Revenue Recognition

ASR related revenue

The Company derives its revenues from lease of proprietary ASRs along with access to the browser-based interface KSOC through contracts under the lease accounting that typically have a twelve (12) month term. In addition, the Company derives non-lease revenue items such as professional services related to ASRs' deployments, special decals, shipping costs and training if any, recognized when control of these services is transferred to the clients, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

Blue Light Towers, E-Phones and Call Boxes revenue

The Company also derives revenues from fees from Blue Light Tower, E-Phone and Call Box sales and related services, such as installation, maintenance, and upgrades. The maintenance revenue is recognized in the period the service is performed and the Company has determined that 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.

The Company recognizes ASR subscription revenue as follows:

ASR subscription revenue

ASR subscription revenue is generated from lease of proprietary ASRs along with access to the browser-based interface KSOC through contracts that typically have twelve (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 Dimension and Balboa Capital, whereby Dimension or Balboa Capital 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 revenue from the lease subscription of its proprietary ASRs along with access to its KSOC browser-based software interface. MaaS subscription agreements typically have a twelve (12)-month term.

The Company also records deferred revenue from unfinished contracts for certain Call Box 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, 2023
Deferred revenue - short term	$	1,884
Revenue recognized in the nine-months ended related to amounts included in deferred revenue as of January 1, 2023	$	1,339

Deferred revenue represents amounts invoiced to customers for contracts for which revenue has yet to be recognized based on 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 Blue Light Towers, E-Phones and Call Boxes to certain customers dependent upon credit worthiness. The customer deposits are recorded as current liabilities and reclassed to 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,					
	2023			2022		
	Point in time	Over time	Total	Point in time	Over time	Total
ASRs	$ 89	$ 1,075	$ 1,164	$ 23	$ 1,273	$ 1,296
Blue Light Towers, E-Phones and Call Boxes	2,119	41	2,160	—	—	—
Total	$ 2,208	$ 1,116	$ 3,324	$ 23	$ 1,273	$ 1,296

	Nine-Months Ended September 30,					
	2023			2022		
	Point in time	Over time	Total	Point in time	Over time	Total
ASRs	$ 129	$ 3,157	$ 3,286	$ 69	$ 3,212	$ 3,281
Blue Light Towers, E-Phones and Call Boxes	6,299	199	6,498	—	—	—
Total	$ 6,428	$ 3,356	$ 9,784	$ 69	$ 3,212	$ 3,281

Other revenue

Other non-ASR related revenue such as deployment services, decals, shipping, and training revenue is recognized when services are delivered.

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, 2023, and December 31, 2022, and the classification by level of input within the fair value hierarchy:

	Total	Level 1	Level 2	Level 3
September 30, 2023				
Assets				
Cash equivalents:				
Money market funds	$ 1,101	$ 1,101	$ —	$ —
Liabilities				
Warrant liability – Series m-3 Preferred Stock	$ 412	$ —	$ —	$ 412
Warrant liability – Series S Preferred Stock	$ 6,340	$ —	$ —	$ 6,340
Derivative liability – Class A Common Stock warrants	$ 390	$ —	$ —	$ 390

	Total	Level 1	Level 2	Level 3
December 31, 2022				
Assets				
Cash equivalents:				
Money market funds	$ 3,025	$ 3,025	$ —	$ —
Liabilities				
Warrant liability – Series m-3 Preferred Stock	$ 1,282	$ —	$ —	$ 1,282
Warrant liability – Series S Preferred Stock	$ 8,729	$ —	$ —	$ 8,729
Derivative liability – Class A Common Stock warrants	$ 1,146	$ —	$ —	$ 1,146
2022 Convertible Notes	$ 8,152	$ —	$ —	$ 8,152

During the three-month periods ended September 30, 2023 and 2022, 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.

The following table sets forth a summary of the changes in the fair value of Company's Level 3 warrant liabilities during the nine-month periods ended September 30, 2023 and 2022, which were measured at fair value on a recurring basis:

	September 30, 2023	September 30, 2022
Beginning Balance	$ 11,157	$ 30,566
Warrants exercised	—	(370)
Warrants cancelled	(308)	—
Revaluation of Series m-3 and S Preferred Stock warrants	(2,951)	(18,190)
Revaluation of Common Stock warrants (derivative liability)	(756)	—
Ending Balance	$ 7,142	$ 12,006

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, 2023 and 2022, which were measured at fair value on a recurring basis:

	September 30, 2023	September 30, 2022
Beginning Balance	$ 8,152	$ —
Notes converted	(8,592)	—
Interest accretion	440	—
Ending Balance	$ —	$ —

NOTE 4: Debt Obligations

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

	September 30, 2023	December 31, 2022
Convertible notes, net of fees and discount	$ —	$ 8,152
Promissory notes	273	546
Total debt	273	8,698
Less: current portion of debt obligations	273	2,144
Non-current portion of debt obligations	$ —	$ 6,554

During the nine months ended September 30, 2023, the Company issued 10,432,428 shares of Class A Common Stock in connection with various conversions of the 2022 Convertible Notes by the Buyer, representing an aggregate principal amount of $6.075 million. As of September 30, 2023, the entire outstanding principal balance of the 2022 Convertible Notes was fully retired. The 2022 Common Stock Warrants remain outstanding.

On June 30, 2023, Knightscope and CASE Emergency Systems ("CASE") executed a Promissory Note Partial Payment and Extension Agreement, whereby the maturity date of the Seller's Note ("Note") issued on October 14, 2022 in the amount of $560,000 in connection with the acquisition of CASE was extended to October 6, 2023. The balance of the Note is payable in two installments with the first payment made July 10, 2023 and the final installment due on or before October 6, 2023. On October 5, 2023, the Seller's Note was paid in full.

The Company filed an Offering Circular for up to $10.0 million in Public Safety Infrastructure Bonds dated September 29, 2023, pursuant to Regulation A of the Securities Act of 1933, as amended (the "Offering Circular"). The Offering Circular was filed and qualified with the Securities and Exchange Commission on October 2, 2023. The price per bond is $1,000. The Company intends to conduct closings on accepted investments in the bonds on a rolling basis intended to occur on or about the last business day of each calendar month. From October 2, 2023 to October 31, 2023, we have issued bonds totaling a principal amount of $421 thousand, in aggregate, generating net proceeds to the Company of approximately $394 thousand, net of issuance costs of $27 thousand.

