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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 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	**46-2482575**
(State of Other Jurisdiction of incorporation or Organization)	(I.R.S. Employer Identification No.)
1070 Terra Bella Avenue Mountain View, CA	**94043**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (650) 924-1025

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

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

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

As of June 30, 2023, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's Class A Common Stock held by non-affiliates based upon the closing price of such shares on The Nasdaq Global Market on such date was approximately $ 33 million. For purposes of the foregoing calculation, all directors and executive officers of the registrant and holders of more than 10% of the registrant's Class A Common Stock are assumed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 29, 2024, there were 93,310,259 shares of the registrant's Class A Common Stock and 9,357,822 shares of the registrant's Class B Common Stock outstanding.

Documents Incorporated by Reference

Part III incorporates certain information by reference from the registrant's proxy statement for the 2024 annual meeting of stockholders to be filed no later than 120 days after the end of the registrant's fiscal year ended December 31, 2023.

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SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this "Annual 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 Annual Report other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, market growth, product and service releases, the status of product development, and our objectives for future operations, are forward-looking statements. In some cases the words "believe," "may," "will," "estimate," "potential," "continue," "anticipate," "intend," "expect," "could," "would," "project," "plan," "target," or the negative of these terms and similar expressions identify forward-looking statements.

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

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

We have based these forward-looking statements on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of known and unknown risks, uncertainties, and assumptions and other important factors that could cause actual results to differ materially from those stated, including those described in the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 and "Risk Factors" in Part I, Item 1A of this Annual 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 Annual Report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance, or achievements. Our forward-looking statements speak only as of the date of this Annual Report, and we undertake no obligation to update any of these forward-looking statements for any reason after the date of this Annual Report or to conform these statements to actual results or revised expectations, except as required by law.

In this Annual Report, the words "we," "us," "our," "the Company" and "Knightscope" refer to Knightscope, Inc., unless the context requires otherwise.

SUMMARY RISK FACTORS

Our business is subject to numerous risks and uncertainties, including those described in Part I, Item 1A. "Risk Factors" in this Annual Report. You should carefully consider these risks and uncertainties when investing in our common stock. The principal risks and uncertainties affecting our business include the following:

- We have not yet generated any profits or significant revenues, anticipate that we will incur continued losses for the foreseeable future, and may never achieve profitability.
- The report of our independent registered public accounting firm expresses substantial doubt about our ability to continue as a going concern, and we may not be able to continue to operate the business if we are not successful in securing additional funding.
- We expect to experience future losses as we implement our business strategy and will need to generate significant revenues to achieve profitability, which may not occur.
- We may not be able to comply with all applicable listing requirements or standards of The Nasdaq Capital Market, and Nasdaq could delist our Class A Common Stock.
- We are subject to potential fluctuations in operating results due to its sales cycle.
- If we are unable to acquire new customers, our future revenues and operating results will be harmed. Likewise, potential customer turnover in the future, or costs we incur to retain our existing customers, could materially and adversely affect our financial performance.
- We are subject to the loss of contracts, due to terminations, non-renewals or competitive re-bids, which could adversely affect our results of operations and liquidity, including our ability to secure new contracts from other customers.
- Our future operating results are difficult to predict and may be affected by a number of factors, many of which are outside of our control.
- Our financial results will fluctuate in the future, which makes them difficult to predict.
- Changes in global economic conditions, including, but not limited to, those driven by inflation and interest rates, may adversely affect customer spending and the financial health of our customers and others with whom we do business, which may adversely affect our financial condition, results of operations, and cash resources.
- Adverse developments affecting the financial services industry, including events or concerns involving liquidity, defaults or non-performance by financial institutions, could adversely affect our business, financial condition or results of operations.
- We have a limited number of deployments, and limited market acceptance of our products could harm our business.
- We cannot assure you that we will effectively manage our growth.
- Our costs may grow more quickly than our revenues, harming our business and profitability.
- Any debt arrangements that we enter into may impose significant operating and financial restrictions on us, which may prevent us from capitalizing on business opportunities. A breach of any of the restrictive covenants under such debt arrangements may cause us to be in default under our debt arrangements, and our lenders could foreclose on our assets.

PART I

Item 1. Business

Overview

Knightscope, Inc. is a Silicon Valley based technology company that designs, builds, and deploys solutions to enhance public safety. Knightscope products include ASRs and ECDs consisting of fully integrated, solar powered wireless emergency blue light towers (“BLT”), blue light emergency phones (“E-Phones”), and emergency call box systems (“Call Boxes”). Our technologies are made in the United States of America (“USA”) and are designed to enable public safety professionals to more effectively deter, intervene, capture, and prosecute criminals. Our mission is to make the USA the safest country in the world by helping protect the people, places, and things where people live, work, study and visit.

To support this mission, we design, develop, manufacture, market, deploy, and support ASRs and ECDs, with our proprietary Knightscope Security Operations Center (“KSOC”) and Knightscope Emergency Management System (“KEMS”) software user interfaces. Our ASRs and ECDs are designed to deter, detect, and report security incidents, providing innovative solutions for public safety at various venues, including convention centers, casinos, resorts, college campuses, corporate campuses and other public spaces.

We are a Delaware corporation, founded in April 2013. Our headquarters is located in Silicon Valley at 1070 Terra Bella Ave, Mountain View, CA 94043 and our telephone number is (650) 679-7626 and our website is www.knightscope.com.

Strategy

The Knightscope management team intends to continue its focus on organic growth as well as add to its core solutions portfolio through future, opportunistic acquisitions based on a target’s revenue, free cash flow, technology, talent, and facilities as well as strategic partnerships to achieve its mission.

In 2022, we completed the acquisition of Case Emergency Systems (“CASE”), a manufacturer of blue light emergency communication devices, and market the products under the portfolio of “K1B” emergency communication devices. Positioned to enhance Knightscope offerings, the K1B technologies are designed for reliability and ease of use in critical situations, providing one-touch connections to emergency services. They are solar-powered, weatherproof, and can operate wirelessly via cellular or satellite technology, making them suitable for a wide range of environments. With an installed base of nearly 10,000 devices across the USA, K1B technologies significantly enhance safety and security in public spaces by allowing individuals to quickly contact emergency services or security personnel with the push of a button on any K1B device. Our technologies aim to build on each other to create safer environments through proactive monitoring and reactive emergency communication capabilities. By integrating autonomous security with robust emergency communication systems, organizations can offer comprehensive safety solutions that are adaptive, responsive, and effective in a wide range of scenarios.

Use cases for our combined suite of ASR and K1B technologies include a wide variety of applications where a 24/7 presence, accessible emergency communication, and deterrence can assist public safety officials with incidents, disturbances, medical emergencies, theft, trespassing, fire, talk downs, and promote an overall feeling of improved safety. Areas where our products and services can be useful include, but are not limited to:

- Airports;
- Casinos;
- Commercial Real Estate;
- Corporate Campus;
- Homeowner Associations;
- Hospitals;

- Hotels;
- Law Enforcement sites;
- Logistics sites;
- Manufacturing sites;
- Parking areas;
- Public Parks;
- Schools and;
- U.S. Federal Government buildings

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

Our K1B portfolio of Emergency Communication Devices consist of the K1 Blue Light Towers, K1 Blue Light Emergency Phones, and K1 Call Boxes. 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 offer a smaller, yet still highly visible, footprint than the towers, but with the same reliable communication capabilities.

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

Our stationary K1B technologies are sold as point-of-sale modular systems, including Knightscope's exclusive, self-diagnostic, alarm monitoring system, KEMS, that provides system owners daily email reports on the operational status of their system, a one-year parts warranty, and optional installation services. 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 public safety towers.

Industry background

In the USA, there are more than 11,000 private security firms and approximately 18,000 law enforcement agencies – a fragmented marketplace relying primarily on humans to safeguard people and assets primarily through monitoring and patrol activities. We believe that our products offer a better economic proposition for our clients relative to a solely human guard or a mobile vehicle patrol unit operating 24/7, enabling the estimated 2.5 million law enforcement and security professionals to focus on strategic decision-making and enforcement.

Products

ASRs and ECDs

K3 and K5 ASRs

The K3 ASR and K5 ASR are designed to roam a geo-fenced area autonomously by utilizing numerous sensors and lasers, either on a random basis or based on a particular patrolling algorithm. They can successfully navigate around people, vehicles and objects in dynamic indoor or outdoor environments. To do this, the ASRs employ several autonomous motion and self-driving technologies, including lasers, ultrasonic sensors, inertial measurement unit (“IMU”), and wheel encoders integrated into a navigation software stack enabling autonomy. Each ASR can generate 1 to 2 terabytes of data per week and over 90 terabytes of data per year, which is accessible for review and analysis via the KSOC. Clients can recall, review, and save the data for analysis, forensic or archival purposes. Each ASR can autonomously charge and recharge on a 24-hour basis, 7 days per week without human intervention. Clients may also utilize the patrol scheduler feature on the KSOC to schedule periodic or regular patrols during certain times for alternative patrol routes.

The approximate dimensions of the K5 are as follows: Height: 5 feet, Width: 3 feet, Weight: 398 pounds.

The K5 is designed to be used primarily outdoors in such environments as open air malls, corporate campuses, hospitals, stadiums, retailers, warehouses, logistics facilities, college campuses, airports, train stations and multi-level parking structures. The K5’s advanced anomaly detection features include:

- 360-degree high-definition night and day video capture positioned at eye-level;
- Live streaming and recorded high-definition video capabilities;
- Automatic license plate recognition;
- People detection, which can alert a user in real-time of people detected on their premises, together with 360-degree recorded high-definition video. A user can use the timestamp of the recording to search through other data detected to assess and better understand other conditions in the area patrolled by the ASR;
- Thermal imaging, which allows for triggered alerts based on temperature. For example, assisting with alerts regarding increased risks of fires;
- Two-way communication feature may be utilized for both public announcements and avoidance of human physical confrontations with dangerous individuals; and
- Signal detection can be utilized as a rogue router detector for sensitive locations.

The approximate dimensions of the K3 are as follows: Height: 4 feet, Width: 2 feet, Weight: 340 pounds.

The K3 is tailored for indoor usage, allowing it to autonomously navigate complex dynamic indoor environments such as an indoor mall, office building, manufacturing facility, hospital, stadium plaza, warehouse or school. It has the same suite of advanced anomaly detection capabilities as the K5, but the parking utilization, parking meter and license plate recognition features are turned off.

The ASRs include several communications features. The units can transfer data over both 4G LTE networks and Private LTE. The company is also developing capabilities to operate over 5G networks for planned deployment in the future. Each one has an available intercom that may be used for two-way communication with a public safety team. In addition, one or multiple units may be used as a live broadcast public address system or to deliver pre-recorded messages based on time, location, detection or randomly.

The ASRs run on rechargeable batteries. They are configured to patrol autonomously for approximately two to three hours, following which, without human intervention, the ASRs find and dock to a charging station, recharging for approximately 20 minutes or more before resuming patrol. The ASRs remain operational during the charging period, providing 24/7 uptime to clients.

K1 Tower

The K1 Tower carries all the relevant features from the K5 but in a large stationary format. The K1 can be used indoors or outdoors and especially at ingress/egress points for both people and vehicles.

The approximate dimensions of the K1 are: Height: 6 feet, Width: 3 feet, Weight: 150 pounds.

K1 Hemisphere

The new K1 Hemisphere, with its smaller profile, is a stationary unit designed for both indoor and outdoor use. The Hemisphere can easily be mounted to a variety of surfaces or objects and has 3 cameras that provide up to 210-degrees of eye-level, high-definition video, a strobe light, automatic license plate recognition, facial recognition (optional), automated broadcast announcements, and intercom capability running on a wired or wireless network.

The dimensions of the K1 Hemisphere are: Diameter: 24 inches, Depth: 10 inches, Weight: 30 pounds.

K1 Blue Light Tower

The K1 Blue Light Tower emergency phone is for outdoor use and delivers completely wireless emergency phone operation, 24/7/365, even in harsh weather conditions with voice connectivity, broadcast warning capability, a flashing strobe, and night area illumination to assist responders in locating callers.

The approximate dimensions of the K1 Blue Light Tower are: Height: 12 feet, Width: less than one foot, Weight: 208 pounds.

K1 Blue Light Emergency Phone

The K1 Blue Light Emergency Phone is a compact, full-featured emergency calling solution for indoor and outdoor use. It is ideally suited for areas with limited space and offers one-touch connectivity and a high-visibility blue strobe in places tower designs may not fit. The E-Phone enhances public safety by providing robust, reliable, and clear voice-to-voice communication over a cellular network.

The dimensions of the K1 Blue Light Emergency Phone are: Height: 31.5 inches, Width: 10.5 inches, Weight: 52 pounds.

K1 Call Box

The K1 Call Box is our smallest emergency call box system, delivering one-touch connection with a simple housing and interface. Call Boxes are typically mounted to a pole for outdoor use and can be outfitted with solar charging capabilities. Like all Knightscope emergency communications devices, it can provide a completely wireless solution for emergency phone calls, or it can be adapted to work with existing nearby wiring. Designed to work with hands-free ease, a handset, and TTY pad are additional options available on this device.

The dimensions of the K1 Call Box are: Height: 19.6 inches, Width: 15.3 inches, Weight: 47.4 pounds.

KSOC

The KSOC is our intuitive, browser-based interface that, coupled with our ASRs, and other line of products, provides our clients and security professionals with “smart mobile eyes and ears and voice – on the ground”. Once alerted of an abnormal event, such as a person spotted during a specific time in a particular location, authorized users can view the live stream of data in the KSOC from each of the ASRs in the user’s network, accessing it from a 911 dispatch center, security operations center or a remote laptop.

KEMS

The KEMS platform allows clients and technicians to better understand the real-time health and status of K1 Blue Light Towers, E-Phones and Call Boxes in network. The cloud-based application monitors the system wide state-of-health, alerts users of operational issues, provides technicians with real-time error detection/diagnostics, and collects/reports system performance statics.

KNOC

The Company has built a custom set of tools that enables our employees to manage and monitor the network of ASRs and other Knightscope technologies operating in the field nationwide, which it refers to as the Knightscope Network Operations Center ("KNOC"). These tools allow our team to monitor the health of the ASRs down to the millisecond, with dozens of alerts related to critical indicators and statistics, including charging, software, navigation and temperatures. We also use the KNOC to execute over-the-air software upgrades, patches and other related items. The KNOC is staffed 24/7 by the Company in the U.S.

Knightscope+

Knightscope+ is a virtual monitoring and response solution providing an alternative for client sites that do not have the resources to receive and respond to alerts generated by Knightscope's ASRs and other products. The service enables a full-service solution for ASR clients, including but not limited to, alerts, broadcast messaging, and two-way communications. Knightscope+ operators have extensive training and experience related to remote monitoring for greater situational awareness. Remote monitoring is an optional service that can be bundled into MaaS subscriptions.

Products in Development

The Company recently announced that its K7 multi-terrain ASR is under concept development. The K7 is expected to have the same features as the K5, but to employ four wheels for use on more rugged outdoor terrain such as dirt, sand, gravel and much larger environments. We expect that the K7 could be utilized at airfields, power utilities, borders, solar farms, wind farms or oil or gas fields as well as at numerous existing clients. While this technology builds on a great deal of our technology stack, we anticipate that its development will require significant additional time and resources before it can be launched into full-scale production.

Clients

Knightscope clients use the Company's technology to protect people and assets. Our products are designed to enhance safety in public and private places by providing rapid communication and monitoring capabilities to small or large, remote, and inhospitable environments. The Company's clients use Knightscope products to monitor or respond to medical emergencies, weather-related issues, and natural disasters, as well as to discourage, detect, and alert them of potential criminal activity.

Knightscope's ASRs, and K1B ECDs provide our clients with the ability to augment their existing security infrastructure, enabling human security resources to be more strategic in their approach to security. Our ASRs, and ECDs have been deployed across a broad range of clients, including but not limited to casinos, corporations, law enforcement, municipalities, universities, and property management companies. In addition, Knightscope continues to partner with strategic resellers for our K1B portfolio, such as value-added resellers offering safety equipment looking to augment the security solutions offered to their customers with advanced technology.

Marketing and Sales

The Company has been able to successfully sell new contracts through virtual private demonstrations and live demonstrations with decision makers utilizing its innovative "Robot Roadshow" which has been instrumental in securing stakeholder 'buy in' to help close more contracts. The initiative entails a cross-country tour of a physical "Pod" housing numerous ASRs, the K1 Blue Light Emergency Phone, and Knightscope's new Automated Gunshot Detection system, providing a one-on-one hybrid offline/online selling technique with in-person robots and telepresence and/or onsite sales staff.

On January 3, 2024, the Company announced that it achieved an Authority-to-Operate ("ATO") from the Federal Risk and Authorization Management Program ("FedRAMP"). The federal government adopted the Cloud First Policy, which requires all cloud service providers that hold federal data to be FedRAMP certified. FedRAMP compliance is one of the factors that enables Knightscope to do business with federal agencies.

We regularly advertise in the media through various online and offline channels.

Research and Development

Our research and development efforts focus primarily on the development of robust base technology, new technology as well as scaling efforts. In addition, we will continue to enhance our ASR and K1B, capabilities and features, and the functionality of the KSOC and KEMSs software platforms. In January 2024, we received our ATO from FedRAMP, sponsored by the U.S. Department of Veterans Affairs. FedRAMP is a government-wide program that provides a standardized approach to security assessment, authorization, and continuous monitoring for cloud products and services. FedRAMP compliance is one of the factors that enables Knightscope to do business with federal agencies. This achievement means that Knightscope can be listed on the FedRAMP Marketplace as an approved provider for federal agencies as a next step and can also begin its deployment processes to perform on the contract awarded by the U.S. Department of Veteran Affairs (the “VA”) for its first K5 GOV. The K5 GOV is an ASR exclusively developed for the U.S. Federal Government.