NOTE 5: Stock-Based Compensation

Equity Incentive Plans

In April 2014, the Company adopted the Knightscope, Inc. 2014 Equity Incentive Plan (the "2014 Plan") allowing for the issuance of up to 2,000,000 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 adopted the Knightscope, Inc. 2016 Equity Incentive Plan (the "2016 Plan") in which the remaining 1,936,014 shares available for issuance under the 2014 Plan at that time were transferred to the 2016 Plan. Awards outstanding under the 2014 Plan at the time of the 2014 Plan's termination 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 2016 Plan. The 2016 Plan provides for the granting of stock awards such as incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock or restricted stock units to employees, directors and outside consultants as determined by the Board of Directors.

The Board may grant stock options under the 2016 Plan at a price of not less than 100% of the fair market value of the Company's common stock on the date the option is granted. The option exercise price generally may not be less than the underlying stock's fair market value at the date of grant and generally have a term of ten years. 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 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 2016 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 amounts granted each calendar year to an employee or non-employee is limited depending on the type of award. Stock options comprise all of the awards granted since the Plan's inception.

On June 23, 2022, following approval by the Board of Directors, the Company's stockholders adopted the Knightscope, Inc. 2022 Equity Incentive Plan (the "2022 Plan") allowing for the issuance of up to 5,000,000 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 new grants under the 2016 Plan are available for new grants under the 2022 Plan, and shares subject to outstanding stock options under the prior plans as of the date of stockholder approval of the 2022 Plan, subsequently remain outstanding based on the respective plans under which they were granted. 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 outstanding 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 Board of Directors. Shares subject to awards 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 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 nonemployees for advisory and consulting services. The amounts granted each calendar year to an employee or non-employee is limited depending on the type of award.

Stock option activity under all of the Company's equity incentive plans for the nine-month period ended of September 30, 2023, 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, 2022	3,538,268	10,081,915	$ 3.11	7.61	$ 4,098
2022 Plan annual increase	1,917,456	—	—	—	—
Granted	(2,170,299)	2,170,299	1.01	—	—
Exercised	—	(451,020)	0.58	—	—
Forfeited	1,286,494	(1,286,494)	4.37	—	—
Available and outstanding as of September 30, 2023	4,571,919	10,514,700	$ 2.63	7.48	$ 466
Vested and exercisable as of September 30, 2023		5,819,297	$ 2.39	6.32	$ 122

The weighted average grant date fair value of options granted during the nine-month period ended September 30, 2023, was $0.55 per share. There were 451,020 options exercised during the nine-month period ended September 30, 2023, compared to 374,432 options exercised in the prior year period. The fair value of the options that vested during the nine-months ended September 30, 2023 and 2022, was $2.4 million and $1.4 million, respectively.

As of September 30, 2023, the Company had unamortized stock-based compensation expense of $6.4 million that will be recognized over the weighted average remaining vesting term of options of 1.87 years.

The assumptions utilized for option grants during the three and nine-months ended September 30, 2023 and 2022, are as follows:

	Three-months ended September 30, 2023	Three-months ended September 30, 2022	Nine-months ended September 30, 2023	Nine-months ended September 30, 2022
Risk-free interest rate	3.96 %	3.13 %	3.81 %	8.54 %
Expected dividend yield	— %	— %	— %	— %
Expected volatility	54.00 %	52.76 %	54.32 %	52.82 %
Expected term (in years)	6.0	5.99	5.75	6.00

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

	Three-months ended September 30, 2023	Three-months ended September 30, 2022	Nine-months ended September 30, 2023	Nine-months ended September 30, 2022
Cost of revenue, net	$ 97	$ 85	$ 297	$ 247
Research and development	149	311	274	781
Sales and marketing	67	52	175	184
General and administrative	530	671	1,274	1,359
Total	$ 843	$ 1,119	$ 2,020	$ 2,571

NOTE 6: Capital Stock and Warrants

The following tables summarize convertible preferred stock issued and outstanding as of September 30, 2023:

	Shares Issued and Outstanding	Proceeds Net of Issuance Costs	Aggregate Liquidation Preference
Series A Preferred Stock	1,418,381	$ 614	$ 1,267
Series B Preferred Stock	3,498,859	7,098	7,138
Series m Preferred Stock	1,790,653	4,650	5,372
Series m-2 Preferred Stock	160,000	480	480
Series S Preferred Stock	2,652,041	21,469	21,216
Total Preferred Stock	9,519,934	$ 34,311	$ 35,473

A summary of the Company’s outstanding warrants as of September 30, 2023, is as follows:

Class of shares	Number of Warrants	Exercise Price	Expiration Date
Series m-3 Preferred Stock	1,432,786	$ 4.0000	December 31, 2027
Series S Preferred Stock	2,941,814	$ 4.5000	December 31, 2027
Class A Common Stock	1,138,446	$ 3.2500	October 13, 2027

On April 7, 2023, the Company entered into an Amendment and Cancellation Agreement with certain holders of warrants to purchase Series m-3 and Series S Preferred Stock. Under the terms of the agreement, the expiration date for warrants to purchase 1,432,786 shares of Series m-3 Preferred Stock and 2,941,814 shares of Series S Preferred Stock was extended to the earlier of December 31, 2027 or eighteen (18) months after the closing of the Company’s first firm commitment underwritten initial public offering of the Company’s common stock pursuant to a registration statement filed under the Securities Act of 1933, as amended, in exchange for the cancellation of warrants to purchase 1,500,000 shares of Series S Preferred Stock.

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, 2023
Series A Preferred Stock	1,418,381
Series B Preferred Stock	3,498,859
Series m Preferred Stock	1,790,653
Series m-2 Preferred Stock	160,000
Series S Preferred Stock	2,652,041
Stock options to purchase common stock	10,514,700
Warrants outstanding for future issuance of convertible preferred stock and common stock	5,513,046
Stock options available for future issuance	4,571,919
Total shares of Class A Common Stock reserved	30,119,599

At-the-Market Offering Program

In February 2023, the Company commenced an at-the-market offering program with H.C. Wainwright & Co., LLC, as sales agent, which allows the Company to sell and issue shares of Class A Common Stock from time-to-time of up to approximately $20.0 million, subject to, and in accordance with, SEC rules. On August 18, 2023, the Company amended the at-the-market offering program and increased the current available capacity to up to $25.0 million of Class A Common Stock.

During the three months ended September 30, 2023, the Company issued 8,799,634 shares of Class A Common Stock under the at-the-market offering program for net proceeds of approximately $7.4 million, net of brokerage and placement fees of approximately $0.3 million. During the nine-months ended September 30, 2023, the Company issued 30,769,751 shares of Class A Common Stock under the at-the-market offering program for net proceeds of approximately $20.3 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 $53 and $127 and $297 and $319 in service fees for the three and nine-month periods ended September 30, 2023 and 2022, respectively. The Company had payables of $99 and $117 owed to Konica Minolta as of September 30, 2023 and December 31, 2022, respectively.

The Company paid $30 and $135 and $0 and $0 in rent for the three and nine-month periods ended September 30, 2023 and 2022, respectively, for a building owned by an employee.

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, 2023 and December 31, 2022, the components of leases and lease costs are as follows:

	September 30, 2023	December 31, 2022
Operating leases		
Operating lease right-of-use assets	$ 1,504	$ 2,012
Operating lease liabilities, current portion	$ 701	$ 731
Operating lease liabilities, non-current portion	783	1,309
Total operating lease liabilities	$ 1,484	$ 2,040

Lease costs for the three and nine-month periods ended September 30, 2023 are as follows:

	Three-months ended September 30, 2023	Nine-months ended September 30, 2023
Operating lease costs		
Operating lease right-of-use assets	$ 270	$ 756

As of September 30, 2023, future minimum operating lease payments for each year until the end of the operating leases is as follows:

Years ending December 31,	Amount
2023 (remaining)	$ 212
2024	810
2025	608
2026	15
Total future minimum lease payments	1,645
Less - Interest	(161)
Present value of lease liabilities	$ 1,484

Weighted average remaining lease term is 2.0 years as of September 30, 2023, and the weighted average discount rate is 11%.

Legal Matters

The Company may be subject to legal proceedings and regulatory actions in the ordinary course of business. The Company is not currently party to any legal proceedings or regulatory actions 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 consolidated financial statements as of September 30, 2023, and December 31, 2022.

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 customers 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 and $0.4 million as of September 30, 2023, and December 31, 2022, respectively, which has been included in other current liabilities on the accompanying condensed consolidated 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

From October 1, 2023 to November 10, 2023, the Company sold 2,053,111 shares of Class A Common Stock, generating approximately $1.4 million of proceeds, net of commissions and other issuance costs, under the Company’s at-the-market offering program.

We filed an Offering Circular dated September 29, 2023 (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 of 1933, as amended. 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 issuance. The Company intends to conduct closings on accepted investments in the bonds on a rolling basis intended to occur on or about the last business day of each calendar month. From October 2, 2023 to October 31, 2023, we have issued bonds totaling a principal amount of $421 thousand, in aggregate, generating net proceeds to the Company of approximately $394 thousand, net of issuance costs of $27 thousand.

On October 26, 2023, the Company received notice from The Nasdaq Stock Market (“Nasdaq”) that the Company is not in compliance with Nasdaq Listing Rule 5450(a)(1), as the minimum bid price of the Company’s Class A Common Stock has been below $1.00 per share for 31 consecutive business days. The Company has 180 calendar days, or until April 23, 2024, to regain compliance with the minimum bid price requirement. To regain compliance, the minimum bid price of the Company’s Class A Common Stock must meet or exceed $1.00 per share for a minimum of ten consecutive business days during this 180-calendar day grace period. In the event the Company does not regain compliance with the minimum bid price requirement by April 23, 2024, the Company may be eligible for an additional 180-calendar day compliance period if it elects to transfer to The Nasdaq Capital Market to take advantage of the additional compliance period offered on that market.

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 unaudited condensed financial statements and the related notes thereto included elsewhere in of this Quarterly Report, and 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, 2022 included in the Annual Report.

The historical results presented below are not necessarily indicative of the results that may be expected for any future period.

Overview

Knightscope is an advanced public safety technology company that builds fully autonomous security robots and Blue Light emergency communications systems. Our technologies are Made in the USA and allow public safety professionals to more effectively deter, intervene, capture, and prosecute criminals. Our mission is to make the United States of America the safest country in the world by helping to protect the people, places, and things where we live, work, study and visit.

To support this mission, we design, develop, manufacture, market, deploy and support Autonomous Security Robots ("ASRs"), autonomous charging stations, the proprietary Knightscope Security Operations Center ("KSOC") software user interface, Blue Light emergency communication devices, and our newly released Knightscope Emergency Management System ("KEMS") platform.

Our core technologies are suitable for most environments that require security patrol coverage and designed to be force multipliers that offer security teams improved situational awareness. ASRs conduct real-time on-site data collection and analysis in both indoor and outdoor spaces delivering alerts to security professionals through the KSOC. The KSOC enables clients with appropriate credentials and user permissions to access the data for investigative and evidence collection purposes.

Our Blue Light emergency communication devices consist of emergency Blue Light towers, Blue Light emergency phones ("E-Phone"), fully integrated, solar-powered cellular emergency phone towers, and emergency call box systems ("Call Box"). Tower devices are tall, highly visible and recognizable apparatuses that provide emergency communications using cellular and satellite communications with solar power for additional safety in remote locations. E-Phones and Call Boxes offering a smaller, yet still highly visible, footprint than the stationary security towers, but with the same reliable communication capabilities. In October 2022, we completed the acquisition of substantially all of the assets of Case Emergency Systems (the "CASE Acquisition"), which consisted of their emergency call box and communications business.

We sell our ASR and stationary multi-purpose security solutions under an annual subscription, Machine-as-a-Service business model, which includes the ASR rental as well as maintenance, service, support, data transfer, KSOC access, charging stations, and unlimited software, firmware and select hardware upgrades.

Our stationary Blue Light Towers, E-Phones, and Call Boxes are sold as point-of-sale modular systems, including Knightscope's exclusive, self-diagnostic, alarm monitoring system firmware that provides system owners daily email reports on the operational status of their system, a one-year parts warranty, and optional installation services. In 2023, the Company announced the release of the KEMS platform. The cloud-based application monitors the system wide state-of-health, alerts users concerning operational issues, provides technicians real-time error detection/diagnostics, and collects/reports system performance statistics. Modular upgrades are available for the Blue Light Towers, such as public announcement speaker systems. Knightscope also offers an extended warranty on this series of stationary security towers.

Our current strategy for all products and services is to focus solely on United States sales and deployments for the foreseeable future before considering global expansion.