Intellectual Property

The Company holds twelve patents collectively covering its ASRs, the security data analysis and display features of the KSOC and its parking monitor feature. The Company also has pending patent applications relating to its ASRs, KSOC, parking monitor feature, behavioral autonomous technology and the ASRs’ behavioral autonomous technology relating to visible weapon detection. The Company owns a trademark registration for its name “Knightscope” in the U.S. On August 10, 2021, the Company filed two trademark applications (Serial Numbers: 90875695 for LONG KNIGHTSCOPE. SHORT THE CRIMINALS and 90875697 for $KSCP). The Company relies and expects to continue to rely on a combination of confidentiality agreements with its employees, consultants, and third parties with whom it has relationships, as well as trademark, copyright, patent, trade secret, and domain name protection laws, to protect its proprietary rights.

Manufacturing and Suppliers

Knightscope assembles its ASRs at its Mountain View, California headquarters and ECDs in Downey and Irvine, California from components manufactured by more than 100 suppliers. The Company’s top three suppliers, measured by spending, are Alco Metal Fab, based in Santa Ana, California, Advanced Interconnection Technologies, based in Anaheim, California, and E and M Electric and Machinery Inc., based in Healdsburg, California. The Company is not highly dependent on any one supplier and believes it can source components from other suppliers and has done so when necessary.

In order to optimize our ability to serve our clients, we have partnered with one of our strategic investors, Konica Minolta, Inc., among others, to train their technicians to service, maintain and support our machines-in-network and assist us with our nationwide scaling efforts. As our fleet of deployed ASRs and K1B devices grows, the Company has engaged additional third-party service providers with broad geographic footprints to support our clients.

We believe that by opting to outsource field services, Knightscope is able to laser-focus on what we do best: innovation and product development. This strategic move not only streamlines our operations but also grants us access to specialized expertise and reach without the overhead of developing these capabilities in-house. We believe that this is a cost-effective approach that transforms fixed expenses into variable ones, offering the flexibility to scale operations in response to ever-changing market demands. Moreover, it reduces the burden of compliance and regulatory risks, allowing us to penetrate new markets with the aid of partners who have established local networks and expertise. Ultimately, outsourcing empowers us to dedicate more resources to strategic planning and innovation, allowing us to focus on staying ahead in the competitive technology landscape.

Competition

At the moment, we are not aware of any direct competitors for our ASR products in the advanced physical security technology space that have viable commercial products in the USA, addressing both outdoor and indoor applications, at the same scale as Knightscope. It is a common misconception outside of the security industry that we compete against closed-circuit television (“CCTV”) providers. We do not believe that they are competitive products because cameras do not provide a physical presence, are typically used for forensics after an event, and do not offer a client the plethora of capabilities available with our technologies. We believe that having these two types of systems working together provide a more holistic approach to promoting safety and reducing crime. While traditional human guards provide a closer competitor in some cases, we believe that utilizing our “Software, Hardware, Humans” approach is much more effective.

We are aware of a start-up, SMP Robotics Services Corp. ("SMP"), which produces an outdoor autonomous security platform that it markets through third-party distributors which has primarily been focused on international markets but appears to be attempting re-entry to the U.S. market. We had previously listed Gamma 2 Robotics and SHARP Electronics as potential competitors in this space. However, according to industry sources, we understand that both Gamma 2 Robotics and SHARP Electronics have ceased operations in the security robot space after failed attempts to enter the market. Cobalt Robotics, a company exclusively focused on indoor applications, may be considered a partial competitor. Additionally, Turing AI has recently begun offering an indoor-only robot and Robotic Assistance Devices, a subsidiary of Artificial Intelligence Technology Solutions has continued to grow its stationary fixed device offerings, similar to other fixed solutions, such as those offered by Verkada. Flock Safety provides advanced security and surveillance solutions primarily focused on license plate reading and vehicle recognition technology, though they do not offer the mobility or range of a robot. Similarly, there are numerous startups focused on fixed camera crime analytics.

We do not actively compete against security companies, although sometimes clients will choose our ASRs instead of a security personnel. We augment clients' security apparatus by providing technology to better monitor and safeguard assets and people. Our ASRs offer clients a significant cost reduction relative to the cost of human security guards. In addition, ASRs offer significantly more capabilities, such as license plate detection, data gathering, thermal imaging and people detection that are delivered consistently, on a 24-hour, 7 day per week basis, without regular human intervention. In certain cases, our technology complements and improves the operations of traditional security firms.

Competitors for our K1B portfolio include Code Blue Corporation, Talk-a-Phone, GaiTronics ("Hubbell"), and Rath. To differentiate its towers and call boxes from the competition, Knightscope has focused on providing its clients with self-sufficient solutions that include the use of solar power and wireless communications, requiring that no power infrastructure be in place in order for the products to work or landlines, making for easier installation and maintenance.

Government Regulation

Our operations are subject to numerous governmental laws and regulations, including those governing antitrust and competition, the environment, collection, recycling, treatment and disposal of covered electronic products and components.

In addition, a number of data protection laws impact, or may impact, the manner in which we collect, process and transfer personal data. U.S. laws that have been applied to protect user privacy (including laws regarding unfair and deceptive practices) may be subject to evolving interpretations or applications in light of privacy developments. Compliance with enhanced data protection laws requires additional resources and efforts, and noncompliance with personal data protection regulations could result in increased regulatory enforcement and significant monetary fines and costs.

Backlog and Seasonality

As of December 31, 2023, we had orders representing approximately $3.4 million in new contracts outstanding that we expect to be able to deliver within the year based on production capacity. Of the total sales outstanding as of December 31, 2023, $2.3 million represent MaaS agreements for ASR deployments and $1.1 million relates to orders for K1B.

We have not experienced any significant effects relating to seasonality for our products and services.

Human Capital

As of December 31, 2023, the Company had 95 full-time employees and one part-time employee working primarily out of our combined headquarters and production facility in Mountain View, California and production facilities in Downey and Irvine, California. We are not a party to any collective bargaining agreements.

The Company believes that our future growth and success will depend in part on our ability to attract and retain highly skilled employees. The executive management team is responsible for developing and executing the Company's human capital strategy. The human capital strategy includes the attraction, acquisition, engagement, and development of the Company's employees as resources allow.

Available Information

We file reports and other information with the SEC, which are accessible on the SEC's website at www.sec.gov. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available, free of charge, on our website at ir.knightscope.com. We make these reports available through our website as soon as reasonably practicable after we electronically file such reports with, or furnish such reports to, the SEC. The information provided on, or accessible through, our website is not a part of, or incorporated into, this Annual Report on Form 10-K. You may also access this information, free of charge, at the SEC's website at http://www.sec.gov.

Item 1A. Risk Factors

Risks Related to the Business and the Global Economy

We have not yet generated any profits or significant revenues, anticipate that we will incur continued losses for the foreseeable future, and may never achieve profitability.

The Company was formed in 2013 and made its first pilot sales in 2015. The Company listed on the Nasdaq Stock Market in January 2022. Accordingly, the Company has a limited history upon which to evaluate its performance and future prospects.

The Company has incurred net losses since inception. Our net loss was $22.1 million for the year ended December 31, 2023 and $25.6 million for the year ended December 31, 2022. As of December 31, 2023, we had an accumulated deficit of $161.5 million. Cash and cash equivalents on hand were $2.3 million as of December 31, 2023, compared to $4.8 million as of December 31, 2022. These factors raise substantial doubt about our ability to continue as a going concern. See Item 7: *Management's Discussion and Analysis of Financial Condition*, *Liquidity and Capital Resources*.

Our current and proposed operations are subject to all the business risks associated with new enterprises, including, but not limited to, likely fluctuations in operating results as the Company makes significant investments in research, development and product opportunities, integrates new products under development or acquired in acquisitions, and reacts to developments in its market, such as purchasing patterns of clients and any new competitors into the market. 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.

Any evaluation of our business and our prospects must be considered in light of our limited operating history and the risks and uncertainties encountered by companies in our stage of development. Further, our industry is characterized by rapid technological change, changing client needs, evolving industry standards and frequent introduction of new products and services. We have encountered and will continue to encounter risks and difficulties frequently experienced by developing companies in rapidly changing industries. If we do not address these risks successfully, our operating results will be harmed.

Investors should evaluate an investment in us in light of the uncertainties encountered by developing companies in a competitive environment. We cannot assure you that we will be profitable in the next several years or at all, or that we will generate any revenues in the future or sufficient revenues to meet our debt servicing and payment obligations.

The report of our independent registered public accounting firm expresses substantial doubt about our ability to continue as a going concern, and we may not be able to continue to operate the business if we are not successful in securing additional funding.

The report of our independent registered public accounting firm on our financial statements as of and for the years ended December 31, 2023 and 2022, which is included in this Annual Report, includes an explanatory paragraph indicating that there is substantial doubt about our ability to continue as a going concern due to our recurring losses from operations, available cash and cash used in operations. The inclusion of a going concern explanatory paragraph by our independent registered public accounting firm may materially adversely affect our share price, our ability to secure additional financing, and otherwise execute our strategy.

As noted above, the Company has a history of losses and has projected operating losses and negative cash flows for the foreseeable future, and we are currently dependent on additional fundraising in order to sustain our ongoing operations. Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), contemplating that we will continue to operate as a going concern. However, we cannot assure you that the Company will be successful in acquiring additional funding at levels sufficient to fund 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 or delay, scale back or discontinue the development of additional products and services, seek alternative financing arrangements, declare bankruptcy or otherwise terminate its operations entirely.

The Company expects to experience future losses as it implements its business strategy and will need to generate significant revenues to achieve profitability, which may not occur.

We have incurred net losses since our inception, and we expect to continue to incur net losses for the foreseeable future. To date, we have funded our operations from the sale of equity and debt securities in private transactions and in the capital markets, and by means of credit facilities and other financing arrangements. We expect to continue to incur significant operating expenses as we implement our business strategy, which include development, sales and marketing, and general and administrative expenses and, as a result, we expect to incur additional losses and continued negative cash flow from operations for the foreseeable future. We will need to generate significant revenues to achieve profitability. We cannot assure you that we will ever generate sufficient revenues to achieve profitability. If we do achieve profitability in some future period, we cannot assure you that we will be able sustain profitability on a quarterly or annual basis in the future. If our revenues grow more slowly than we anticipate or if our operating expenses exceed our expectations or cannot be adjusted accordingly, our business, operating results and financial condition will be materially and adversely affected.

The Company is subject to potential fluctuations in operating results due to its sales cycle.

Our sales cycles can be long and unpredictable, and our sales efforts require considerable time and expense. As a result, our sales are difficult to predict and may vary substantially from quarter to quarter, which may cause our operating results to fluctuate significantly. We spend a substantial amount of time, effort and money in our sales efforts without any assurance that our efforts will produce any revenue and the timing of our revenue is difficult to predict. Our sales efforts involve educating our clients about the use and benefit of our products and technology, including their technical capabilities and potential cost savings to the clients. Clients typically undertake a significant evaluation process that has in the past resulted in a lengthy sales cycle. In addition, product purchases are frequently subject to budget constraints, regulatory and administrative approvals, and other delays. If sales expected from a specific client for a particular quarter are not realized in that quarter or at all, our business, operating results and financial condition could be materially and adversely affected.

If we are unable to acquire new customers, our future revenues and operating results will be harmed. Likewise, potential customer turnover in the future, or costs we incur to retain our existing customers, could materially and adversely affect our financial performance.

Our success depends on our ability to acquire new customers in new and existing markets, and in new and existing geographic markets. If we are unable to attract a sufficient number of new customers, we may be unable to generate revenue growth at desired rates. Our industry is competitive and our competitors may have substantial financial, personnel and other resources that they can utilize to develop solutions and attract customers. As a result, it may be difficult for us to add new customers to our customer base. Competition in the marketplace may also lead us to win fewer new customers or result in us providing discounts and other commercial incentives.

While our immediate focus is on the U.S. market, our long-term success will in part depend on our ability to acquire new customers outside the USA. If customers in other countries do not perceive the threat of security, or of firearms and weapons to be significant enough to justify the purchase of our products, we will be unable to establish a meaningful business outside the USA. If we are unable to attract a sufficient number of new customers outside the USA, we may be unable to generate future revenue growth at desired rates in the long term.

We are subject to the loss of contracts, due to terminations, non-renewals or competitive re-bids, which could adversely affect our results of operations and liquidity, including our ability to secure new contracts from other customers.

We are exposed to the risk that we may lose our contracts primarily due to the termination by a customer with or without cause at any time, the failure by a customer to exercise its option to renew a contract with us upon the expiration of the then current term, or our failure to win the right to continue to operate. The loss by us of contracts due to terminations, non-renewals or competitive re-bids could materially adversely affect our financial condition, results of operations and/or liquidity, including our ability to secure new contracts from other customers.

The Company's future operating results are difficult to predict and may be affected by a number of factors, many of which are outside of the Company's control.

The market for advanced physical security technology is relatively new and unproven and is subject to a number of risks and uncertainties. The industry is characterized by rapid change, new and complex technology and intense competition. Our ability to gain market share depends upon our ability to [create demand, including by increasing awareness about our products,] satisfy client demands, enhance existing products and services and develop and introduce new products and services. Our ability to gain market share also depends on a number of factors beyond our control, including the perceived value associated with our products and services, the public's perception of the use of robots to perform tasks traditionally reserved for humans, and our clients' acceptance of our view that security services can be performed more efficiently and cost-effectively through the use of our products and ancillary services. If any of these factors turns against us, our future operating results could be materially and adversely affected.

Our financial results will fluctuate in the future, which makes them difficult to predict.

Our financial results have fluctuated in the past and will fluctuate in the future. Additionally, we have a limited operating history with the current scale of our business, which makes it difficult to forecast future results. As a result, you should not rely upon the Company's past financial results as indicators of future performance. You should take into account the risks and uncertainties frequently encountered by rapidly growing companies in evolving markets. Our financial results in any given quarter can be influenced by numerous factors, many of which we are unable to predict or are outside of our control, including:

- Fluctuations in and the unpredictability of our sales cycle;
- Our ability to maintain and grow our client base;
- Downturns or financial instability in the business of our customers and partners;
- Development and introduction of new products by us or our competitors;
- Adverse changes affecting our suppliers and other third-party service providers, and any disruption in the supply of materials necessary for our business;
- Increases in marketing, sales, service and other operating expenses that we may incur to grow and expand our operations and to remain competitive;
- Our ability to achieve profitable gross margins and operating margins;
- Periodic litigation and related legal proceedings, which could result in unexpected expenditures of time and resources; and
- Changes in global business or macroeconomic conditions including regulatory changes.

Additionally, we expect to have U.S. government customers in the future. If the U.S. government does not complete its budget process before its fiscal year-end, government operations may be funded by means of a continuing resolution. Under a continuing resolution, the government essentially authorizes agencies of the U.S. government to continue to operate and fund programs at the prior year end but does not authorize new spending initiatives. When the U.S. government operates under a continuing resolution, or should appropriations legislation not be enacted prior to the expiration of such continuing resolution resulting in a partial shut-down of federal government operations, government agencies may delay the procurement of services, which could reduce our future revenue. For other risks associated with our U.S. government customers, see "*We have a government customer and are seeking additional government customers, which subject us to risks including early termination, audits, investigations, sanctions, or penalties.*"

The occurrence of any of the above and any unanticipated obstacles may hinder the execution of our business plan and adversely affect or materially adversely affect our operating results.

Changes in global economic conditions, including, but not limited to, those driven by inflation and interest rates, may adversely affect customer spending and the financial health of our customers and others with whom we do business, which may adversely affect our financial condition, results of operations, and cash resources.

Uncertainty about current and future global economic conditions may cause our customers and partners to cancel agreements with us, or potential customers and partners to hesitate to enter into agreements with us. Our financial success is sensitive to changes in general economic and financial conditions, including interest rates, energy costs, labor costs, inflation, commodity prices, unemployment levels, consumer debt levels, tax rates and other changes in tax laws, public health issues like the COVID-19 pandemic, or other economic factors, certain of which effects, including cost inflation, we experienced in 2022 and 2023 and expect to continue to experience in 2024.

Global inflation, elevated interest rates, and global industry-wide logistics challenges have impacted, and we expect will continue to impact, our business. Unfavorable economic conditions, including rising interest rates, also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us on terms we deem acceptable. These events could prevent us from increasing investments and materially harm our operating results and financial condition. Additionally, if our suppliers or other parties in our supply chain experience diminished liquidity, and as a result are unable to fulfill their obligations to us in a timely manner or at all, we may in turn be unable to provide our customers with our products in a timely manner or at all, resulting in lost sales opportunities or a deterioration in our customer relationships. If we are unable to mitigate the impact of supply chain constraints and inflationary pressure through price increases or other measures, our results of operations and financial condition could be negatively impacted.

Similarly, global conflicts including the ongoing wars between Russia and Ukraine and Israel and Hamas have created volatility in the global capital markets and are expected to continue to have further global economic consequences, such as disruptions of the global supply chain and energy markets. Any such continued volatility and disruptions may adversely affect our business or the third parties on whom we rely. If the equity and credit markets deteriorate, including as a result of political unrest or war, it may make any necessary debt or equity financing more difficult to obtain in a timely manner or on favorable terms, more costly or more dilutive. Increased inflation rates have already, and may continue to, adversely affect us by increasing our costs, including labor and employee benefit costs. In addition, higher inflation and macro turmoil and uncertainty could also adversely affect our customers, which could reduce demand for our products.