Nasdaq Listing Rules Compliance

On October 26, 2023, we received notice from The Nasdaq Stock Market (“Nasdaq”) that we were not in compliance with Nasdaq Listing Rule 5450(a)(1), as the minimum bid price of our Class A Common Stock has been below $1.00 per share for 31 consecutive business days. We have 180 calendar days, or until April 23, 2024, to regain compliance with the minimum bid price requirement. To regain compliance, the minimum bid price of our Class A Common Stock must meet or exceed $1.00 per share for a minimum of ten consecutive business days during this 180-calendar day grace period. In the event we do not regain compliance with the minimum bid price requirement by April 23, 2024, we may be eligible for an additional 180-calendar day compliance period if we elect to transfer to The Nasdaq Capital Market to take advantage of the additional compliance period offered on that market. Our failure to regain compliance during the compliance period could result in delisting.

Known or Anticipated Trends

Our primary goal remains meeting client demand for additional orders of our technology, attracting new client orders, and ensuring consistent performance in the field. The Company is focused on scaling its business to meet incoming orders. Increasing demand through various marketing efforts, including our nationwide Robot Roadshow and media coverage, has driven and continues to drive an increase in orders and client inquiries.

Sales trends for the nine months ended September 30, 2023, showed demand across all of Knightscope’s product and service lines. The sales pipeline continues to grow and is strong, though similar to many business-to-business transactions, the enterprise and government municipality sales cycle is lengthy. Although we have executed contracts in less than 30 days, notionally these negotiations can range up to several months and years, taking into account the client’s budget, finance, legal, cyber security, human resources, facilities and other reviews. The sales process for brand-new technology as well as mature, trusted technology requires significant streamlining and improvements, and we are taking steps to ensure our sales processes are robust, repeatable, and can enable our products to move through the sales pipeline quicker.

Delays due to supply chain issues and the COVID-19 pandemic that negatively impacted the Company’s performance during the first half of 2022 had largely subsided by the end of the third quarter of 2023, although supply chain constraints can still be unpredictable and problematic. The acquisition of CASE Emergency Systems (“CASE”) also contributed to a significant increase in the Company’s business and results of operations for the period covered by this Quarterly Report.

Due to numerous geopolitical events and new safety requirements as well as various high-profile incidents of violence across the United States, we believe that the market for our technologies will continue to grow. We also expect that competing products may be introduced in the near future, creating pressure on us to improve on our production methods, cost, quality and product features.

As our business scales and becomes more streamlined, management expects the Company’s historical gross loss to decrease, once a critical mass has been achieved. We are focusing our resources on growing the business to be able to generate both a gross profit and overall net income. We are continually evaluating and taking a number of near-term actions to facilitate this result, and expect that as the Company matures, we expect to obtain economies of scale and efficiency that would continue to increase revenue and reduce costs over the medium to long-term. We are also focused on controlling general overhead costs, such as expenditures for real estate leases and optimizing team composition and size. We believe that with the building of new internal tools, the Company will be able to streamline procedures and manage deployments more efficiently through the deployment of automation, alleviating the need for a dramatic increase in headcount. Additionally, new telecommunication service and cloud cost reduction initiatives are underway to further reduce our ongoing support, repair and maintenance costs. Additionally, we are transitioning our ASR, Blue Light Tower, E-Phone, and Call Box production processes from a work cell environment to a more traditional assembly line process, for improved quality, efficiency and throughput. Our overall strategy is to try to keep fixed costs as low as possible and minimize variable costs while achieving our overall growth objectives.

As of October 29, 2023, the Company had a total backlog of approximately $4.1 million, comprised of $2.4 million related to ASR orders and $1.7 million related to orders for Blue Light emergency communication devices and Call Boxes. The Company’s continued focus on addressing supply chain constraints and implementing operational efficiencies has contributed to a reduction in the backlog, which directly contributes to increased revenue, net.

Results of Operations

Comparison of the Three-Months Ended September 30, 2023 and 2022

The following table sets forth selected Condensed Consolidated Statements of Operations data (in thousands, other than share data) and such data as a percentage of total revenues.

	Three-Months ended September 30,			
	2023		2022	
Revenue, net				
Service	$ 1,915	58 %	$ 1,296	100 %
Product	1,409	42 %	—	— %
Total revenue, net	3,324	100 %	1,296	100 %
Cost of revenue, net				
Service	2,581	78 %	2,195	169 %
Product	693	21 %	—	— %
Total cost of revenues	3,274	98 %	2,195	169 %
Gross profit (loss)	50	2 %	(899)	(69)%
Operating Expenses:				
Research and development	1,903	57 %	2,070	160 %
Sales and marketing	1,395	42 %	1,907	147 %
General and administrative	3,235	97 %	2,899	224 %
Total operating expenses	6,533	197 %	6,876	531 %
Loss from operations	(6,483)	(195)%	(7,775)	(600)%
Change in fair value of warrant and derivative liability	(1,800)	(54)%	2,543	196 %
Interest income (expense), net	(8)	— %	—	— %
Other income (expense), net	(51)	(2)%	(6)	— %
Total other expense, net	(1,859)	(56)%	2,537	196 %
Loss before income tax expense	(8,342)	(251)%	(5,238)	404 %
Income tax expense	—	— %	—	— %
Net loss	$ (8,342)	(251)%	$ (5,238)	404 %

Revenue, net

Service revenue, net for the three-months ended September 30, 2023, increased approximately $0.6 million versus the same period in 2022. The increase is primarily attributed to maintenance and service revenue of approximately $0.8 million associated with installed Blue Light Towers, E-Phones and Call Box products partially offset by a decrease in revenue for deployed ASRs of approximately $0.1 million. Product revenue of approximately $1.4 million is attributable to sales of Blue Light Towers, E-Phones and Call Box products from the CASE Acquisition in October 2022.

Cost of revenue, net

Cost of revenue, net - service for the three-months ended September 30, 2023, increased by approximately $0.4 million to $2.6 million, compared the same period in 2022, primarily due to an increase in personnel costs related to increased headcount resulting from the CASE Acquisition in October 2022 of approximately $0.2 million. Also contributing to the increase were service vehicle related costs, warranty and material related expenses, depreciation and amortization expense related to the CASE Acquisition of approximately $0.4 million, partially offset by lower cellular and communication fees of approximately $0.2 million attributed to the ongoing operation of deployed ASRs and Blue Light communication devices and Call Boxes. The cost of revenue, net - service is primarily related to the average service cost per unit, depreciation of the ASRs, and personnel related compensation. Additional costs relate to the ongoing maintenance and support of our install base of Blue Light communication devices and Call Boxes, which consists primarily of service personnel, vehicle expense, and warranty repair costs.

Cost of revenue, net - product was approximately $0.7 million and is attributable to sales of Blue Light emergency communications devices and Call Boxes.

Gross Profit (Loss)

Revenue, net and cost of revenue, net described above resulted in a gross loss attributed to services offset by a gross profit attributed to product sales resulted in a gross profit of approximately $50 thousand for the three-months ended September 30, 2023, compared to a gross loss of approximately $0.9 million for the same period in 2022.

Research and Development

	Three-Months Ended September 30, 2023	Three-Months Ended September 30, 2022	$ Change	% Change
Research and development	$ 1,903	$ 2,070	$ (167)	(8)%
Percentage of total revenue	57 %	160 %		

Research and development expenses decreased by approximately $0.2 million, or 8%, for the three-months ended September 30, 2023, as compared to the same period in 2022. The decrease is primarily due to decreased personnel related costs from the reduction in workforce announced in January 2023, partially offset by an increase in network hosting fees, including increases from product lines acquired in the CASE Acquisition, as well as material costs related to testing and development.

Sales and Marketing

	Three-Months Ended September 30, 2023	Three-Months Ended September 30, 2022	$ Change	% Change
Sales and marketing	$ 1,395	$ 1,907	$ (512)	(27)%
Percentage of total revenue	42 %	147 %		

Sales and marketing expenses decreased by approximately $0.5 million, or 27%, for the three-months ended September 30, 2023, as compared to the same period in 2022. The decrease was primarily due to decreased advertising costs, partially offset by amortization and personnel expenses related to the CASE Acquisition.

General and Administrative

	Three-Months Ended September 30, 2023	Three-Months Ended September 30, 2022	$ Change	% Change
General and administrative	$ 3,235	$ 2,899	$ 336	12 %
Percentage of total revenue	97 %	224 %		

General and administrative expenses increased by approximately $0.3 million, or approximately 12%, for the three-months ended September 30, 2023, as compared the same period in 2022. The increase was primarily driven by increased investor relations, corporate, state taxes, and personnel related expenses, partially offset by savings on rent expense, insurance premiums, legal fees, and a reduction in bad debt expense.

Other Income/(Expense), Net

	Three-Months Ended September 30, 2023	Three-Months Ended September 30, 2022	$ Change	% Change
Change in fair value of warrant liability	$ (1,800)	$ 2,543	$ (4,343)	(171)%
Change in fair value of convertible notes	—	—	—	— %
Interest income (expense), net	(8)	—	(8)	(100)%
Other income (expense), net	(51)	(6)	(45)	750 %
Total other income (expense)	$ (1,859)	$ 2,537	$ (4,396)	(173)%

Total other income (expense) decreased by approximately $4.4 million, or 173%, for the three-months ended September 30, 2023, as compared to the same period in 2022, resulting in other expense of approximately $1.9 million for the three-months ended September 30, 2023, compared to other income of approximately $2.5 million for the same period in 2022. The decrease was primarily due to a decrease in the change in fair value of warrant liability of approximately $4.3 million for the three-months ended September 30, 2023.

Comparison of the Nine Months Ended September 30, 2023 and 2022

The following table sets forth selected Condensed Consolidated Statements of Operations data (in thousands, other than share data) and such data as a percentage of total revenues.

	Nine-Months ended September 30,			
	2023		2022	
Revenue, net				
Service	$ 5,488	56 %	$ 3,281	100 %
Product	4,296	44 %	—	— %
Total revenue, net	9,784	100 %	3,281	100 %
Cost of revenue, net				
Service	7,465	76 %	5,420	165 %
Product	2,473	25 %	—	— %
Total cost of revenues	9,938	102 %	5,420	165 %
Gross loss	(154)	(2)%	(2,139)	(65)%
Operating Expenses:				
Research and development	4,782	49 %	5,983	182 %
Sales and marketing	3,716	38 %	6,905	210 %
General and administrative	10,148	104 %	8,185	249 %
Restructuring charges	149	2 %	—	—
Total operating expenses	18,795	192 %	21,073	642 %
Loss from operations	(18,949)	(194)%	(23,212)	(707)%
Change in fair value of warrant and derivative liability	4,015	41 %	18,190	554 %
Interest expense, net	(462)	(5)%	(8,910)	(272)%
Other income (expense), net	(188)	(2)%	(35)	(1)%
Total other income (expense), net	3,365	34 %	9,245	282 %
Loss before income tax expense	(15,584)	(159)%	(13,967)	(426)%
Income tax expense	—	— %	—	— %
Net loss	$ (15,584)	(159)%	$ (13,967)	(426)%

Revenue, net

Service revenue, net for the nine-months ended September 30, 2023, increased approximately $2.2 million, or 67%, versus service revenue, net for the same period in 2022. The increase is primarily attributed to maintenance and service revenue of approximately $2.2 million associated with installed Blue Light Towers, E-Phones and Call Box products.

Product revenue of approximately $4.3 million is attributable to sales of Blue Light Towers, E-Phones and Call Box products from the CASE Acquisition in October 2022.

Cost of revenue, net

Cost of revenue, net - service for the nine-months ended September 30, 2023, increased by approximately $2.0 million to $7.5 million, compared to the same period in 2022, primarily due to an increase in personnel costs related to increased headcount resulting from the CASE Acquisition in October 2022 of approximately $0.9 million, as well as increased costs of approximately $1.1 million related to service vehicles, depreciation, warranty expenses, and amortization expense related to the CASE acquisition, and increased third party service costs of approximately $0.3 million. The increase in costs was partially offset by savings in overhead related expenses of approximately $0.2 million. The cost of revenue, net - service is primarily related to the average service cost per unit, depreciation of the ASRs, and personnel related costs.

Cost of revenue, net - product was approximately $2.5 million and is attributable to sales of Blue Light emergency communications devices.

Gross Loss

Revenue, net and cost of revenue, net described above resulted in a gross loss attributed to services offset by a gross profit attributed to product sales for the nine-months ended September 30, 2023, resulting in a gross loss of approximately $0.2 million, net, compared to a gross loss of approximately $2.1 million, net, for the same period in 2022.

Research and Development

	Nine-Months Ended September 30,			
	2023	2022	$ Change	% Change
Research and development	$ 4,782	$ 5,983	$ (1,201)	(20)%
Percentage of total revenue	49 %	182 %		

Research and development expenses decreased by approximately $1.2 million, or 20%, for the nine-months ended September 30, 2023, as compared to the same period in 2022. The decrease is primarily due to decreased personnel related costs and a reduction in consulting fees partially offset by an increase in network hosting fees related to the CASE Acquisition and the ASRs.