Adverse developments affecting the financial services industry, including events or concerns involving liquidity, defaults or non-performance by financial institutions, could adversely affect our business, financial condition or results of operations.

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future adversely affect our liquidity. We continue to evaluate our banking relationships as our access to funding sources and other credit arrangements in amounts adequate to finance or capitalize our current and projected future business operations could be significantly impaired by events such as liquidity constraints or failures, disruptions or instability in the financial services industry or financial markets, or concerns or negative expectations about the prospects for companies in the financial services industry. These factors may also adversely affect our ability to access our cash and cash equivalents at affected financial institutions.

Investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us or our customers to acquire financing on terms favorable to us, or at all. Any decline in available funding or access to our cash and liquidity resources could, among other things, adversely impact our ability to meet our operating expenses, financial obligations or fulfill our other obligations, result in breaches of our contractual obligations or result in violations of federal or state wage and hour laws. Any of these impacts, or any other impacts resulting from the factors described above or other related or similar factors not described above, could have material adverse impacts on our liquidity and our business, financial condition or results of operations.

Any further deterioration in the macroeconomic economy or financial services industry could lead to losses or defaults by our customers or suppliers, which in turn, could have a material adverse effect on our current and/or projected business operations and results of operations and financial condition. Any customer or supplier bankruptcy or insolvency, or the failure of any customer to make payments when due, or any breach or default by a customer or supplier, or the loss of any significant supplier relationships, could result in material losses to the Company and may have a material adverse impact on our business.

We have a limited number of deployments, and limited market acceptance of our products could harm our business.

The market for advanced physical security technology is relatively new and unproven and is subject to a number of risks and uncertainties. The numbers, types and locations of ASRs in service vary depending on the duration of each client contract, client demand and similar factors. As a result, the numbers, types and locations of ASRs in service that are currently deployed may not be representative of client contracts and client demand in the future. In order to grow our business and extend our market position, we will need to place into service more ASRs, expand our service offerings, including by developing new products and services, and expand our presence nationwide. Our ability to expand the market for our products depends on a number of factors, including the cost, performance and perceived value associated with our products and services. Furthermore, the public's perception of the use of robots to perform certain tasks traditionally reserved for humans may negatively affect demand for our products and services. Ultimately, our success will depend largely on our clients' acceptance that security services can be performed more efficiently and cost effectively through the use of our ASRs and ancillary services. Additionally, our customers consider many factors when deciding whether to purchase ASRs. Although we have in the past, entered into, and intend in the future to enter into, pilot programs to deploy ASRs with the goal of ultimately selling them to new customers, there can be no assurance that these pilot programs or any other of our sales efforts will result in successful sales, higher volume orders, or will attract new customers.

We cannot assure you that we will effectively manage our growth.

Our employee headcount and the scope and complexity of our business have increased significantly since we were first formed, and we expect it will continue as we grow over the long term. The growth and expansion of our business and products create significant challenges for our management, operational, and financial resources, including managing multiple relationships and interactions with users, distributors, vendors, and other third parties. As the Company grows, our information technology systems, internal management processes, internal controls and procedures and production processes may not be adequate to support our operations. To ensure success, we must continue to improve our operational, financial, and management processes and systems and to effectively expand, train, and manage our employee base. As we grow, and implement more complex organizational and management structures, we may find it increasingly difficult to maintain the benefits of our corporate culture, including our current team's efficiency and expertise, which could negatively affect our business performance.

Our costs may grow more quickly than our revenues, harming our business and profitability.

Providing our products is costly because of our research and development expenses, production costs, operating costs and need for employees with specialized skills. We expect our expenses to continue to increase in the future as we expand our product offerings, expand production capabilities and hire additional employees. Historically, our costs have increased each year due to these factors and the Company expects to continue to incur increasing costs, in particular for working capital to purchase inventory, marketing and product deployments as well as costs of client support in the field. Our expenses may be greater than we anticipate, which would have a negative impact on our financial position, assets and ability to invest further in the growth and expansion of the business. In addition, expansion across the country will require increased marketing, sales, promotion and other operating expenses. Further, as additional competitors enter our market, we expect an increased pressure on production costs and margins.

Any debt arrangements that we enter into may impose significant operating and financial restrictions on us, which may prevent us from capitalizing on business opportunities. A breach of any of the restrictive covenants under such debt arrangements may cause us to be in default under our debt arrangements, and our lenders could foreclose on our assets.

We issued unsecured Public Safety Infrastructure Bonds (the "Bonds") bearing interest at 10% per annum, payable annually on December 31 each year, starting on December 31, 2024, throughout the fourth quarter of 2023 with a principal amount totaling approximately $1.4 million. We issued additional Bonds from January of 2024 through March 14, 2024, with a principal amount of approximately $2.8 million. In total, we issued Bonds with a principal amount of approximately $4.2 million through the life of the Bond offering.

We issued convertible notes in October 2022 (the "Convertible Notes"), and the Convertible Notes required us to maintain certain financial covenants, including maintaining available cash of at least $1.5 million. In conjunction with the purchase of the convertible notes, noteholders received a right of participation which requires a 5-day notification period before we can enter into other financing. This notice period may delay future financings. Warrants to purchase Class A Common Stock issued in conjunction with the convertible notes outstanding prohibit us from obtaining funding with a variable rate component. This includes any equity lines of credit ("ELOCS")

and convertible notes for as long as the warrants are outstanding. As of December 31, 2023, the entire outstanding principal balance of the 2022 Convertible Notes was fully retired.

The Bonds and the Convertible Notes imposed, and any future debt arrangements we enter into may impose, operating and financial restrictions on us, including requiring that we maintain our listing on Nasdaq, in addition to other restrictive covenants that may limit our ability to engage in specified types of transactions. Such restrictions could, for example, limit our ability to, among other things:

- Incur certain additional indebtedness;
- Pay dividends on, repurchase or make distributions in respect our capital stock;
- Make certain investments;
- Sell or dispose of certain assets;
- Grant liens on our assets; and
- Consolidate, merge, sell or otherwise dispose of all or substantially all of our assets.

Restrictions posed by any future debt arrangements could impede our ability to operate and negatively affect our ability to respond to business and market conditions, which could have an adverse effect on our business and operating results.

The loss of one or more of our key personnel, or our failure to attract and retain other highly qualified personnel in the future, could harm our business.

We currently depend on the continued services and performance of key members of its management team, in particular, our founders, William Santana Li and Stacy Dean Stephens. If we cannot call upon them or other key management personnel for any reason, our operations and development could be harmed. The Company has not yet developed a succession plan, nor does it carry any key man life insurance on any members of its management team. Furthermore, as the Company grows, it will be required to hire and attract additional qualified professionals such as accounting, legal, finance, production, service and engineering experts. Inflationary pressure may increase our costs, including employee compensation costs or result in employee attrition to the extent our compensation does not keep up with inflation, particularly if our competitors' compensation does. We issue equity awards to certain of our employees as part of our hiring and retention efforts, and job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. Our employees' inability to sell their shares in the public market at times and/or at prices desired may lead to a larger than normal turnover rate. If the actual or perceived value of our Class A common stock declines, it may adversely affect our ability to hire or retain employees. The Company may not be able to locate or attract qualified individuals for such positions, which will affect the Company's ability to grow and expand its business.

We have recently undergone significant transitions on of our board of directors.

On February 19, 2024, our board of directors appointed each of William G. Billings, Robert A. Mocny, and Melvin W. Torrie to serve as a director of the Company, effective immediately, and each of Patricia Howell, Linda Keene Solomon, and Patricia L. Watkins resigned from the Board. Changes on our board of directors and changes in our senior management may be disruptive to our business and there may be uncertainty among investors, employees and our customers concerning our future direction and performance. Any such disruption or uncertainty could have a material adverse impact on our results of operations and financial condition and the market price of our Class A Common Stock.

If we are unable to protect our intellectual property, the value of our brand and other intangible assets may be diminished and our business may be adversely affected.

The Company relies and expects to continue to rely on a combination of confidentiality agreements with its employees, consultants, and third parties with whom it has relationships, as well as trademark, copyright, patent, trade secret, and domain name protection laws, to protect its proprietary rights. The Company has filed in the USA various applications for protection of certain aspects of its intellectual property, and currently holds twelve patents. However, third parties may knowingly or unknowingly infringe our proprietary rights, third parties may challenge proprietary rights held by us, and pending and future trademark and patent applications may not be approved. In addition, effective intellectual property protection may not be available in every country in which we intend to operate in the future. In any or all of these cases, we may be required to expend significant time and expense in order to prevent infringement or to enforce our rights. Although we have taken measures to protect our proprietary rights, we cannot assure you that others will not offer products or concepts that are substantially similar to our products and compete with our business. In addition, we may not have the financial or human resources to devote to adequately defending our intellectual property rights. If the protection of our proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of our brand and other intangible assets may be diminished and competitors may be able to more effectively mimic our service and methods of operations. Any of these events could have an adverse effect on our business and financial results.

We may be subject to claims, disputes or legal proceedings in the ordinary course of our business. If the outcome of these proceedings is unfavorable to us, then our business, results of operations and financial condition could be adversely affected.

We may be subject to claims, disputes, or legal proceedings in the ordinary course of our business from time to time, which could adversely affect our business, results of operations and financial condition. We may receive formal and informal inquiries from governmental authorities and regulators regarding our compliance with applicable laws and regulations, many of which are evolving and subject to interpretation. Claims arising out of actual or alleged violations of laws could be asserted against us by our employees, customers, competitors, governmental entities in civil or criminal investigations and proceedings or other third parties. These claims could be asserted under a variety of laws, including but not limited to advertising laws, Internet information services laws, intellectual property laws, unfair competition laws, data protection and privacy laws, labor and employment laws, securities laws, real estate laws, tort laws, contract laws, property laws and employee benefit laws. There can be no guarantee that we will be successful in defending ourselves in legal and arbitration actions or in asserting our rights under various laws. If the outcome of these proceedings is unfavorable to us, then our business, results of operations and financial conditions could be adversely affected. Even if we are successful in our attempt to defend ourselves in legal and arbitration actions or to assert our rights under various laws, enforcing our rights against the various parties involved may be expensive, time-consuming and ultimately futile. These actions may expose us to negative publicity, substantial monetary damages and legal defense costs, injunctive relief, and criminal and civil fines and penalties.

We may face additional competition.

We are aware of a number of other companies that are developing physical security technology in the USA and abroad that may potentially compete with our technology and services. These or new competitors may have more resources than us or may be better capitalized, which may give them a significant advantage, for example, in offering better pricing than the Company, surviving an economic downturn or in reaching profitability. We cannot assure you that we will be able to compete successfully against existing or emerging competitors. Additionally, existing private security firms may also compete on price by lowering their operating costs, developing new business models or providing other incentives.

Our ability to operate and collect digital information on behalf of our clients is dependent on the privacy laws of jurisdictions in which our ASRs operate, as well as the corporate policies of our clients, which may limit our ability to fully deploy our technologies in various markets. Actual or perceived failures to comply with applicable data protection, privacy and security laws, regulations, standards and other requirements could adversely affect our business, results of operations, and financial condition.

Our products, especially the ASRs collect, store and may analyze certain types of personal or identifying information regarding individuals that interact with the ASRs. The regulatory framework for privacy and security issues is rapidly evolving worldwide and is likely to remain uncertain for the foreseeable future. Federal and state government bodies and agencies have in the past adopted, and may in the future adopt, laws and regulations affecting data privacy, which in turn affect the breadth and type of features that we can offer to our clients. In addition, our clients have separate internal policies, procedures and controls regarding privacy and data security with which we may be required to comply. Because the interpretation and application of many privacy and data protection laws are uncertain, it is possible that these laws may be interpreted or applied in a manner that is inconsistent with our current data management practices or the features of our products. If so, in addition to the possibility of fines, lawsuits and other claims and penalties, we could be required to fundamentally change our business activities and practices or modify our products, which could have an adverse effect on our business. Additionally, we may become a target of information-focused or data collection attacks and any inability to adequately address privacy and security concerns, even if unfounded, or comply with applicable privacy and data security laws, regulations, and policies, could result in additional cost and liability to us, damage our reputation, inhibit sales, and adversely affect our business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to the businesses of our clients may limit the use and adoption of, and reduce the overall demand for, our products. Privacy and data security concerns, whether valid or not valid, may inhibit market adoption of our products, particularly in certain industries and foreign countries. If we are not able to adjust to changing laws, regulations, our business may be harmed.

As our operations and business grow, we may become subject to or affected by new or additional data protection laws and regulations and face increased scrutiny or attention from regulatory authorities. In the USA, certain states have also adopted privacy and security laws and regulations, which govern the privacy, processing and protection of health-related and other personal information. For example, the California Consumer Privacy Act, as amended by the California Privacy Rights Act (collectively, the "CCPA") requires covered businesses that process the personal information of California residents to, among other things: provide certain disclosures to California residents regarding the business's collection, use, and disclosure of their personal information; receive and respond to requests from California residents to access, delete, and correct their personal information, or to opt out of certain disclosures of their personal information, and enter into specific contractual provisions with service providers that process California resident personal information on the business's behalf. Similar laws have been passed in other states and are continuing to be proposed at the state and federal level, reflecting a trend toward more stringent privacy legislation in the USA. The enactment of such laws could have potentially conflicting requirements that would make compliance challenging.

Furthermore, the Federal Trade Commission ("FTC") also has authority to initiate enforcement actions against entities that make deceptive statements about privacy and data sharing in privacy policies, fail to limit third-party use of personal information, fail to implement policies to protect personal information or engage in other unfair practices that harm customers or that may violate Section 5(a) of the FTC Act. Failing to take appropriate steps to keep consumers' personal information secure can constitute unfair acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act. The FTC expects a company's data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of its business, and the cost of available tools to improve security and reduce vulnerabilities. Additionally, federal and state consumer protection laws are increasingly being applied by FTC and states' attorneys general to regulate the collection, use, storage, and disclosure of personal or personally identifiable information, through websites or otherwise, and to regulate the presentation of website content.

We are also or may become subject to rapidly evolving data protection laws, rules and regulations in foreign jurisdictions. For example, in Europe, the European Union General Data Protection Regulation (the "GDPR") went into effect in May 2018 and imposes strict requirements for processing the personal data of individuals within the European Economic Area ("EEA") or in the context of our activities within the EEA. Companies that must comply with the GDPR face increased compliance obligations and risk, including more robust regulatory enforcement of data protection requirements and potential fines for noncompliance of up to €20 million or 4% of the annual global revenues of the noncompliant company, whichever is greater. Among other requirements, the GDPR regulates transfers of personal data subject to the GDPR to third countries that have not been found to provide adequate protection to such personal data, including the United States, and the efficacy and longevity of current transfer mechanisms between the EEA, and the United States remains uncertain. Case law from the Court of Justice of the European Union ("CJEU") states that reliance on the standard contractual clauses - a standard form of contract approved by the European Commission as an adequate personal data transfer mechanism - alone may not necessarily be sufficient in all circumstances and that transfers must be assessed on a case-by-case basis. On July 10, 2023, the European Commission adopted its Adequacy Decision in relation to the new EU-US Data Privacy Framework ("DPF"), rendering the DPF effective as a GDPR transfer mechanism to U.S. entities self-certified under the DPF. We expect the existing legal complexity and uncertainty regarding international personal data transfers to continue. In particular, we expect the DPF Adequacy Decision to be challenged and international transfers to the United States and to other jurisdictions more generally to continue to be subject to enhanced scrutiny by regulators.

Since the beginning of 2021, after the end of the transition period following the UK's departure from the European Union, we are also subject to the United Kingdom General Data Protection Regulation and Data Protection Act 2018 (collectively, the "UK GDPR"), which imposes separate but similar obligations to those under the GDPR and comparable penalties, including fines of up to £17.5 million or 4% of a noncompliant company's global annual revenue for the preceding financial year, whichever is greater. On October 12, 2023, the UK Extension to the DPF came into effect (as approved by the UK Government), as a data transfer mechanism from the UK to U.S. entities self-certified under the DPF. As we continue to expand into other foreign countries and jurisdictions, we may be subject to additional laws and regulations that may affect how we conduct business.

The regulatory framework for AI is rapidly evolving as many federal, state and foreign government bodies and agencies have introduced or are currently considering additional laws and regulations. Additionally, existing laws and regulations may be interpreted in ways that would affect the operation of our AI technologies. As a result, implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future, and we cannot yet determine the impact future laws, regulations, standards, or market perception of their requirements may have on our business and may not always be able to anticipate how to respond to these laws or regulations.

Already, certain existing legal regimes (e.g., relating to data privacy) regulate certain aspects of AI, and new laws regulating AI are expected to enter into force in the United States and the EU in 2024. In the United States, the Biden administration issued a broad Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence (the "2023 AI Order"), that sets out principles intended to guide AI design and deployment for the public and private sector and signals the increase in governmental involvement and regulation over AI. The 2023 AI Order established certain new requirements for the training, testing and cybersecurity of sophisticated AI models and large-scale compute centers used to train AI models. The 2023 AI Order also instructed several other federal agencies to promulgate additional regulations within specific timeframes from the date of the 2023 AI Order regarding the use and development of AI. Already, agencies such as the Department of Commerce and the FTC have issued proposed rules governing the use and development of AI. Legislation related to AI has also been introduced at the federal level and is advancing at the state level. For example, the California Privacy Protection Agency is currently in the process of finalizing regulations under the CCPA regarding the use of automated decision-making. Such additional regulations may impact our ability to develop, use and commercialize AI technologies in the future.