Sales and Marketing

	Nine-Months Ended September 30,			
	2023	2022	$ Change	% Change
Sales and marketing	$ 3,716	$ 6,905	$ (3,189)	(46)%
Percentage of total revenue	38 %	210 %		

Sales and marketing expenses decreased by approximately $3.2 million, or 46%, for the nine-months ended September 30, 2023, as compared to the same period in 2022. The decrease was primarily due to decreased advertising costs partially offset by personnel related costs and amortization expense related to the CASE Acquisition.

General and Administrative

	Nine-Months Ended September 30,			
	2023	2022	$ Change	% Change
General and administrative	$ 10,148	$ 8,185	$ 1,963	24 %
Percentage of total revenue	104 %	249 %		

General and administrative expenses increased by approximately $2.0 million, or approximately 24%, for the nine-months ended September 30, 2023, as compared to the same period in 2022. The increase was primarily driven by increased corporate, financial services, and investor relations expenses, partially offset by savings in legal fees, rent expense relating to the renegotiation of the Mountain View, California lease at the end of 2022, reduced insurance premiums, and lower bad debt expense.

Restructuring Charges

	Nine-Months Ended September 30,			
	2023	2022	$ Change	% Change
Restructuring Charges	$ 149	$ —	$ 149	100 %
Percentage of total revenue	2 %	— %		

We incurred restructuring charges for the nine-month period ended September 30, 2023, of $149 thousand as a result of a work force reduction initiated in January 2023.

Other Income/(Expense), Net

	Nine-Months Ended September 30			
	2023	2022	$ Change	% Change
Change in fair value of warrant liability	$ 4,015	$ 18,190	$ (14,175)	(78)%
Interest expense, net	(462)	(8,910)	8,448	95 %
Other income (expense), net	(188)	(35)	(153)	437 %
Total other income (expense)	$ 3,365	$ 9,245	$ (5,880)	(64)%

Total other income (expense) decreased by approximately $5.9 million, or 64%, for the nine-months ended September 30, 2023, as compared to the same period in 2022, resulting in other income of approximately $3.4 million for the nine-months ended September 30, 2023, compared to other income of approximately $9.2 million for the same period in 2022. Interest expense decreased by $8.4 million as the Company wrote off the debt discount related to the conversion of convertible notes in the same period in 2022. The decrease in the fair value of warrant liabilities for the nine-month period ended September 30, 2023, was $14.2 million less than in the same period in 2022. Other income (expense) increased approximately $0.2 million related to referral fees paid to Dimension Funding LLC ("Dimension") as described below.

Liquidity and Capital Resources

As of September 30, 2023, and December 31, 2022, we had $4.6 million and $4.8 million, respectively, of cash and cash equivalents. As of September 30, 2023, the Company also had an accumulated deficit of approximately $154.9 million and stockholders' deficit of $25.2 million.

On April 20, 2021, the Company entered into a Referral Agreement with Dimension, whereby the Company can generate up to $10 million of immediate cash flow by referring its clients to Dimension for financing of their annual fees over the MaaS subscription term. This agreement enables the Company to quickly offset the up-front costs associated with building and deploying ASRs by accelerating collection of its accounts receivable. In 2022, the Company also began working with a second source for order financing for its ASRs to supplement its ability to finance its backlog.

In February 2023, we filed a Registration Statement on Form S-3 for the issuance of up to $100 million of Class A Common Stock, and we commenced an at-the-market offering program, which allows us to sell and issue shares of our Class A Common Stock, from time-to-time, of up to approximately $20.0 million. On August 18, 2023, we amended the at-the-market offering program and increased the current available capacity to up to $25.0 million of Class A Common Stock. This at-the-market offering program provides the Company with additional access to capital, as needed, subject to market conditions. We filed an Offering Circular dated September 29, 2023 for the issuance of up to $10.0 million in Public Safety Infrastructure Bonds (the "Bonds") pursuant to Regulation A of the Securities Act of 1933, as amended. The Offering Circular was qualified with the SEC on October 2, 2023. With the net proceeds from the at-the-market offering program, intended monthly rolling closings under the Bond offering, and continued collection of trade receivables, as of November 7, 2023, the Company's cash balance was approximately $3.4 million. The Company has projected operating losses and negative cash flows of approximately $1.0 million per month, on average, for the next several months. 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. 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. We intend to monitor the stability of the financial institutions in which we keep our liquid funds to mitigate against the exposure to loss of funds and delays in accessing our cash. Occasionally, such reviews and other events result in the movement of funds to more stable institutions, such as the movement of our cash deposits out of Silicon Valley Bank to Comerica Bank earlier in 2023, and we further diversified our deposit accounts with the addition of Wells Fargo Bank.

Cash Flow

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

	Nine-Months Ended September 30, 2023	Nine-Months Ended September 30, 2022
Net cash used in operating activities	$ (18,158)	$ (18,391)
Net cash used in investing activities	(3,583)	(2,832)
Net cash provided by financing activities	21,642	21,443
Net increase (decrease) in cash and cash equivalents	$ (99)	$ 220

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 number of Blue Light Towers, E-Phones and Call Box products sold, 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 $18.2 million for the nine-months ended September 30, 2023. Net cash used in operating activities resulted from a net loss of $15.6 million and changes in working capital and non-cash charges.

Net cash used in operating activities for the nine months ended September 30, 2023, decreased by approximately $0.2 million as compared to the same period in 2022. The decrease was primarily a result of a decrease in the change in fair value of warrant liabilities of $14.2 million, an increase in accrued interest of approximately $0.4 million, an increase in depreciation and amortization of approximately $0.6 million, and an increase in common stock issued in exchange for services of approximately $0.3 million partially offset by an increase in the net loss of approximately $1.6 million, a decrease in debt discount amortization of $8.9 million, changes in operating assets and liabilities of approximately $4.2 million, and a decrease in stock compensation expense of approximately $0.6 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, 2023 and 2022, was approximately $3.6 million compared to approximately $2.8 million in the same period in 2022.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was approximately $21.6 million for the nine months ended September 30, 2023, an increase of approximately $0.2 million as compared to the same period in 2022. Our financing activities for the nine months ended September 30, 2023, consisted primarily of net proceeds from the issuance of Class A Common Stock under our at-the-market offering program. In the same period in 2022 financing activities consisted primarily of net proceeds resulting from the Company's 2021 Regulation A Offering that terminated on January 2022, immediately prior to the listing of our Class A Common Stock on Nasdaq in January 2022.

At-the-Market Offering Program

In February 2023, we commenced an at-the-market offering program, which allows us to sell and issue shares of our Class A Common Stock from time-to-time of up to approximately $20.0 million. On August 18, 2023, we amended the at-the-market offering program and increased the current available capacity to up to $25.0 million of Class A Common Stock.

During the three months ended September 30, 2023, the Company issued 8,799,634 shares of Class A Common Stock under the at-the-market offering program for net proceeds of approximately $7.4 million, net of brokerage and placement fees of approximately $0.3 million. During the nine months ended September 30, 2023, we issued 30,769,751 shares of Class A Common Stock under the at-the-market offering program for net proceeds of approximately $20.3 million, net of brokerage and placement fees of approximately $0.8 million. As of September 30, 2023, we had remaining capacity to issue up to approximately $20.5 million of Class A Common Stock under the at-the-market offering program (subject to available unreserved authorized shares under our certificate of incorporation.)

Public Safety Infrastructure Bonds

We filed an Offering Circular dated September 29, 2023 (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 of 1933, as amended. 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 issuance. The Company intends to conduct closings on accepted investments in the bonds on a rolling basis intended to occur on or about the last business day of each calendar month. From October 2, 2023 to October 31, 2023, we have issued bonds totaling a principal amount of $421 thousand, in aggregate, generating net proceeds to the Company of approximately $394 thousand, net of issuance costs of $27 thousand.

2022 Convertible Notes and Common Stock Warrants

On October 10, 2022, we entered into a securities purchase agreement with an accredited investor (the "Buyer"), pursuant to which we sold and issued to the Buyer in a private placement (i) senior secured convertible notes in an aggregate principal amount of $6.075 million (the "2022 Convertible Notes"), at an initial conversion price of $5.00 per share of Class A Common Stock, subject to adjustment upon the occurrence of specified events described in the 2022 Convertible Notes, and (ii) warrants to purchase up to 1,138,446 shares of Class A Common Stock with an initial exercise price of $3.25 per share of Class A Common Stock, exercisable immediately and expiring five years from the date of issuance (the "2022 Common Stock Warrants" and, together with the 2022 Convertible Notes, the "2022 Convertible Notes Offering"), for $5.0 million of gross proceeds.

The 2022 Convertible Notes were senior secured obligations of the Company. The 2022 Convertible Notes were issued with an original issue discount of approximately 17.65%, would bear no interest until an event of default has occurred, upon which interest would accrue at 12.5% per annum, and were scheduled to mature on September 15, 2024 unless earlier converted (upon the satisfaction of certain conditions). On December 30, 2022, we and the Buyer entered into an Agreement and Waiver (the "Waiver"), pursuant to which we mutually agreed to reduce the minimum cash covenant to $1.5 million and to lower the conversion price in part, such that the conversion price in effect on any given time of determination would equal the Alternate Conversion Price (as defined in 2022 Convertible Notes) then in effect (but with 85% replacing 80% in such definition of Alternate Conversion Price, as applicable).

As of June 26, 2023, the entire outstanding principal balance of the 2022 Convertible Notes was fully retired. From January 1, 2023 through June 26, 2023, we issued 10,432,428 shares of Class A Common Stock in connection with various conversions of the 2022 Convertible Notes by the Buyer, representing an aggregate principal amount of $6.075 million. The 2022 Common Stock Warrants remain outstanding.

Critical Accounting Estimates

There have been no changes to our critical accounting estimates from what was reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Effective the first quarter of fiscal year 2023, the Company implemented Accounting Standards Update No 2016-13, "Financial Instruments – Credit Losses.", issued by the Financial Accounting Standards Board in June 2016. The amendment revises the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in more timely recognition of losses on financial instruments, including but not limited to available-for-sale debt securities and accounts receivable. The Company's implementation of this pronouncement did not have a material impact on the Company's condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide this information.

Item 4. Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, our management has carried out an evaluation, with the participation and under the supervision of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2023. Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. 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, and management is required to apply its judgment in evaluating and implementing possible controls and procedures.

Based upon their evaluation of these disclosure controls and procedures, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2023.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended September 30, 2023, that have materially affected, or reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We may be subject to litigation from time to time in the ordinary course of business. We are not currently party to any legal proceedings that we believe would reasonably have a material adverse impact on its business, financial results, and cash flows.

Item 1A. Risk Factors

You should carefully consider the factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022, 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 for the year ended December 31, 2022. The risks described in our Annual Report on Form 10-K for the year ended December 31, 2022 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, Use of Proceeds, and Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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	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*	Amendment No. 1 go Employment Agreement, dated July 10, 2023, between Knightscope, Inc. and William Santana Li.
10.2*	Amendment No. 1 go Employment Agreement, dated July 10, 2023, between Knightscope, Inc. and Mallorie Burak.
10.3*	Amendment No. 1 go Employment Agreement, dated July 11, 2023, between Knightscope, Inc. and Mercedes Soria.
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†	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†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	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.
* Represents management contract or compensatory plan or arrangement.

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 13, 2023

KNIGHTSCOPE, INC.

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

By:	/s/ Mallorie Burak
Name:	Mallorie Burak
Title:	President and Chief Financial Officer (Principal Financial Officer)

AMENDMENT NO. 1 TO
EMPLOYMENT AGREEMENT

This Amendment No. 1 to Employment Agreement (this "**Amendment**"), is entered into as of July 10, 2023, by and between Knightscope, Inc., a Delaware corporation (the "**Company**"), and William Santana Li ("**Executive**").

WHEREAS, the parties desire to amend the Employment Agreement dated February 24, 2021, by and between the Company and Employee (the "**Original Agreement**").

NOW, THEREFORE, in consideration of the representations, warranties and agreements contained in this Amendment and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. **Amendment to the Original Agreement**.

(a) Section 3(b) of the Original Agreement is hereby amended and restated as follows:

> "(b) Annual Bonus. Executive will be eligible to receive an annual bonus based upon performance objectives or other criteria as determined by the Board or the Compensation Committee in their sole discretion (each, an "**Annual Bonus**"). The Board or the Compensation Committee may set a target bonus for Executive based on performance objectives or other criteria in their sole discretion, and adjustments will be made based upon the Company's normal performance review practices and/or company performance (the "**Target Bonus**"). Any Annual Bonus that is earned will be paid in the fiscal year immediately following the fiscal year to which the Annual Bonus relates; provided, that Executive's continued employment with the Company through the payment date shall be required in order for Executive to earn and receive such Annual Bonus. Notwithstanding anything in this Agreement to the contrary, it is acknowledged and agreed that no Annual Bonus shall be required to be paid to Executive if the Board or the Compensation Committee determine in their sole discretion that the Company does not have sufficient cash liquidity to pay cash bonuses (after taking into account the Company's current and projected future liabilities)."