In Europe, on March 13, 2024, the European Parliament passed the EU Artificial Intelligence Act ("EU AI Act") which establishes a comprehensive, risk-based governance framework for artificial intelligence in the EU market. The EU AI Act will enter into force twenty days after its publication in the Official Journal of the EU and will be fully effective two years later. The EU AI Act will apply to companies that develop, use and/or provide AI in the EU and includes requirements around transparency, conformity assessments and monitoring, risk assessments, human oversight, security, accuracy, general purpose AI and foundation models, and proposes fines for breach of up to 7% of worldwide annual turnover. In addition, on September 28, 2022, the European Commission proposed two Directives seeking to establish a harmonized civil liability regime for AI in the EU, in order to facilitate civil claims in respect of harm caused by AI and to include AI-enabled products within the scope of the EU's existing strict product liability regime. Once fully applicable, the EU AI Act and the Liability Directives will have a material impact on the way AI is regulated in the EU. Further, in Europe we are subject to the GDPR, which regulates our use of personal data for automated decision making including individual profiling that results in a legal or similarly significant effect on an individual and provides rights to individuals in respect of that automated decision making. Recent case law from the CJEU has taken an expansive view of the scope of the GDPR's requirements around automated decision making and introduced uncertainty in the interpretation of these rules. Specifically, the CJEU has expanded the scope for automated decision making under the GDPR by finding that automated decision-making activities can fall within the GDPR's restrictions on those activities even if the required legal or similarly significant effect for the individual is carried out by a third party. The EU AI Act, and developing interpretation and application of the GDPR in respect of automated decision making, together with developing guidance and/or decisions in this area, may affect our use of AI and our ability to provide, improve or commercialize our services, require additional compliance measures and changes to our operations and processes, result in increased compliance costs and potential increases in civil claims against us, and could adversely affect our business, operations and financial condition.

It is possible that further new laws and regulations will be adopted in the United States and in other non-U.S. jurisdictions, or that existing laws and regulations, including competition and antitrust laws, may be interpreted in ways that would limit our ability to use AI for our business, or require us to change the way we use AI in a manner that negatively affects [the performance of our products, services, and business and the way in which we use AI. We may need to expend resources to adjust our products or services in certain jurisdictions if the laws, regulations, or decisions are not consistent across jurisdictions. Further, the cost to comply with such laws, regulations, or decisions and/or guidance interpreting existing laws, could be significant and would increase our operating expenses (such as by imposing additional reporting obligations regarding our use of AI). Such an increase in operating expenses, as well as any actual or perceived failure to comply with such laws and regulations, could adversely affect our business, financial condition and results of operations.

Although we work to comply with applicable laws, regulations and standards, our contractual obligations and other legal obligations, these requirements are evolving and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another or other legal obligations with which we must comply. Any failure or perceived failure by us or our employees, representatives, contractors, consultants, collaborators, or other third parties to comply with such requirements or adequately address privacy and security concerns, even if unfounded, could result in additional cost and liability to us, damage our reputation, and adversely affect our business and results of operations.

Our business and operations may suffer in the event of information technology system failures, cyberattacks or deficiencies in our cybersecurity.

We collect and maintain information in digital form that is necessary to conduct our business, and we are increasingly dependent on information technology systems and infrastructure to operate our business. In the ordinary course of our business, we collect, store and transmit large amounts of confidential information, including intellectual property, proprietary business information, and personal information (collectively, "Confidential Information"). It is critical that we do so in a secure manner to maintain the confidentiality and integrity of such Confidential Information.

Our information technology systems and those of our third-party service providers, strategic partners and other contractors or consultants are vulnerable to attack, damage and interruption from computer viruses and malware (e.g. ransomware), misconfigurations, "bugs" or other vulnerabilities, malicious code, natural disasters, terrorism, war, telecommunication and electrical failures, hacking, cyberattacks, phishing attacks and other social engineering schemes, employee theft or misuse, human error, fraud, denial or degradation of service attacks and sophisticated nation-state and nation-state-supported actors. We have also outsourced elements of our information technology infrastructure, and as a result a number of third-party vendors may or could have access to our confidential information.

The risk of a security breach or disruption, particularly through cyberattacks or cyber intrusion, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Furthermore, because the techniques used to obtain unauthorized access to, or to sabotage, systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. We may also experience security breaches that may remain undetected for an extended period. Even if identified, we may be unable to adequately investigate or remediate incidents or breaches due to attackers increasingly using tools and techniques that are designed to circumvent controls, to avoid detection, and to remove or obfuscate forensic evidence. There can be no assurance that our and our third-party service providers', strategic partners', contractors' and consultants' cybersecurity risk management program and processes, including policies, controls or procedures, will be fully implemented, complied with or effective in protecting our systems, networks and Confidential Information.

We and certain of our service providers are from time to time subject to cyberattacks and security incidents. While we do not believe that we have experienced any significant system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations. It could also expose us to risks, including an inability to provide our services and fulfill contractual demands, and could cause management distraction and the obligation to devote significant financial and other resources to mitigate such problems, which would increase our future information security costs, including through organizational changes, deploying additional personnel, reinforcing administrative, physical and technical safeguards, further training of employees, changing third-party vendor control practices and engaging third-party subject matter experts and consultants and reduce the demand for our technology and services.

Any security compromise affecting us, our service providers, strategic partners, other contractors, consultants, or our industry, whether real or perceived, could harm our reputation, erode confidence in the effectiveness of our security measures and lead to regulatory scrutiny. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or systems, or inappropriate disclosure of Confidential Information, we could incur liability, including litigation exposure, penalties and fines, we could become the subject of regulatory action or investigation, our competitive position could be harmed and the further development and commercialization of our products and services could be delayed. Any adverse impact to the availability, integrity or confidentiality of our or third-party systems or Confidential Information can result in legal claims or proceedings (such as class actions), regulatory investigations and enforcement actions, fines and penalties, negative reputational impacts that cause us to lose existing or future customers, and/or significant incident response, system restoration or remediation and future compliance costs. Further, our insurance coverage may not be sufficient to cover the financial, legal, business or reputational losses that may result from an interruption or breach of our systems.

We have limited experience in operating our ASRs in a variety of environments and increased interactions may lead to collisions, possible liability and negative publicity.

Our ASRs operate autonomously in environments, such as shopping malls, parking lots and stadiums, that are surrounded by various moving and stationary physical obstacles and by humans and vehicles. Such environments are prone to collisions, unintended interactions and various other incidents, regardless of our technology. Therefore, our ASRs have been in the past and may in the future be involved in a collision with any number of such obstacles. Our ASRs contain a number of advanced sensors that are designed to prevent any such incidents and are intended to stop any motion at the detection of intervening objects. Nonetheless, real-life environments, especially those in crowded areas, are unpredictable and situations have in the past arisen and may in the future arise in which the ASRs may not perform as intended. Infrequent, but highly publicized incidents of autonomous vehicle and human interactions, including involving our ASRs, have focused consumer attention on the safety of our and other systems. We cannot assure you that a collision, including with property or with humans, will not occur. Any such collision or other incident could damage the ASR, lead to personal injury or property damage, and may subject us to lawsuits. Moreover, any actual or perceived incident, even without any resulting damage, may lead to adverse publicity for us. Such lawsuits or adverse publicity would negatively affect our brand and harm our business, prospects, financial condition and operating results.

Our brand, reputation and ability to attract, retain, and serve our customers are dependent in part upon the reliable performance of our products, infrastructure, and employees.

Our brand, reputation and ability to attract, retain, and serve our customers are dependent in part upon the reliable performance of, and the ability of our existing customers and new customers to access and use, our products solutions, including pursuant to our pilot programs. We have experienced, and may in the future experience, delays, incidents, disruptions, outages, and other performance problems due to a variety of factors, including infrastructure changes, equipment failure, human or software errors, capacity constraints, and fraud or cybersecurity attacks. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time.

Interruptions in our systems or the third-party systems on which we rely, whether due to system failures, computer viruses, physical or electronic break-ins, or other factors, could affect the security or availability of our [products, network infrastructure, cloud infrastructure and website]. Problems with the reliability or security of our products or systems could harm our reputation. Damage to our reputation and the cost of remedying these problems could negatively affect our business, financial condition and operating results.

Any disruptions or other performance problems with our products could harm our reputation and business and may damage our customers' businesses, reduce our revenue, cause us to issue credits to customers, subject us to potential liability and cause customers not to purchase our products after pilot programs or renew their subscription purchases of our products.

Our failure to implement and maintain effective internal control over financial reporting may result in material misstatements in our financial statements, which could in the future require us to restate financial statements, cause investors to lose confidence in our reported financial information and could have an adverse effect on our ability to fundraise.

We have in the past and may in the future identify material weaknesses in our internal control over financial reporting. Any failure to maintain existing or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in additional material weaknesses, cause us to fail to meet our periodic reporting obligations or result in material misstatements in our financial statements. If a material weakness were to exist, it could result in errors in our financial statements that could result in a restatement of financial statements and cause us to fail to meet our reporting obligations. If our internal control over financial reporting is ineffective or if we are unable to effectively identify or remediate any material weaknesses in a timely manner, or if our disclosure controls and procedures are ineffective, investors could lose confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our ability to sell our securities and to conduct future fundraising.

The private security industry is undergoing structural changes in technology and services.

The private security industry is undergoing structural changes, consolidation, changing client needs, evolving industry standards and introduction of new products and services. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in such industries. If we do not address these risks successfully, our business will be harmed. Our ability to gain market share depends upon our ability to satisfy client requirements, enhance existing products and develop and introduce new products. Further, we expect the intensity of competition to increase in the future. Increased competitiveness may result in reductions in the prices of our products and services, lower-than-expected gross margins or loss of market share, any of which would harm our business.

We have a government customer and are seeking additional government customers, which would subject us to risks including early termination, audits, investigations, sanctions, or penalties.

The Company is actively seeking to secure a material amount of business from the U.S. federal government. The Company has entered into its first government contract with the VA. These types of agreements may subject the Company to statutes, regulations and contract obligations applicable to companies doing business with the government. Government contracts customarily contain provisions that give the government substantial rights and remedies, many of which are not typically found in commercial contracts and which are unfavorable to contractors, including provisions that allow the government to unilaterally terminate or modify federal government contracts, in whole or in part, at the government's convenience or in the government's best interest, including if funds become unavailable to the applicable government agency. Under general principles of government contracting law, if the government terminates a contract for convenience, the terminated company may generally recover only its incurred or committed costs and settlement expenses and profit on work completed prior to the termination. If the government terminates a contract for default, the defaulting company may be liable for any extra costs incurred by the government in procuring undelivered items from another source.

In addition, government contracts normally contain additional requirements that may increase our costs of doing business, reduce our profits, and expose us to liability for failure to comply with these terms and conditions. These requirements include, for example:

- compliance with complex regulations for procurement, formation, administration, and performance of government contracts under the Federal Acquisition Regulation, and agency-specific regulations supplemental to the Federal Acquisition Regulation;
- cybersecurity obligations that require implementation of specific standards and protections mandated by the federal government and mandatory disclosure of cybersecurity incidents to government agencies;
- specialized disclosure and accounting requirements unique to government contracts;
- mandatory financial and compliance audits that may result in potential liability for price or cost adjustments, recoupment of government funds after such funds have been spent, civil and criminal penalties, or administrative sanctions such as suspension or debarment from doing business with the U.S. government;
- public disclosures of certain contract and company information; and
- mandatory socioeconomic compliance requirements, including labor requirements, non-discrimination and affirmative action programs, and environmental compliance requirements.

Government contracts are also generally subject to greater scrutiny by the government, which can unilaterally initiate reviews, audits and investigations regarding our compliance with government contract requirements. In addition, if we fail to comply with government contract laws, regulations and contract requirements, our contracts may be subject to termination or suspension, and we may be subject to financial and/or other liability under our contracts or under the Federal Civil False Claims Act. The False Claims Act's "whistleblower" provisions allow private individuals, including present and former employees, to sue on behalf of the U.S. government. The False Claims Act statute provides for treble damages and other penalties and, if our operations are found to be in violation of the False Claims Act, we could face other adverse action, including suspension or prohibition from doing business with the United States government. Any penalties, damages, fines, suspension, or damages could adversely affect our ability to operate our business and our financial results.

Additionally, although the Company has received its Authority to Operate from the Federal Risk and Authorization Management Program ("FedRAMP"), any change to our moderate cloud solution FedRAMP status could impede our ability to enter into contracts with government entities. If we do not successfully manage our FedRAMP status, our sales to government entities could be delayed or limited, and as a result, our business, financial condition, and results of operations would be adversely affected.

Certain of the Company's officers and early-stage investors (who hold super voting securities), control a significant percentage of the voting rights of the Company, and they may make decisions that may not reflect the interests of other stockholders.

The holders of our Class B Common Stock and Super Voting Preferred Stock currently control a significant portion of the voting rights of the Company. Holders of our Class B Common Stock (including Mr. Li, our Chairman and Chief Executive Officer, and Stacy Dean Stephens, our EVP and Chief Client Officer) and the holders of the Super Voting Preferred Stock (collectively, the "Super Voting Stock"), are entitled to ten votes for each such share held at meetings of stockholders, subject to the provisions of Delaware law and relevant provisions of the Company's certificate of incorporation. Holders of Class A Common Stock are entitled to one vote for each share held. Holders of Class B Common Stock may convert their shares of Class B Common Stock into shares of Class A Common Stock on a 1:1 basis.

As of March 29, 2024, the holders of the Super Voting Stock beneficially held approximately 27.8% of the Company's total voting rights, with Mr. Li and Mr. Stephens beneficially holding (including by irrevocable voting proxy) approximately 19.8% and 8.3%, respectively, of the Company's voting rights (approximately 28.1% collectively). As a result, holders of the Super Voting Stock (including certain officers of the Company) will be able to exert a significant degree of influence over our management and affairs and control over matters requiring stockholder approval, including the election of our directors and approval of significant corporate transactions. This concentration of voting power may also delay or prevent a change in control of us and might affect the market price of our securities. The interests of these stockholders may not always coincide with the interests of other securityholders of the Company.

The Company is dependent on the global supply chain and has experienced supply chain constraints, as well as increased costs on components and shipping resulting from the COVID-19 pandemic and the continuing conflict in Ukraine.

The Company experienced supply chain constraints resulting from the COVID-19 pandemic, which slowed down production and negatively impacted the timing of deploying ASRs to our clients. In addition, we experienced supply chain delays as a result of the impact of the conflict in the Ukraine. These supply constraints include, but are not limited to, semiconductor shortages as well as shortages of certain commodities. Extended lead times on certain parts as well as a lack of immediate availability may delay our ability to deploy ASRs, and consequently, may delay our ability to recognize revenue. In addition, the Company has also faced increased costs of components and freight resulting from COVID-19. Further, current or future governmental policies may increase the risk of inflation, which could further increase the costs of raw materials and components for our business. Similarly, if costs of goods continue to increase, our suppliers may seek price increases from us. If we are unable to mitigate the impact of supply chain constraints and inflationary pressure through price increases or other measures, our results of operations and financial condition could be negatively impacted. Even if we are able to raise the prices of our products, consumers might react negatively to such price increases, which could have a material adverse effect on, among other things, our brand, reputation, and sales. If our competitors substantially lower their prices, we may lose customers and mark down prices. Our profitability may be impacted by lower prices, which may negatively impact gross margins. Even though we are working to alleviate supply chain constraints through various measures, we are unable to predict the impact of these constraints on the timing of revenue and operating costs of our business in the near future. Raw material supply shortages and supply chain constraints, including cost inflation, have impacted and could continue to negatively impact our ability to meet increased demand, which in turn could impact our net sales revenues and market share. The increased cost of components and freight as well as ongoing delays in receiving raw materials and components for production are likely to have an impact on sales and profitability in 2024 and beyond.

Risks Related to Ownership of our Class A Common Stock

We may not be able to comply with all applicable listing requirements or standards of The Nasdaq Capital Market, and Nasdaq could delist our Class A Common Stock.

Our Class A Common Stock is listed on The Nasdaq Capital Market under the symbol "KSCP." In order to maintain that listing, we must satisfy minimum financial and other continued listing requirements, including maintaining a minimum bid price and a minimum market value. The inability to comply with applicable listing requirements or standards of The Nasdaq Stock Market LLC ("Nasdaq") could result in the delisting of our Class A Common Stock, which could have a material adverse effect on our financial condition and could cause the value of our Class A Common Stock to decline.

On October 26, 2023, the Company was listed on The Nasdaq Global Market and received written notice (the "Notice") from Nasdaq indicating that the Company is no longer in compliance with Nasdaq Listing Rule 5450(a)(1) (the "Minimum Bid Price Requirement"), as the minimum bid price of the Company's Class A Common Stock had been below $1.00 per share for the last 31 consecutive business days. The notification of noncompliance had no immediate effect on the listing or trading of the Company's Class A Common Stock on The Nasdaq Global Market at that time.