(b) Exhibit A of the Original Agreement is hereby deleted in its entirety.

2. **Conflicts; Original Agreement in Full Force and Effect as Amended**. If there is any conflict between the provisions of this Amendment and those in the Original Agreement, the provisions of this Amendment govern. Capitalized terms used and not defined herein have the same meanings as defined in the Original Agreement. Except as expressly amended hereby, all other terms and provision of the Original Agreement remain in full force and effect.

3. **Counterparts**. This Amendment may be executed in counterparts (including by facsimile or electronic "pdf" transmission), each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

4. **Applicable Law**. This Amendment shall be governed by and shall be construed and enforced in accordance with the internal laws of the State of California, without regard to conflicts of law principles.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

KNIGHTSCOPE, INC.,
a Delaware corporation

By: /s/ Mallorie S. Burak
Name: Mallorie S. Burak
Title: President & CFO

EXECUTIVE

/s/ William Santana Li
William Santana Li

Exhibit 10.2

AMENDMENT NO. 1 TO
EMPLOYMENT AGREEMENT

This Amendment No. 1 to Employment Agreement (this "**Amendment**"), is entered into as of July 10, 2023, by and between Knightscope, Inc., a Delaware corporation (the "**Company**"), and Mallorie S. Burak ("**Executive**").

WHEREAS, the parties desire to amend the Employment Agreement dated February 24, 2021, by and between the Company and Employee (the "**Original Agreement**").

NOW, THEREFORE, in consideration of the representations, warranties and agreements contained in this Amendment and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. **Amendment to the Original Agreement**.

(a) Section 3(b) of the Original Agreement is hereby amended and restated as follows:

> "(b) Annual Bonus. Executive will be eligible to receive an annual bonus based upon performance objectives or other criteria as determined by the Board or the Compensation Committee in their sole discretion (each, an "**Annual Bonus**"). The Board or the Compensation Committee may set a target bonus for Executive based on performance objectives or other criteria in their sole discretion, and adjustments will be made based upon the Company's normal performance review practices and/or company performance (the "**Target Bonus**"). Any Annual Bonus that is earned will be paid in the fiscal year immediately following the fiscal year to which the Annual Bonus relates; provided, that Executive's continued employment with the Company through the payment date shall be required in order for Executive to earn and receive such Annual Bonus. Notwithstanding anything in this Agreement to the contrary, it is acknowledged and agreed that no Annual Bonus shall be required to be paid to Executive if the Board or the Compensation Committee determine in their sole discretion that the Company does not have sufficient cash liquidity to pay cash bonuses (after taking into account the Company's current and projected future liabilities)."

(b) Exhibit A of the Original Agreement is hereby deleted in its entirety.

2. **Conflicts; Original Agreement in Full Force and Effect as Amended**. If there is any conflict between the provisions of this Amendment and those in the Original Agreement, the provisions of this Amendment govern. Capitalized terms used and not defined herein have the same meanings as defined in the Original Agreement. Except as expressly amended hereby, all other terms and provision of the Original Agreement remain in full force and effect.

3. **Counterparts**. This Amendment may be executed in counterparts (including by facsimile or electronic "pdf" transmission), each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

4. **Applicable Law**. This Amendment shall be governed by and shall be construed and enforced in accordance with the internal laws of the State of California, without regard to conflicts of law principles.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

KNIGHTSCOPE, INC.,
a Delaware corporation

By: /s/ William Santana Li
Name: William Santana Li
Title: Chairman & CEO

EXECUTIVE

/s/ Mallorie S. Burak
Mallorie Burak

AMENDMENT NO. 1 TO
EMPLOYMENT AGREEMENT

This Amendment No. 1 to Employment Agreement (this "**Amendment**"), is entered into as of July 10, 2023, by and between Knightscope, Inc., a Delaware corporation (the "**Company**"), and Mercedes Soria Li ("**Executive**").

WHEREAS, the parties desire to amend the Employment Agreement dated February 24, 2021, by and between the Company and Employee (the "**Original Agreement**").

NOW, THEREFORE, in consideration of the representations, warranties and agreements contained in this Amendment and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. **Amendment to the Original Agreement**.

(a) Section 3(b) of the Original Agreement is hereby amended and restated as follows:

> "(b) Annual Bonus. Executive will be eligible to receive an annual bonus based upon performance objectives or other criteria as determined by the Board or the Compensation Committee in their sole discretion (each, an "**Annual Bonus**"). The Board or the Compensation Committee may set a target bonus for Executive based on performance objectives or other criteria in their sole discretion, and adjustments will be made based upon the Company's normal performance review practices and/or company performance (the "**Target Bonus**"). Any Annual Bonus that is earned will be paid in the fiscal year immediately following the fiscal year to which the Annual Bonus relates; provided, that Executive's continued employment with the Company through the payment date shall be required in order for Executive to earn and receive such Annual Bonus. Notwithstanding anything in this Agreement to the contrary, it is acknowledged and agreed that no Annual Bonus shall be required to be paid to Executive if the Board or the Compensation Committee determine in their sole discretion that the Company does not have sufficient cash liquidity to pay cash bonuses (after taking into account the Company's current and projected future liabilities)."

(b) Exhibit A of the Original Agreement is hereby deleted in its entirety.

2. **Conflicts; Original Agreement in Full Force and Effect as Amended**. If there is any conflict between the provisions of this Amendment and those in the Original Agreement, the provisions of this Amendment govern. Capitalized terms used and not defined herein have the same meanings as defined in the Original Agreement. Except as expressly amended hereby, all other terms and provision of the Original Agreement remain in full force and effect.

3. **Counterparts**. This Amendment may be executed in counterparts (including by facsimile or electronic "pdf" transmission), each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

4. **Applicable Law**. This Amendment shall be governed by and shall be construed and enforced in accordance with the internal laws of the State of California, without regard to conflicts of law principles.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

KNIGHTSCOPE, INC.,
a Delaware corporation

By: /s/ William Santana Li
Name: William Santana Li
Title: Chairman & CEO

EXECUTIVE

/s/ Mercedes Soria Li
Mercedes Soria Li

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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 13, 2023

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

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mallorie Burak, 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 13, 2023

By: /s/ Mallorie Burak
Name: Mallorie Burak
Title: President and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 350,
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, 2023, (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 13, 2023

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

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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, 2023, (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 13, 2023

By: /s/ Mallorie Burak
Name: Mallorie Burak
Title: President and Chief Financial Officer
(Principal Financial Officer)