The Company has 180 calendar days, or until April 23, 2024 to regain compliance with the Minimum Bid Price Requirement. The Company transferred to The Nasdaq Capital Market effective as of March 4, 2024. As a result, provided that the Company meets continued listing requirements for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, with the exception of the Minimum Bid Price Requirement, and provides written notice of its intention to cure the bid price deficiency during the second compliance period by April 23, 2024 the Company may be eligible for an additional 180-calendar day compliance period to regain compliance with the Minimum Bid Price Requirement. If we fail to regain compliance with the Minimum Bid Price Requirement by April 23, 2024 and it is determined that we are not eligible for the 180 calendar-day extension, we expect to receive a determination letter from the Nasdaq staff that our Class A Common Stock is subject to delisting. If we receive such a determination letter, we expect to have a period of seven days to submit a written request for a review of the delisting determination by the Nasdaq Hearings Panel (the "Hearings Panel"). There can be no assurance that the Company will be able to regain compliance with the Minimum Bid Price Requirement or that a Hearings Panel would grant an exception to the Minimum Bid Price Requirement to give us additional time to comply with the rule.

In the event that our Class A Common Stock is delisted and not eligible for quotation on another market or exchange, trading of our Class A Common Stock could be conducted in the over-the-counter market or on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. In such event, it could become more difficult to dispose of, or obtain accurate price quotations for, our Class A Common Stock, and the price of our Class A Common Stock could decline further. In addition, it may be difficult for us to raise additional capital if we are not listed on a major exchange.

The Company will need to seek additional funds in the future.

The Company projects operating losses and negative cash flows for the foreseeable future. These factors raise substantial doubt about our ability to continue as a going concern. See *Liquidity and Capital Resources*. We will require additional funds to maintain our operations and respond to business challenges and opportunities, including the need to develop new products or enhance our existing products, enhance our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we will need to engage in equity or debt financings to secure additional funds, such as our current at-the-market offering program.

We are currently authorized to issue 114,000,000 shares of Class A common stock. On February 23, 2024, we filed a definitive proxy statement with the SEC in connection with a special meeting of stockholders to be held on April 5, 2024 to approve an amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our Class A Common Stock from 114,000,000 to 228,000,000 (the "Share Increase Amendment"). Our ability to conduct financing activities, including our at-the-market offering program, will be limited unless the Share Increase Amendment is approved. If we raise additional funds through further issuances of equity or debt securities, including through our at-the-market offering program, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our existing capital stock.

Any debt financing secured by us in the future could involve additional restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. See "*Any debt arrangements that we enter into may impose significant operating and financial restrictions on us, which may prevent us from capitalizing on business opportunities. A breach of any of the restrictive covenants under such debt arrangements may cause us to be in default under our debt arrangements, and our lenders could foreclose on our assets*." Such financing could also require us to pledge assets as security for borrowings. If we were to leverage our business by incurring significant debt, we may be required to devote a substantial portion of our cash flow to service that indebtedness. This could require us to modify our business plan, for example, by delaying the expansion of our business. If we are unable to obtain adequate financing or financing on terms satisfactory to us, the Company may have to significantly reduce its operations or delay, scale back or discontinue the development of one or more of its platforms, seek alternative financing arrangements, declare bankruptcy or terminate its operations entirely.

Our stock price may be volatile.

The market price of our Class A Common Stock may be thinly traded, highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including the following:

- Fluctuations in and unpredictability of our sales cycle;
- Changes to the physical security and technology industries;
- Current and future competition;
- Additions or departures of key personnel;
- Additional sales of our Class A Common Stock and other securities;
- Our ability to execute our business plan;
- Operating results that fall below expectations;
- Loss of any strategic relationship;
- Continued access to working capital funds;

- Economic and other external factors; and
- The threat of terrorism, geopolitical tensions, and general disruptions in the global economy, including the impacts of military action, financial and economic sanctions, and increasing geopolitical tensions related to the ongoing conflicts between Russia and Ukraine and Israel and its surrounding areas.

In addition, the securities markets have from time-to-time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our Class A Common Stock. As a result, you may be unable to resell your shares at a desired price.

We have not paid cash dividends in the past and do not expect to pay dividends in the future. Any return on investment may be limited to the value of our Class A Common Stock.

We have never paid cash dividends on our equity securities and do not anticipate doing so in the foreseeable future. The payment of any dividends on our Class A Common Stock will depend on earnings, financial condition and other business and economic factors affecting us at such time as our board of directors may consider relevant. If we do not pay dividends, our Class A Common Stock may be less valuable because a return on your investment will only occur if our stock price appreciates.

If financial securities industry analysts continue not to publish research reports on us, or publish unfavorable reports on us, then the market price and market trading volume of our Class A Common Stock could be negatively affected.

Any trading market for our Class A Common Stock will be influenced in part by any research reports that financial securities industry analysts publish about us or our business. We do not currently have and may not obtain any future research coverage by securities industry analysts. In the event we are covered by analysts, and one or more of such analysts downgrade our securities, or otherwise reports on us unfavorably, or discontinues coverage on us, the market price and market trading volume of our Class A Common Stock could be negatively affected.

Future issuances of debt securities, which would rank senior to our common equity in bankruptcy or liquidation, or future issuances of preferred stock, which would rank senior to our common equity for the purposes of dividends and liquidating distributions, may adversely affect the level of return you may be able to achieve from an investment in our Class A Common Stock.

In the future, we may attempt to increase our capital resources by offering debt securities. Upon bankruptcy or liquidation, holders of our debt securities, and lenders with respect to other borrowings we may make, would receive distributions of our available assets prior to any distributions being made to holders of our common equity. Moreover, if we issue additional preferred stock, the holders of such preferred stock, together with current holders of Preferred Stock who choose not to convert their shares to common equity, could be entitled to preferences over holders of Class A Common Stock in respect of the payment of dividends and the payment of liquidating distributions. Because our decision to issue debt or preferred securities in any future offering, or to borrow money from lenders, will depend in part on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of any such future offerings or borrowings.

We are an emerging growth company, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A Common Stock less attractive to investors.

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups ("JOBS") Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised financial accounting standards until such time as those standards apply to private companies. We intend to take advantage of the extended transition period for adopting new or revised financial statements under the JOBS Act as an emerging growth company.

We will remain an emerging growth company until the earliest of (i) the end of the fiscal year in which the market value of our Class A Common Stock that is held by non-affiliates is at least $700 million as of the last business day of our most recently completed second fiscal quarter, (ii) the end of the fiscal year in which we have total annual gross revenues of $1.235 billion or more during such fiscal year, (iii) the date on which we issue more than $1 billion in non-convertible debt in a three-year period, or (iv) the last day of the fiscal year in which the fifth anniversary of the completion of our listing on Nasdaq occurs.

For as long as we continue to be an emerging growth company, we may also take advantage of other exemptions from certain reporting requirements that are applicable to other public companies, including not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, exemption from any rules that may be adopted by the Public Company Accounting Oversight Board ("PCAOB") requiring mandatory audit firm rotations or a supplement to the auditor's report on financial statements, extended transition periods for complying with new accounting standards, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and any golden parachute arrangements, and reduced financial reporting requirements. Investors may find our Class A Common Stock less attractive because we will rely on these exemptions, which could result in a less active trading market for our Class A Common Stock, increased price fluctuation, and a decrease in the trading price of our Class A Common Stock.

We have incurred and will continue to incur increased costs as a result of operating as a listed public company and our management will be required to devote substantial time to new compliance initiatives and corporate governance practices.

As a listed public company, and particularly in the future when we are no longer an "emerging growth company," we will incur significant legal, accounting and other expenses that we have not incurred in the past. The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of Nasdaq and other applicable securities rules and regulations impose various requirements on public companies. Our management and other personnel will need to devote a substantial amount of time to comply with these requirements. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect that these rules and regulations may make it more difficult and more expensive for us to obtain directors' and officers' liability insurance, which could make it more difficult for us to attract and retain qualified members of our board of directors. We cannot predict or estimate the amount of additional costs we will incur as a listed public company or the timing of such costs.

Substantial future sales or issuances of our securities, or the perception in the public markets that these sales may occur, may depress our stock price.

Sales of substantial amounts of our Class A Common Stock in the public market, the conversion of the securities convertible into Class A Common Stock and subsequent sale of the underlying securities, or the perception that these sales or conversion could occur, could adversely affect the price of our Class A Common Stock and could impair our ability to raise capital through the sale of additional shares. Such shares of Class A Common Stock are generally freely tradable without restriction under the Securities Act. Furthermore, holders of our preferred stock have the option to convert their shares of preferred stock into shares of our common equity, which may be subsequently sold in the market. In addition, the applicable conversion rates for certain of our preferred stock and/or warrants, may be adjusted based on future issuances of our Class A Common Stock, which may lead to the issuance of additional shares of Class A Common Stock. The issuance and sale of substantial amounts of shares of our Class A Common Stock, or announcement that such issuances and sales may occur, could adversely affect the market price of our Class A Common Stock. If there are more shares of Class A Common Stock offered for sale than buyers are willing to purchase, then the market price of our Class A Common Stock may decline to a market price at which buyers are willing to purchase the offered shares of Class A Common Stock and sellers remain willing to sell the shares.

In the future, we may also issue additional securities given our need to raise capital, which could constitute a material portion of our then-outstanding shares of common stock.

We may be unable to successfully integrate the businesses and personnel of acquired companies and businesses, and may not realize the anticipated synergies and benefits of such acquisitions.

From time to time, we may complete acquisitions of companies and certain businesses of companies, and we may not realize the expected benefits from such acquisitions because of integration difficulties or other challenges. For example, in October 2022, we completed the CASE Acquisition.

The success of any acquisition will depend, in part, on our ability to realize all or some of the anticipated synergies and other benefits from integrating the acquired businesses with our existing business. The integration process may be complex, costly and time-consuming. The potential difficulties we may face in integrating the operations of our acquisitions include, among others:

- Failure to implement our business plan for the combined businesses;
- Unexpected losses of key employees, customers or suppliers of acquired companies and businesses;
- Unanticipated issues in conforming our acquired companies' and businesses' standards, processes, procedures and internal controls with our operations;
- Coordinating new product and process development;
- Increasing the scope, geographic diversity and complexity of our operations;
- Diversion of management's attention from other business concerns;
- Adverse effects on our or acquired companies' and businesses' existing business relationships;
- Unanticipated changes in applicable laws and regulations;
- Unanticipated expenses and liabilities; and
- Other difficulties in the assimilation of acquired companies and businesses operations, technologies, products and systems.

We may not be able to maintain or increase the levels of revenue, earnings or operating efficiency that any acquired company and business and us had historically achieved or might achieve separately. In addition, we may not accomplish the integration of any acquired company and business smoothly, successfully or within the anticipated costs or timeframe. If we experience difficulties with the integration process or if the business of any acquired company or business deteriorates, the anticipated cost savings, growth opportunities and other synergies of any acquired company and business may not be realized fully or at all, or may take longer to realize than expected. If any of the above risks occur, our business, financial condition, results of operations and cash flows may be materially and adversely impacted, we may fail to meet the expectations of investors or analysts, and our stock price may decline as a result.

Increasing attention to, and evolving expectations for, environmental, social, and governance ("ESG") initiatives could increase our costs, harm our reputation, or otherwise adversely impact our business.

Companies across industries are facing increasing scrutiny from a variety of stakeholders related to their ESG practices. Expectations regarding voluntary ESG initiatives and disclosures may result in increased costs (including but not limited to increased costs related to compliance, stakeholder engagement, contracting and insurance), changes in demand for certain offerings, enhanced compliance or disclosure obligations, or other adverse impacts to our business, financial condition, or results of operations. While we may at times engage in voluntary initiatives (such as voluntary disclosures, certifications, or goals, among others) to improve the ESG profile of our company and/or offerings or to respond to stakeholder demands, such initiatives may be costly and may not have the desired effect.

Expectations around companies' management of ESG matters continues to evolve rapidly, in many instances due to factors that are out of our control. We may experience pressure to make commitments relating to ESG matters that affect us; however, we may not agree that particular initiatives will be appropriate for our business, and we may not be able to implement such initiatives because of potential costs or technical or operational obstacles, which may adversely impact our reputation or stakeholder relations. If we do not, or are perceived by stakeholders to not, take sufficient action to respond to ESG matters, we may be subject to investor or regulator engagement on our ESG initiatives and disclosures, even if such initiatives are currently voluntary.

Certain market participants, including major institutional investors and capital providers, use third-party benchmarks and scores to assess companies' ESG profiles in making investment or voting decisions. Unfavorable ESG ratings could lead to increased negative investor sentiment towards us, which could negatively impact our share price as well as our access to and cost of capital. To the extent ESG matters negatively impact our reputation, it may also impede our ability to compete as effectively to attract and retain employees or customers, which may adversely impact our operations.

In addition, we expect there will likely be increasing levels of regulation, disclosure-related and otherwise, with respect to ESG matters. For example, the SEC has proposed requirements to disclose a variety of climate-related information, in addition to other rules, which could require us to incur significant costs for monitoring and compliance. This and other regulations will likely lead to increased costs as well as scrutiny that could heighten all of the risks identified in this risk factor. Additionally, many of our customers and suppliers may be subject to similar expectations, which may augment or create additional risks, including risks that may not be known to us.

Short sellers of our stock may be manipulative and may drive down the market price of our Class A Common Stock.

Short selling is the practice of selling securities that the seller does not own, but rather has borrowed or intends to borrow from a third party with the intention of buying identical securities at a later date to return to the lender. A short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. It is therefore in the short seller's interest for the price of the stock to decline, and some short sellers publish, or arrange for the publication of, opinions or characterizations regarding the relevant issuer, often involving misrepresentations of the issuer's business prospects and similar matters calculated to create negative market momentum, which may permit them to obtain profits for themselves as a result of selling the stock short.

In July and August of 2023, Capybara Research and Igor Appelboom issued short reports on us, which were followed by significant decreases in the price of our Class A Common Stock over the remainder of 2023. We believe the claims made by Capybara Research and Igor Appelboom are without merit. On December 20, 2023, we filed a federal lawsuit in the United States District Court for the Southern District of New York, alleging that Capybara Research and Igor Appelboom take short positions in publicly traded companies and release fraudulent, disparaging reports in order to drive the company's stock price down for their own financial benefit. There is no assurance that we will be successful in this or any other litigation.

As a public entity, we may be the subject of additional concerted efforts by short sellers to spread negative information in order to gain a market advantage. In addition, the publication of misinformation may also result in lawsuits, the uncertainty and expense of which could adversely impact our business, financial condition, and reputation. There are no assurances that we will not face short sellers' efforts or similar tactics in the future, and the market price of our Class A Common Stock may decline as a result of their actions.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Cybersecurity Risk Management and Strategy

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information. Our cybersecurity risk management program includes a cybersecurity incident response plan.

We design and assess our program based on the FedRAMP framework. This does not imply that we meet any particular technical standards, specifications, or requirements, only that we use the FedRAMP requirements as a guide to help us identify, assess, and manage cybersecurity risks relevant to our business.

Our cybersecurity risk management program is part of our overall enterprise risk management program. Our cybersecurity risk management program includes:

- Security assessments are designed to help identify material cybersecurity risks to our critical systems, information, products, services, and our broader enterprise information technology environment.

- A cyber security leader is principally responsible for managing (i) our cybersecurity risk assessment processes, (ii) our security controls, and (iii) our response to cybersecurity incidents.
- The use of external service providers, where appropriate, to assess, test or otherwise assist with aspects of our security controls.
- Cybersecurity awareness training for all our employees.
- A cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents.

We have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition. For more information, see the section titled "Risk Factor— Our business and operations may suffer in the event of information technology system failures, cyberattacks or deficiencies in our cybersecurity."

Cybersecurity Governance

Our Board considers cybersecurity risk as part of its risk oversight function and has delegated to the Audit Committee (the "Committee") oversight of cybersecurity and other information technology risks. The Committee oversees management's implementation of our cybersecurity risk management program.

The Committee receives periodic reports from management on our cybersecurity risks. In addition, management updates the Committee, as necessary, regarding any material cybersecurity incidents, as well as any incidents with lesser impact potential.

The Committee reports to the full Board regarding its activities, including those related to cybersecurity. The full Board also receives briefings from management on our cyber risk management program.

Our management team, includes Mercedes Soria, EVP and Chief Intelligence Officer /Chief Information Security Officer, ("CISO") has primary responsibility for our overall cybersecurity program and supervises both our internal cybersecurity personnel and our retained external cybersecurity consultants. who has over 3 years of cyber risk management experience, is responsible for assessing and managing our material risks from cybersecurity threats. Ms. Soria has successfully led the Company's FedRAMP (Federal Risk and Authorization Management Program) Authority to Operate (ATO) review process. Achieving a FedRAMP Authority to Operate (ATO) signifies that Knightscope has met a comprehensive and rigorous set of cybersecurity standards designed for the protection of federal information systems. The FedRAMP process is designed to ensure that service providers implement and maintain strong cybersecurity practices. As part of her responsibilities, Ms. Soria and her team will continue to monitor our systems for vulnerabilities, implement required updates, and undergo periodic reassessments thus ensuring that our cybersecurity practices remain effective over time.

Our management team supervises efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal security personnel; threat intelligence and other information obtained from governmental, public or private sources, including external consultants engaged by us; and alerts and reports produced by security tools deployed in the information technology environment and our products.

Item 2. Properties

Knightscope currently leases its premises and owns no significant plant or equipment. The Company's approximately 15,000 square foot facility in Mountain View, California serves as its headquarters, where it designs, engineers, tests, manufactures and supports all of its ASR technologies. The Company wholly owns its ASRs and typically builds in batches based on client demand, refraining where possible in stocking inventory or finished products. The ECDs are designed and assembled in the Company's two 6,540 and 4,254 square foot facilities located in Irvine and Downey, California, respectively.

Item 3. Legal Proceedings

From time to time, the Company may be subject to pending legal proceedings and regulatory actions in the ordinary course of business. The Company is not presently a party to any litigation that it believes to be material and the Company is not aware of any pending or

threatened litigation against the Company that it believes could have a material adverse effect on its business, operating results, financial condition or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

Information about our Executive Officers and Directors

The following table provides information regarding our executive officers as of the filing of this Annual Report on Form 10-K:

Name	Title/Position	Age
William (“Bill”) Santana Li	Chairman and Chief Executive Officer	54
Stacy Dean Stephens	EVP and Chief Client Officer	51
Apoorv S. Dwivedi	EVP and Chief Financial Officer	43
Mercedes Soria	EVP and Chief Intelligence Officer / CISO	50
Aaron J. Lehnhardt	EVP and Chief Design Officer	52
William (“Will”) G. Billings	Director	47
Robert (“Bob”) A. Mocny	Director	66
Melvin (“Mel”) W. Torrie	Director	53

Executive Officers

William (“Bill”) Santana Li has served as the Company's Chairman and Chief Executive Officer (“CEO”) since April 2013, when he co-founded the Company. Mr. Li is an American entrepreneur with over 30 years of experience from working in the global automotive sector and founding and leading a number of startups. From 1990 to 1999, Mr. Li held multiple business and technical positions at Ford Motor Company across four continents. His positions at Ford ranged from component, systems, and vehicle engineering with the Visteon, Mazda, and Lincoln brands; to business and product strategy on the United States youth market, India, and the emerging markets in Asia-Pacific and South America; as well as the financial turnaround of Ford of Europe. In addition, he was on the “Amazon” team, which established an all-new modular plant in Brazil. Subsequently, he served as Director of Mergers & Acquisitions. After internally securing $250 million in financing, Mr. Li founded and served as COO of GreenLeaf LLC, a Ford Motor Company subsidiary that became the world’s second largest automotive recycler. Under his leadership, GreenLeaf grew to more than 600 employees, 20 locations worldwide, and annual sales of approximately $150 million. After successfully establishing GreenLeaf, Mr. Li was recruited by SoftBank Venture Capital to establish and serve as the President and CEO of the Model E Corporation, a newly established automobile manufacturer that focused on the “Subscribe and Drive” model in California. Mr. Li also founded Carbon Motors Corporation in 2003, and as its Chairman and CEO until February 2013, focused it on developing the world’s first purpose-built law enforcement patrol vehicle. Carbon Motors Corporation filed for Chapter 7 liquidation in June 2013. Mr. Li earned a BSEE from Carnegie Mellon University and an MBA from the University of Detroit Mercy. He is married to Mercedes Soria, the Company’s EVP and Chief Intelligence Officer / CISO. The Board believes Mr. Li is qualified to serve on our Board due to his more than 30 years of experience in various industries, including as our Chairman and CEO, and co-founder of the Company.

Stacy Dean Stephens has served as our EVP and Chief Client Officer since May 2013 and co-founded the Company in April 2013. Previously, he co-founded Carbon Motors Corporation with Mr. Li, where he led marketing operations, sales, product management, partnership marketing and client service. At Carbon Motors, Mr. Stephens established the “Carbon Council,” a client interface and users group consisting of over 3,000 law enforcement professionals across all 50 states and actively serving over 2,200 law enforcement agencies. Carbon Motors Corporation filed for Chapter 7 liquidation in June 2013. Prior to co-founding Carbon Motors Corporation, Mr. Stephens served as a police officer for the Coppell (Texas) Police Department from 2000 to 2002. Mr. Stephens studied aerospace engineering at the University of Texas in Arlington. He subsequently earned a degree in criminal justice and graduated as valedictorian from Tarrant County College in Fort Worth, Texas. He is a member of the International Association of Chiefs of Police (“IACP”) and also sits on the IACP Division of State Associations of Chiefs of Police SafeShield Project, which seeks to critically examine existing and developing technologies for the purpose of preventing and minimizing officer injuries and fatalities.

Apoorv S. Dwivedi has served as the EVP and Chief Financial Officer of the Company since January 2024. Mr. Dwivedi most recently served as the Chief Financial Officer of Nxu, Inc. from January 2022 until December 2023. Prior to his CFO role at Nxu, Dwivedi served as Director of Finance for Cox Automotive from 2019 to January 2022 where he successfully ran the Manheim Logistics business.

From 2018 to 2019, he was the Director of Presales within the finance solutions group at Workiva, and from 2010 to 2017 Mr. Dwivedi served in several corporate finance roles of increasing responsibility at the General Electric Company across both the GE Capital and GE Industrial businesses. Mr. Dwivedi began his career at ABN-AMRO, N.A. and was instrumental in building one of the first data analytics teams at Sears Holdings Company. Mr. Dwivedi earned his Bachelors in Finance from Loyola University – Chicago and his MBA from Yale School of Management.

Mercedes Soria has served as our EVP and Chief Intelligence Officer since May 2013 and has been with Knightscope since April 2013. Ms. Soria is a technology professional with over 15 years of experience in systems development, life cycle management, project leadership, software architecture and web applications development. Ms. Soria led IT strategy development at Carbon Motors Corporation from 2011 until 2013. From 2002 to 2010, Ms. Soria was Channel Manager and Software Development Manager for internal operations at Deloitte & Touche LLP. From 1998 to 2002, Ms. Soria worked as a software developer at Gibson Musical Instruments leading the effort to establish its online presence. Ms. Soria obtained Bachelor and Master's degrees in Computer Science from Middle Tennessee State University with honors, as well as an Executive MBA from Emory University. She is also a certified Six Sigma green belt professional and a member of the Society of Hispanic Professional Engineers. She is married to William Santana Li, the Company's Chairman and Chief Executive Officer.

Aaron Lehnhardt has served as our Chief Design Officer since November 2015. Previously, from the Company's inception in April 2013 until November 2015, Mr. Lehnhardt served as Chief Designer of the Company. From 2002 to April 2013, Mr. Lehnhardt was the co-owner of Lehnhardt Creative LLC where he worked on advanced propulsion vehicle design, personal electronics, product design, video game design, and concept development work. From 2004 to 2011, Mr. Lehnhardt was Chief Designer at California Motors ("Calmotors"), where he led the design for various concepts for HyRider hybrid vehicles, the Calmotors 1000 horsepower hybrid super car, Terra Cruzer super off-road vehicle, multiple vehicles for the U.S. Military, and various other hybrid and electric vehicles. He was also the lead designer and partner of Ride Vehicles LLC, a sister company to Calmotors, which worked on a 3-wheeled, standup personal mobility vehicle.

Directors

William ("Bill") Santana Li's background information is set forth under "Executive Officers" above.

William ("Will") G. Billings has served as a director since February 2024. He has served as the vice president of finance and chief accounting officer of GlobalFoundries, one of the world's leading semiconductor manufacturers, since November 2021, where he is responsible for overseeing the company's global finance and accounting operations. Prior to joining GlobalFoundries, from August 2021 to November 2021, Mr. Billings was vice president of accounting and chief accounting officer at Coursera, an online course provider. Before that, he served as the Global Corporate Controller of Airbnb, Inc., an online marketplace for lodging and tourism activities, from July 2019 to August 2021. Prior to that, Mr. Billings served as Vice President of Finance and Global Controller at World Fuel Services Corporation, an energy, commodities, and services company, from November 2015 to July 2019. From November 2013 to October 2015, Mr. Billings served as Global Technical Controller of General Electric Company, a multinational energy, equipment, solutions and services company. Mr. Billings is a certified public accountant and holds a Bachelor of Science degree in accounting from Southern University A&M and a Master of Business Administration degree from Rice University. The Board believes Mr. Billings is qualified to serve on the Board due to his significant finance, accounting, and operations experience.

Robert ("Bob") A. Mocny has served as a director since February 2024. He has been a strategic advisor to the Biometrics Institute Limited since May 2020, a venture partner at Ridge Lane, LP since May 2020, a principal at Deep Water Point & Associates since May 2020, and has provided technical expertise to the Center for National Security and Immigration on immigration related legislation since June 2021. He previously served in various roles at the U.S. Department of Homeland Security (the "DHS") from April 2001 to February 2020, most recently as the deputy director of technology and innovation at the Federal Protective Service of the DHS from October 2016 to February 2020. Prior to the DHS, Mr. Mocny served at the Immigration and Naturalization Service of the Department of Justice from December 1992 to April 2001, culminating in his role as the Special Assistant to the Deputy Commissioner from April 1998 to April 2001. Mr. Mocny has spearheaded numerous technology innovation initiatives, including office automation software programs and the development of the Secure Electronic Network for Travelers Rapid Inspection (or "SENTRI") program, which was recognized with a Hammer Award by Vice President Al Gore and is now one of the core Trusted Traveler programs operated by DHS. Mr. Mocny holds a bachelor's degree in Soviet Studies from the University of California at Santa Barbara. The Board believes Mr. Mocny is qualified to serve on the Board due to his significant security, law enforcement and government experience and technological expertise.

Melvin ("Mel") W. Torrie has served as a director since February 2024. He has served as the chief executive office, president, and chairman of the board of directors of Autonomous Solutions Inc. ("ASI") since November 2000. ASI was founded in 2000 as a spinoff from Utah State University and provides technology to create fully autonomous vehicles by retrofitting existing equipment. In his role at ASI, Mr. Torrie has piloted robotic development partnerships with some of the largest vehicle manufacturers in the world. Mr. Torrie has taught at Utah State University and is a frequent keynote speaker and trainer on the topics of artificial intelligence, machine learning, autonomous vehicles, industrial robotics, and leadership. Mr. Torrie has a master's degree in electrical engineering and a computer science minor from Utah State University. The Board believes Mr. Torrie is qualified to serve on the Board due to his significant experience in leadership and with technology, autonomous vehicles, and robotics.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information and Holders

Our Class A Common Stock is listed and traded on The Nasdaq Capital Market under the symbol "KSCP." As of March 28, 2024, we had (i) 14,207 holders of record of our Class A Common Stock and (ii) 15 holders of our Class B Common Stock.

Dividends

To date, we have not paid any cash dividends on our Class A Common Stock. We expect to retain future earnings for use in operating and expanding our business, and we do not anticipate paying any cash dividends in the reasonably foreseeable future.

Future declarations of dividends will depend on, among other things, our results of operations, financial condition, cash flows and capital requirements, and on such other factors as the board of directors may in its discretion consider relevant and in the best long-term interest of stockholders.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities By the Issuer and Affiliated Purchasers.

None.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and notes thereto included herein as Item 8. This discussion contains forward-looking statements. Refer to "Forward-Looking Statements" and "Risk Factors" herein, for a discussion of the uncertainties, risks, assumptions, and other important factors associated with these statements. The historical results presented below are not necessarily indicative of the results that may be expected for any future period.

A discussion of our comparison between 2023 and 2022 is presented below. A discussion of the changes in our results of operations between the years ended December 31, 2022 and 2021 has been omitted from this Annual Report on Form 10-K but may be found in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 31, 2023, which is available free of charge on the SEC's website at www.sec.gov and our corporate website (www.knightscope.com).

Overview

Knightscope is a public safety advanced technology company that builds fully autonomous security robots and blue light emergency communications systems. Our technologies are designed to help our clients protect the people, places, and things where we live, work, study, and visit. Our technologies are made in the USA and allow public safety professionals to more effectively identify, deter, intervene, capture, and prosecute criminals.

To support our mission to make the USA the safest country in the world, we design, develop, manufacture, market, deploy and support ASRs, autonomous charging stations, the KSOC software user interface, Blue Light emergency communication devices, and our newly released KEMS software 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 ECDs that comprise our K1B portfolio of products consist of the K1 Blue Light Tower, E-Phone, and the K1 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 offer a smaller, yet still highly visible, footprint than the 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 (“MaaS”) business model, which includes the ASR machine as well as maintenance, service, support, data transfer, KSOC access, charging stations, and unlimited software, firmware and select hardware upgrades.

Our stationary ECD technologies are sold as point-of-sale modular systems, including Knightscope’s exclusive, self-diagnostic, alarm monitoring software solution that provides system owners daily email reports on the operational status of their system, a one-year parts warranty, and optional installation services which was announced in 2023 as the Knightscope Emergency Communication System (“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.

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

The Company has incurred net losses since inception. Our net loss was $22.1 million for the year ended December 31, 2023 and $25.6 million for the year ended December 31, 2022. As of December 31, 2023, we had an accumulated deficit of $161.5 million. Cash and cash equivalents on hand were $2.3 million as of December 31, 2023, compared to $4.8 million as of December 31, 2022. These factors raise substantial doubt about our ability to continue as a going concern. See *Item 1A. Risk Factors—Risks Related to the Business and the Global Economy—We have not yet generated any profits, anticipate that we will incur continued losses for the foreseeable future, and may never achieve profitability*.

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 and increasing demand through various marketing efforts, including our nationwide Robot Roadshow and media coverage, which continues to drive an increase in orders and client inquiries.

Sales trends for the year ended December 31, 2023 showed demand across all of Knightscope’s product and service lines. The sales pipeline continues to grow, however, due to the nature of business-to-business transactions, with enterprises and government municipalities, the sales cycle is lengthy. Although we have executed some contracts in less than 30 days, in some cases negotiations can range up to several months and years, due to 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 improve our sales processes to move our products 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 fiscal 2023, although supply chain constraints can still be unpredictable and problematic. The CASE Acquisition also contributed to a significant increase in the Company's revenues for the year ended December 31, 2023.

Due to geopolitical events and safety requirements as well as various high-profile incidents of violence across the USA, 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.

The Company is aiming to scale its business and become more streamlined, which management expects will decrease gross loss over time. Therefore, we are focusing our resources on growing the business, in order to be able to generate both a gross profit and net income. We are continually evaluating and taking a number of near-term actions to facilitate this result, and as the Company matures, we expect to obtain economies of scale and efficiency that will help to increase revenue and reduce costs over the medium to long-term. We are also focused on controlling general overhead costs, such as

- decreasing expenditures for real estate leases;
- optimizing team composition and size;
- optimizing the manufacturing process through leverage of third-party manufacturers;
- reducing telecommunication service and cloud costs to further reduce our ongoing support, repair and maintenance costs; and
- transitioning our ASR and ECD production processes from a work cell environment to a more traditional assembly line process, for improved quality, efficiency and throughput.

Our strategy is to try to keep fixed costs as low as possible and minimize variable costs while achieving our overall growth objectives.

As of March 24, 2024, the Company had a total backlog of approximately $2.8 million, comprised of $1.8 million related to ASR orders and $1.0 million related to orders for ECDs. 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.

Recent Developments

On February 23, 2024, we filed a definitive proxy statement with the SEC in connection with a special meeting of stockholders to be held on April 5, 2024 to approve an amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our Class A Common Stock from 114,000,000 to 228,000,000 (the "Share Increase Amendment"). See *Liquidity and Capital Resources*.

On October 26, 2023, the Company was listed on The Nasdaq Global Market and received written notice (the "Notice") from Nasdaq indicating that the Company is no longer in compliance with Nasdaq Listing Rule 5450(a)(1) (the "Minimum Bid Price Requirement"), as the minimum bid price of the Company's Class A Common Stock had been below $1.00 per share for the last 31 consecutive business days. The notification of noncompliance had no immediate effect on the listing or trading of the Company's Class A Common Stock on The Nasdaq Global Market at that time.

The Company has 180 calendar days, or until April 23, 2024, to regain compliance with the Minimum Bid Price Requirement. The Company transferred to The Nasdaq Capital Market effective as of March 4, 2024. As a result, provided that the Company meets continued listing requirements for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, with the exception of the Minimum Bid Price Requirement, and provides written notice of its intention to cure the bid price deficiency during the second compliance period by April 23, 2024, the Company may be eligible for an additional 180-calendar day compliance period, to regain compliance with the Minimum Bid Price Requirement. If we fail to regain compliance with the Minimum Bid Price Requirement by April 23, 2024, we expect to receive a determination letter from the Nasdaq staff that our Class A Common

Stock is subject to delisting. If we receive such a determination letter, we expect to have a period of seven days to submit a written request for a review of the delisting determination by the Nasdaq Hearings Panel (the "Hearings Panel"). There can be no assurance that the Company will be able to regain compliance with the Minimum Bid Price Requirement or that a Hearings Panel would grant an exception to the Minimum Bid Price Requirement to give us additional time to comply with the rule.

On September 29, 2023, we filed an Offering Circular (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 the initial issuance. We issued Bonds totaling a principal amount of approximately $1.4 million, in aggregate, generating net proceeds to the Company of approximately $1.2 million, net of issuance costs of approximately $0.2 million during the year ended December 31, 2023. We closed the Bond issuance on March 14, 2024 and issued Bonds totaling a principal amount of approximately $2.8 million, in aggregate, generating net proceeds to the Company of approximately $2.6 million, net of issuance costs of approximately $0.2 million during the period starting January 1, 2024 and ending on March 14, 2024. Overall, we issued Bonds totaling a principal amount of approximately $4.2 million, in aggregate, generating net proceeds to the Company of approximately $3.8 million, net of issuance costs of approximately $0.4 million during the life of the offering.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations is based upon our accompanying financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates, assumptions and judgments that can have significant impact on the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of assets and liabilities at the date of our financial statements. For the Company, these estimates include, but are not limited to: deriving the useful lives of ASRs, determination of the cost of ASRs, assessing assets for impairment, accounts receivable – estimated credit losses, determination of deferred tax valuation allowances, the valuation of convertible preferred stock warrants, estimating fair values of the Company's share-based awards, and derivative liabilities. Actual results could differ from those estimates. We base our estimates, assumptions and judgments on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. On a regular basis, we evaluate our estimates, assumptions and judgments and make changes accordingly.

We believe the following critical accounting estimates affect our more significant judgments and estimates used in preparing our financial statements. Please see Note 1 to our financial statements, which are included in Item 8 "Financial Statements and Supplementary Data" of this Annual Report.

Business Combinations

We account for our business combinations using the acquisition method of accounting, which requires, among other things, allocation of the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed at their estimated fair values on the acquisition date. The excess of the fair value of purchase consideration over the values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair value of assets acquired and liabilities assumed, we make significant estimates and assumptions, especially with respect to intangible assets. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable, and as a result, actual results may differ from estimates. Once the purchase accounting is finalized, any subsequent adjustments are reflected in the statements of operations. Acquisition costs, such as legal and consulting fees, are expensed as incurred.

Acquired Intangible Assets

When we acquire a business, a portion of the purchase price is typically allocated to identifiable intangible assets, such as trademarks, acquired technology and customer relationships. Fair value of these assets is determined primarily using the income approach, which requires us to project future cash flows and apply an appropriate discount rate. We amortize intangible assets with finite lives over their expected useful lives. Our estimates are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur. Incorrect estimates could result in future impairment charges, and those charges could be material to our results of operations.

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.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. Goodwill is not subject to amortization but will be reviewed for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable.

Autonomous Security Robots, net (“*ASRs”)*

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 $8 thousand and $66 thousand, depreciation expense of finished ASRs included in sales and marketing expense amounted to $15 thousand and $46 thousand, and depreciation expense included in cost of revenue, net amounted to $1.6 million and $1.4 million for the years ended December 31, 2023 and 2022, respectively. ASRs, net, consisted of the following (in thousands):

	December 31,	
	2023	2022
Raw materials	$ 3,841	$ 2,732
ASRs in progress	1,575	773
Finished ASRs	12,130	10,198
	17,546	13,703
Accumulated depreciation on Finished ASRs	(8,701)	(7,853)
ASRs, net	$ 8,845	$ 5,850

The components of the Finished ASRs, net at December 31, 2023 and 2022 are as follows:

	2023	2022
ASRs on lease or available for lease	$ 10,804	$ 9,002
Demonstration ASRs	607	622
Research and development ASRs	194	194
Charge boxes	525	380
	12,130	10,198
Less: accumulated depreciation	(8,701)	(7,853)
Finished ASRs, net	$ 3,429	$ 2,345

Impairment of Long-Lived Assets

The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable from the estimated future cash flows expected to result from their use or eventual disposition. If estimates of future undiscounted net cash flows are insufficient to recover the carrying value of the assets, the Company will record an impairment loss in the amount by which the carrying value exceeds the fair value. If the assets are determined to be recoverable, but the useful lives are shorter than originally estimated, the Company will depreciate or amortize the net book value of the assets over the newly determined remaining useful lives. None of the Company’s ASRs, property, equipment and software or intangible assets were determined to be impaired during the years ended December 31, 2023 and 2022.

Convertible Preferred Warrant Liability 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 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, the completion of a sale of the Company or an underwritten initial public offering ("IPO"). Upon an IPO, 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.

The Company issued common stock warrants in connection with the execution of a certain debt financing during the year ended December 31, 2015. These common stock warrants are not considered derivative liabilities are accounted for at fair value at the date of issuance in additional paid-in capital and were fully exercised in 2022 and none remain outstanding as of December 31, 2023. The fair value of these common stock warrants is determined using the Black-Scholes option pricing model.

On October 10, 2022, we issued common stock warrants in connection with the execution of Convertible Notes ("2022 Convertible Notes"). These warrants are recorded as derivative liabilities as it was determined they were not indeed to the Company's stock and accounted for at fair value upon issuance. The derivative liability will be marked to market each reporting period with changes in fair value recorded in changes in fair value of warrant and derivative liability on the statements of operations.

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.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with Accounting Standards Codification 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.

Results of Operations

The following table sets forth certain historical statements of operations data (in thousands) and such data as a percentage of revenue for the periods indicated.

	Year ended December 31,			
	2023	% of Revenue	2022	% of Revenue
Revenue, net				
Service	$ 7,169	56 %	$ 5,162	92 %
Product	5,628	44 %	469	8 %
Total revenue, net	12,797	100 %	$ 5,631	100 %
Cost of revenue, net				
Service	9,874	77 %	8,804	156 %
Product	4,947	39 %	146	3 %
Total cost of revenue, net	14,821	116 %	8,950	159 %
Gross loss	(2,024)	(16)%	(3,319)	(59)%
Operating Expenses				
Research and development	6,351	50 %	8,449	150 %
Sales and marketing	5,179	40 %	8,500	151 %
General and administrative	12,585	98 %	11,700	208 %
Restructuring costs	149	1 %	—	— %
Total operating expenses	24,264	190 %	28,649	509 %
Loss from operations	(26,288)	(205)%	(31,968)	(568)%
Interest expense, net	(551)	(4)%	(9,235)	(164)%
Change in fair value of warrant and derivative liability	4,910	38 %	20,857	370 %
Change in fair value of convertible note	—	— %	(4,650)	(83)
Other expense, net	(189)	(1)%	(647)	(11)%
Total other income, net	4,170	33 %	6,325	112 %
Loss before income tax expense	(22,118)	(173)%	(25,643)	(455)%
Income tax expense	—	— %	—	— %
Net loss	$ (22,118)	(173)%	$ (25,643)	(455)%

Revenue, net

Service revenue, net, which includes revenue generated through MaaS agreements for our ASRs and maintenance and support contracts for our K1B portfolio of ECDs, increased by approximately $2.0 million to $7.2 million, or approximately 39%, for the year ended December 31, 2023, from $5.2 million for the year ended December 31, 2022. The increase resulted from having a full year of services for ECDs after the Company’s acquisition of CASE during the fourth quarter of 2022. Product revenue of approximately $5.6 million from sales of ECDs, an increase of 1100% over the prior year, primarily represents a full year of sales as compared to product revenue of approximately $0.5 million in the prior year, as a result of the CASE Acquisition in the fourth quarter of the fiscal year ended December 31, 2022.

Cost of revenue, net

Service cost of revenue, net, representing the cost of supporting ASR MaaS and maintenance and support agreements related to ECD installations, for the year ended December 31, 2023, was approximately $9.9 million, as compared to approximately $8.8 million for the year ended December 31, 2022, representing an increase of approximately $1.1 million, or approximately 12%. The increase was due to increased warranty costs and higher service revenue volume over the prior year. As a percentage of service revenue, service cost of revenue, net decreased to 138% from 171%. The service cost of revenue, net is primarily related to the depreciation and service costs for ASRs and support and maintenance of the ECDs. Product cost of revenue, net of approximately $4.9 million and $0.1 million for the years ended December 31, 2023 and 2022, respectively, increased primarily due to the costs of ECDs sold pursuant to the CASE Acquisition during the fourth quarter of 2022.

Gross loss

Gross loss for the year ended December 31, 2023 was approximately $2.0 million, as compared to $3.3 million for the year ended December 31, 2022, representing a decrease of approximately $1.3 million, or 39%.

Research and Development

	Year Ended December 31,			
	2023	2022	$ Change	% Change
Research and development	$ 6,351	$ 8,449	$ (2,098)	(25)%
Percentage of total revenue	50 %	150 %		

Research and development ("R&D") expense for the year ended December 31, 2023 was approximately $6.4 million, or 50% of revenue, compared to R&D expense of $8.4 million, or 150% of revenue, for the year ended December 31, 2022. The decrease was primarily due to expense reduction initiatives taken by the Company in early 2023, which also included headcount reductions in departments that support R&D. In addition, revenue growth, which included a full year cycle of the K1B business line (formerly CASE) occurred at a higher pace than our R&D expenses, leading to the lower R&D expense as a percent of total revenue.

Sales and marketing

	Year Ended December 31,			
	2023	2022	$ Change	% Change
Sales and marketing	$ 5,179	$ 8,500	$ (3,321)	(39)%
Percentage of total revenue	40 %	151 %		

Sales and marketing expense for the year ended December 31, 2023 was approximately $5.2 million, or 40% of revenue, compared to sales and marketing expense of $8.5 million, or 151% of revenue, for the year ended December 31, 2022. The decrease in 2023 was primarily due to lower spend on advertising activities in 2023. In addition, revenue growth, which included a full year cycle of the K1B business line (formerly CASE) occurred at a higher pace than our sales and marketing expenses, leading to the lower sales and marketing expense as a percent of total revenue.

General and administrative

	Year Ended December 31,			
	2023	2022	$ Change	% Change
General and administrative	$ 12,585	$ 11,700	$ 885	8 %
Percentage of total revenue	98 %	208 %		

General and administrative ("G&A") expense for the year ended December 31, 2023 was approximately $12.6 million, or 98% of revenue, compared to G&A expense of approximately $11.7 million, or 208% of revenue, for the year ended December 31, 2022. The increase was primarily driven by an increase of approximately $2.5 million for investor relations expense, approximately $0.6 million for payroll expense as a result of a full year realization of the acquired CASE business, and approximately $0.3 million for real estate and property tax expense, partially offset by decreases in bonus expense of approximately $1.0 million, director and officer insurance expense of approximately $0.7 million, bad debt expense of approximately $0.6 million, and rent expense of approximately $0.3 million.

Restructuring Charges

	Year Ended December 31,			
	2023	2022	$ Change	% Change
Restructuring Charges	$ 149	$ —	$ 149	100 %
Percentage of total revenue	1 %	— %		

We incurred restructuring charges for the year ended December 31, 2023, of $149 thousand as a result of a work force reduction initiated in January 2023.

Other Income, Net

	Year Ended December 31			
	2023	2022	$ Change	% Change
Interest expense, net	$ (551)	$ (9,235)	$ (8,684)	(94)%
Change in fair value of warrant and derivative liability	4,910	20,857	(15,947)	(76)%
Change in fair value of convertible note	—	(4,650)	4,650	100 %
Other expense, net	(189)	(647)	458	(71)%
Total other income	$ 4,170	$ 6,325	$ (2,155)	(34)%

Interest expense, net

Interest expense, net for the year ended December 31, 2023 was approximately $0.6 million, compared to interest expense net of approximately $9.2 million for the year ended December 31, 2022. The decrease in interest expense, net resulted from the full amortization of the debt discount in the year ended December 31, 2022 from the conversion of all of the notes outstanding in 2022 and paying off the promissory note issued in connection with the CASE acquisition in 2022, partially offset by interest on the Bonds issued in 2023.

Change in fair value of warrant and derivative liability

The change in the fair value of warrant and derivative liability for the year ended December 31, 2023 resulting in other income of approximately $4.9 million compared to other income of approximately $20.9 million for the year ended December 31, 2022. The change in the fair value of the warrant and derivative liability is attributable to the decrease in the fair value of the preferred stock and common stock warrants that are accounted for as a liability.

Other expense, net

Other expense, net for the year ended December 31, 2023 was approximately $0.2 million, and was incurred in connection with the Referral Agreement with Dimension Funding, LLC (see below), as compared to other expense, net of $0.6 million for the year ended December 31, 2022 attributable to transaction costs related to the CASE acquisition.

Liquidity and Capital Resources

As of December 31, 2023 and 2022, we had $2.3 million and $4.8 million, respectively, of cash and cash equivalents. As of December 31, 2023, the Company also had an accumulated deficit of $161.5 million, working capital of $1.3 million and stockholders’ deficit of $26.6 million. These factors raise substantial doubt about our ability to continue as a going concern. There can be no assurance that the Company will be successful in acquiring additional funding at levels sufficient to fund its future operations. Management’s plans include seeking additional financing, such as issuances of equity and issuances of debt and/or convertible debt instruments. Sales of additional equity securities, convertible debt and/or warrants by the Company could result in the dilution of the interests of existing stockholders. The Company will require significant additional financing to meet its planned capital and operational needs and is pursuing opportunities to obtain additional financing through equity and/or debt alternatives. However, there can be no assurance that financing will be available when required in sufficient amounts, on acceptable terms or at all. If the Company is unable to raise additional capital in sufficient amounts or on terms acceptable to it, the Company may have to significantly reduce its operations, delay, scale back or discontinue the development of one or more of its platforms or discontinue operations completely.

Share Increase Amendment

We are currently authorized to issue 114,000,000 shares of Class A common stock. On February 23, 2024, we filed a definitive proxy statement with the SEC in connection with a special meeting of stockholders to be held on April 5, 2024 to approve an amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our Class A Common Stock from 114,000,000 to 228,000,000 (the "Share Increase Amendment"). Our ability to conduct financing activities, including our at-the-market offering program, will be limited unless the Share Increase Amendment is approved.

Referral Agreement with Dimension

On April 20, 2021, the Company entered into a Referral Agreement with Dimension Funding, LLC ("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.

Cash Flow

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

	Year ended December 31,	
	2023	2022
	(In thousands)	
Net cash used in operating activities	$ (24,155)	$ (24,064)
Net cash used in investing activities	(5,122)	(9,931)
Net cash provided by financing activities	26,849	27,956
Net (decrease) increase in cash, cash equivalents, and restricted cash	$ (2,428)	$ (6,039)

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, sell and service ECDs, the amount and timing of accounts receivable collections, as well as the amount and timing of disbursements to our vendors.

Net cash used in operating activities for the year ended December 31, 2023 increased by $0.1 million to $24.2 million, compared to $24.1 million for the year ended December 31, 2022. Loan discount amortization and a change in fair value of convertible notes in 2022 was immaterial in 2023 and accounted for an increase in cash used in operating activities of $13.5 million for the year ended December 31, 2023 as compared to the year ended December 31, 2022. Changes in operating assets and liabilities, net of $6.1 million, and a decrease in stock compensation expense of $0.8 million also contributed to the increase in cash used in operating expenses for the year ended December 31, 2023 compared to the prior year. These increases were partially offset by a decrease in net loss of $3.5 million, a decrease in the change in the fair value of warrant liabilities of $15.9 million, an increase in depreciation and amortization expense of $0.7 million, an increase in stock issued for consulting services of $0.1 million and an increase in accrued interest of $0.1 million.

Net Cash Used in Investing Activities

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

Net cash used in investing activities for the year ended December 31, 2023 was $5.1 million compared to $9.9 million for the year ended December 31, 2022, a decrease of $4.8 million. The decrease was primarily a result of the CASE acquisition in the prior year for $5.4 million partially offset by higher investments in ASRs and equipment of $0.6 million in the current year.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was approximately $26.8 million for the year ended December 31, 2023, a decrease of approximately $1.1 million as compared to the prior year. Our financing activities for the year ended December 31, 2023, consisted primarily of the issuance and sale of shares of Class A Common Stock for net proceeds of approximately $26.0 million, net proceeds from the issuance of Regulation A bonds of approximately $1.2 million, and Class A Common Stock issued as a result of option exercises of approximately $0.3 million, partially offset by a note repayment of approximately $0.6 million.

Warrants to Purchase Shares of, Series m-3 Preferred Stock

In connection with the placement of the Series m-3 Preferred Stock during the years ended December 31, 2017 and 2018, the Company issued to the purchasers warrants to purchase an aggregate of 1,432,786 shares of Series m-3 Preferred Stock. These warrants have an exercise price of $4.00 per share. Pursuant to a second amendment to the Warrants to Purchase Shares of Series M-3 Preferred Stock Agreement dated November 18, 2021, the exercise period of the warrants was extended from December 31, 2021 to December 31, 2024 and shall be exercisable, in whole or in part, beginning January 1, 2023. In addition, the cashless exercise feature was removed from the warrants.

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.

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. Digital Offering, LLC, acted as the placement agent for the 2022 Convertible Notes Offering and received a commission of 4.50% of the aggregate principal amount of the 2022 Convertible Notes.

The 2022 Common Stock Warrants are recorded as derivative liabilities as it was determined they are not indexed to the Company's stock and accounted for at fair value upon issuance. The derivative liability will be marked to market each reporting period with changes in fair value recorded in changes in fair value of warrant and derivative liability on the statements of operations.

During the year ended December 31, 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 December 31, 2023, the entire outstanding principal balance of the 2022 Convertible Notes was fully retired. The 2022 Common Stock Warrants remain outstanding.

Common Stock Purchase Agreement with B. Riley

On April 4, 2022, the Company entered into the Purchase Agreement and a Registration Rights Agreement with B. Riley Principal Capital. Pursuant to the Purchase Agreement, the Company has the right to sell to B. Riley Principal Capital, up to the lesser of (i) $100,000,000 of newly issued shares of the Company's Class A Common Stock and (ii) the Exchange Cap (as defined in the Purchase Agreement) (subject to certain conditions and limitations), from time to time during the term of the Purchase Agreement. Sales of Class A Common Stock pursuant to the Purchase Agreement, and the timing of any sales, are solely at the option of the Company, and the Company is under no obligation to sell any securities to B. Riley Principal Capital under the Purchase Agreement. The per share purchase price for the shares of Class A Common Stock that B. Riley Principal Capital is required to purchase pursuant to the Purchase Agreement, if any, will be determined by reference to the volume weighted average price of the Class A Common Stock calculated in accordance with the Purchase Agreement, and subject to the terms and conditions set forth in the Purchase Agreement.

As consideration for B. Riley Principal Capital's commitment to purchase shares of Class A Common Stock at the Company's direction upon the terms and subject to the conditions set forth in the Purchase Agreement, upon execution of the Purchase Agreement, the Company issued 98,888 shares of Class A Common Stock to B. Riley Principal Capital as initial commitment shares. In addition, (i) upon the Company's receipt of total aggregate gross cash proceeds equal to $25,000,000 as payment by B. Riley Principal Capital for all shares of Class A Common Stock purchased under the Purchase Agreement, the Company will issue 59,333 additional shares of Class A Common Stock to B. Riley Principal Capital as additional commitment shares, and (ii) upon the Company's receipt of total aggregate gross cash proceeds equal to $50,000,000 from B. Riley Principal Capital under the Purchase Agreement, the Company will issue an additional 39,555 shares of Class A Common Stock to B. Riley Principal Capital as additional commitment shares, totaling 98,888 additional commitment shares (in addition to the 98,888 initial commitment shares the Company issued to B. Riley Principal Capital upon execution of the Purchase Agreement). Pursuant to the Registration Rights Agreement, the Company filed a registration statement on Form S-1 to register the resale of 12,197,776 shares of Class A Common Stock by B. Riley Principal Capital, which was declared effective by the SEC on May 11, 2022.

During the year ended December 31, 2023 we sold and issued 851,109 shares of Class A Common Stock under the Purchase Agreement for total net proceeds of $1.3 million.

At-the-Market Offering Program

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

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

For the year ended December 31, 2023, we issued 25,734,332 shares of Class A Common Stock under the at-the-market offering program for net proceeds of approximately $16.4 million, net of brokerage and placement fees of approximately $0.6 million pursuant to the February Prospectus Supplement, and 11,817,912 shares of Class A Common Stock under the at-the-market offering program for net proceeds of approximately $8.2 million, net of brokerage and placement fees of approximately $0.3 million pursuant to the August Prospectus Supplement.

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 the initial issuance. We issued Bonds totaling a principal amount of approximately $1.4 million, in aggregate, generating net proceeds to the Company of approximately $1.2 million, net of issuance costs of approximately $0.2 million. We closed the Bond issuance on March 14, 2024 and issued Bonds totaling a principal amount of approximately $2.8 million, in aggregate, generating net proceeds to the Company of approximately $2.6 million, net of issuance costs of approximately $0.2 million during the period starting January 1, 2024 and ending on March 14, 2024. Overall, we issued Bonds totaling a principal amount of approximately $4.2 million, in aggregate, generating net proceeds to the Company of approximately $3.8 million, net of issuance costs of approximately $0.4 million during the life of the offering.

Promissory Note

On June 30, 2023, Knightscope and 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 was payable in two installments with the first payment made July 10, 2023 and the final payment made on October 5, 2023.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Item 8. Financial Statements and Supplementary Data

KNIGHTSCOPE, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Knightscope, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Knightscope, Inc. (a Delaware corporation) (the "Company") as of December 31, 2023 and 2022, and the related statements of operations, preferred stock and stockholders' deficit, and cash flows for each of the two years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the USA.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company's recurring losses from operations, available cash and cash used in operations raise substantial doubt about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BPM LLP

We have served as the Company's auditor since 2020.

San Jose, California
April 1, 2024

KNIGHTSCOPE, INC.
BALANCE SHEETS
(In thousands, except share and per share data)

	December 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,282	$ 4,810
Restricted cash	100	—
Accounts receivable, net of allowance for credit losses	2,090	1,370
Inventory	2,320	2,560
Prepaid expenses and other current assets	1,421	1,349
Total current assets	8,213	10,089
Autonomous Security Robots, net	8,845	5,850
Property, equipment and software, net	857	614
Operating lease right-of-use-assets	1,458	2,012
Goodwill	1,922	1,344
Intangible assets, net	1,557	2,056
Other assets	122	117
Total assets	$ 22,974	$ 22,082
LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 1,858	$ 2,457
Accrued expenses	1,145	2,403
Deferred revenue	1,741	1,711
Debt obligations	—	2,144
Operating lease liabilities, current	733	731
Other current liabilities	1,469	1,063
Total current liabilities	6,946	10,509
Debt obligations	1,242	6,554
Preferred stock warrant liability	5,976	10,011
Derivative liability	271	1,146
Other noncurrent liabilities	259	356
Operating lease liabilities, noncurrent	711	1,309
Total liabilities	15,405	29,885
Commitments and contingencies (Note 11)		
Preferred Stock, $0.001 par value; 43,405,324 shares authorized as of December 31, 2023 and 2022, 9,499,083 and 11,351,841 shares issued and outstanding at December 31, 2023 and 2022, respectively; aggregate liquidation preference of $35,361 and $37,733 as of December 31, 2023 and 2022, respectively	34,203	35,783
Stockholders' deficit:		
Class A Common Stock, $0.001 par, 114,000,000 shares authorized as of December 31, 2023 and 2022, 80,188,600 and 28,029,238 shares issued and outstanding as of December 31, 2023 and 2022, respectively	80	28
Class B Common Stock, $0.001 par, 30,000,000 shares authorized as of December 31, 2023 and 2022, 9,357,822 and 10,319,884 shares issued and outstanding as of December 31, 2023 and 2022, respectively	9	10
Additional paid-in capital	134,735	95,716
Accumulated deficit	(161,458)	(139,340)
Total stockholders' deficit	(26,634)	(43,586)
Total liabilities, preferred stock and stockholders' deficit	$ 22,974	$ 22,082

See accompanying Notes to Financial Statements.

KNIGHTSCOPE, INC.
STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)

	Year ended December 31, 2023	Year ended December 31, 2022
Revenue, net		
Service	$ 7,169	$ 5,162
Product	5,628	469
Total revenue, net	12,797	5,631
Cost of revenue, net		
Service	9,874	8,804
Product	4,947	146
Total cost of revenue, net	14,821	8,950
Gross loss	(2,024)	(3,319)
Operating expenses:		
Research and development	6,351	8,449
Sales and marketing	5,179	8,500
General and administrative	12,585	11,700
Restructuring Charges	149	—
Total operating expenses	24,264	28,649
Loss from operations	(26,288)	(31,968)
Other income:		
Interest expense, net	(551)	(9,235)
Change in fair value of warrant and derivative liability	4,910	20,857
Change in fair value of convertible note	—	(4,650)
Other expense, net	(189)	(647)
Total other income	4,170	6,325
Loss before income tax expense	(22,118)	(25,643)
Income tax expense	—	—
Net loss	$ (22,118)	$ (25,643)
Basic and diluted net loss per share of Class A and Class B Common Stock	$ (0.34)	$ (0.72)
Weighted average shares used to compute basic and diluted net loss per share	65,933,820	35,551,120

See accompanying Notes to Financial Statements.

KNIGHTSCOPE, INC.
STATEMENTS OF PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(In thousands except share data)

	Series m Preferred Stock		Series m-1 Preferred Stock		Series m-2 Preferred Stock		Series m-3 Preferred Stock		Series m-4 Preferred Stock		Series S Preferred Stock		Series A Preferred Stock		Series B Preferred Stock		Class A Common Stock		Class B Common Stock		Additional	Accumulative	Total Stockholders
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Paid-in-capital	Deficit	Deficit
Balance as of January 1, 2022	**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																					3,539		3,539
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																	370,235		25,000		551		551
Offering proceeds, net of issuance costs																	2,236,619	2			19,623		19,625
Proceeds from equity sale, net of issuance costs																	1,307,950	1			2,878		2,879
Shares issued for consulting services																	236,567				653		653
Share conversion to Class A Common Stock	(2,719,589)	(7,063)	(186,872)	(1,319)	(1,091,666)	(3,275)	(16,757)	(46)			(990,507)	(8,018)	(3,069,404)	(1,328)	(190,471)	(386)	11,271,070	12	(2,836,313)	(3)	21,427		21,436
Share conversion costs																					(74)		(74
Net loss																						(25,643)	(25,643
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)**	**(43,586**
Stock based compensation																					2,726		2,726
Conversion of debt obligations to Class A Common Stock																	10,432,428	11			8,581		8,592
Stock options exercised																	213,020		238,000		263		263
Proceeds from equity sale, net of issuance costs																	38,403,353	38			25,880		25,918
Share conversion to Class A Common Stock	(75,675)	(197)									(72,542)	(587)	(1,667,779)	(721)	(36,762)	(75)	3,110,561	3	(1,200,062)	(1)	1,578		1,580
Share conversion costs																					(9)		(9
Net loss																						(22,118)	(22,118
Balance as of December 31, 2023	**1,779,653**	**$ 4,621**	**—**	**$ —**	**160,000**	**$ 480**	**—**	**$ —**	**—**	**$ —**	**2,642,190**	**$ 21,390**	**1,418,381**	**$ 614**	**3,498,859**	**$ 7,098**	**80,188,600**	**$ 80**	**9,357,822**	**$ 9**	**$ 134,735**	**$ (161,458)**	**$ (26,634**

See accompanying Notes to Financial Statements.

KNIGHTSCOPE, INC.
STATEMENTS OF CASH FLOWS
(In thousands)

	Year ended December 31,	
	2023	2022
Cash Flows From Operating Activities		
Net loss	$ (22,118)	$ (25,643)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,364	1,710
Stock compensation expense	2,726	3,539
Change in fair value of warrant and derivative liability	(4,910)	(20,857)
Change in fair value of convertible note	—	4,650
Amortization of debt discount	5	8,878
Loss from damage of Autonomous Security Robots	19	—
Common stock issued in exchange for consulting services	385	267
Non-cash interest	454	343
Changes in operating assets and liabilities:		
Accounts receivable	(720)	181
Inventory	240	(41)
Prepaid expenses and other current assets	(457)	361
Other assets	(5)	(11)
Accounts payable	(599)	944
Accrued expenses	(1,258)	1,213
Deferred revenue	(548)	607
Other current and noncurrent liabilities	267	(205)
Net cash used in operating activities	(24,155)	(24,064)
Cash Flows From Investing Activities		
Acquisition of business, net of cash acquired	—	(5,421)
Purchase of Autonomous Security Robots	(4,665)	(4,399)
Purchase of property and equipment	(457)	(111)
Net cash used in investing activities	(5,122)	(9,931)
Cash Flows From Financing Activities		
Proceeds from stock options exercise	263	551
Proceeds from issuance of REG A Bonds, net of issuance costs	1,237	—
Proceeds for the issuance of convertible notes, net of issuance costs	—	3,157
Offering proceeds, net of issuance costs	—	19,625
Proceeds from issuance of warrants, net of issuance costs	—	1,818
Proceeds from equity sale, net of issuance costs	25,918	2,879
Net repayments from financing obligations	(560)	—
Share conversion costs	(9)	(74)
Net cash provided by financing activities	26,849	27,956
Net change in cash and cash equivalents	(2,428)	(6,039)
Cash, cash equivalents and restricted cash at beginning of year	4,810	10,849
Cash, cash equivalents and restricted cash at end of year	$ 2,382	$ 4,810
Supplemental Disclosure of Non-Cash Financing and Investing Activities		
Goodwill adjustment	$ 578	$ —
Cashless exercise of warrants for preferred stock	$ —	$ 370
Conversion of preferred stock to common stock	$ 1,580	$ 21,436
Conversion of debt obligations to Class A Common Stock	$ 8,592	$ 16,011
Fair value of shares issued for consulting services	$ —	$ 386
Operating lease liabilities arising from obtaining right of use asset	$ 134	$ —
Holdback liability for acquisition of business included in accrued liabilities	$ —	$ 232

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Dollars in thousands, unless otherwise stated)

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 a public safety advanced technology company that builds fully autonomous security robots and blue light emergency communications systems. The Company’s mission is to make the USA 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, Emergency Communication Devices (“ECDs” which include, its newly released Knightscope Emergency Management System (“KEMS”) platform.

Basis of Presentation and Liquidity

These financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”).

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

The financial statements of the Company have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business. Cash and cash equivalents on hand were $2.3 million as of December 31, 2023, compared to $4.8 million as of December 31, 2022. The Company has historically incurred losses and negative cashflows from operations. As of December 31, 2023, the Company also had an accumulated deficit of $161.5 million, working capital of $1.3 million and stockholders’ deficit of $26.6 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.

In connection with its listing on the Nasdaq Global Market on January 27, 2022, the Company completed its Regulation A Offering on January 26, 2022, issuing 2,236,619 shares of Class A Common Stock and generating net proceeds of approximately $20.2 million. Following the Company's listing on Nasdaq on January 27, 2022, in April 2022, Knightscope established a $100 million committed equity facility with B. Riley Principal Capital, LLC, enabling the Company to access capital in its discretion, as required, subject to market conditions. After the Class A Common Stock had been listed for a year, the Company filed a registration statement for up to $20 million for an at-the-market offering agreement on February 1, 2023 with H.C. Wainwright & Co., LLC. In August 2023, the Company filed a new prospectus supplement providing for the offering and sale from time to time of up to $25.0 million in shares of Class A Common Stock subject to, and in accordance with SEC rules. This facility provides the Company with additional access to capital, as needed, subject to market conditions. On September 29, 2023, the Company filed an Offering Circular (the "Offering Circular") for the issuance of up to $10.0 million in Public Safety Infrastructure 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 Company's projected cash flows are subject to various risks and uncertainties, and the unavailability or inadequacy of financing to meet future capital needs could force it to modify, curtail, delay, or suspend some or all aspects of its planned operations or discontinue operations completely. Management's plans include seeking additional financing, such as issuances of equity and issuances of debt and/or convertible debt instruments. Sales of additional equity securities, convertible debt and/or warrants by the Company could result in the dilution of the interests of existing stockholders. The Company will require significant additional financing to meet its planned capital needs and is pursuing opportunities to obtain additional financing through equity and/or debt alternatives. However, there can be no assurance that financing will be available when required in sufficient amounts, on acceptable terms or at all. As a result, the substantial doubt about the Company's ability to continue as a going concern has not been alleviated. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

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 basis for purposes of allocating resources and evaluating financial performance. All long-lived assets are located in the USA and substantially all revenue is attributed to sellers and buyers based in the USA.

Comprehensive Loss

Comprehensive loss is defined as the change in the equity of a business during a period from transactions and other events and circumstances from non-owner sources. Comprehensive loss was equal to net loss for years ended December 31, 2023 and 2022.

Use of Estimates

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

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company places its cash and cash equivalents in highly liquid instruments with, and in the custody of, financial institutions with high credit ratings.

Restricted Cash

The Company has restricted cash as collateral for the Company's corporate credit card program. As of December 31, 2023 and 2022, the carrying value of restricted cash was $0.1 and $0 million, respectively.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, cash equivalents, restricted cash, and accounts receivable. The Company monitors the credit exposure of its cash, cash equivalents, and restricted cash balances by reviewing the credit worthiness of the financial institutions in which it holds its cash. Such reviews may result in the Company moving its cash to banks with more solid balance sheets. Cash, cash equivalents, and restricted cash deposits with financial institutions may occasionally exceed the limits of insurance on bank deposits; however, the Company has not experienced any losses on such accounts. As of December 31, 2023 and 2022, the Company had cash, cash equivalent, and restricted cash balances exceeding Federal Deposit Insurance Corporation ("FDIC") insured limits by $2.1 million and $4.6 million, respectively. The Company intends to monitor the stability of the financial institutions in which it keeps its liquid funds in order to mitigate against the exposure to loss of funds and delays in accessing cash.

The Company extends credit to clients in the normal course of business and performs ongoing credit evaluations of its clients. Concentrations of credit risk with respect to accounts receivable exist to the full extent of amounts presented in the financial statements. The Company does not require collateral from its clients to secure accounts receivable.

Accounts receivable was derived from the leasing of proprietary ASRs along with access to browser-based interface KSOC as well as the sale of ECDs. The Company reviews its receivables for collectibility based on historical loss patterns, aging of the receivables, and assessments of specific identifiable client accounts considered at risk or uncollectible and provides allowances for potential credit losses, as needed. The Company also considers any changes to the financial condition of its clients and any other external market factors that could impact the collectibility of the receivables in the determination of the allowance for credit losses. Based on these assessments, the Company recorded an immaterial allowance for credit losses on its accounts receivable as of December 31, 2023 compared to an allowance of $0.2 million on its accounts receivable balance as of December 31, 2022.

As of December 31, 2023, the Company had one client whose accounts receivable balance, including unbilled amounts, totaled 10% or more of the Company's total accounts receivable (34%) compared with three such clients as of December 31, 2022 (13%,12% and 12%).

For the year ended December 31, 2023, the Company had two client who individually accounted for 10% or more of the Company's total revenue, net (10%) compared with no clients accounting for 10% or more of total revenue for the year ended December 31, 2022.

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.

	December 31,	
	2023	2022
Raw materials	$ 2,112	$ 2,032
Work in process	82	—
Finished goods	126	528
	$ 2,320	$ 2,560

Prepaid expenses and other current assets

Prepaid and other current assets is comprised of the following (in thousands):

	December 31,	
	2023	2022
Prepaid inventory	$ 123	$ 66
Prepaid expense	488	901
Other receivables	362	—
Research and development tax credit	376	376
Other current assets	72	6
	$ 1,421	$ 1,349

Autonomous Security Robots, net ("*ASRs")*

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 $8 and $66, depreciation expense of finished ASRs included in sales and marketing expense amounted to $15 and $46, and depreciation expense included in cost of revenue, net amounted to $1.6 million and $1.4 million for the years ended December 31, 2023 and 2022, respectively.

ASRs, net, consisted of the following (in thousands):

	December 31,	
	2023	2022
Raw materials	$ 3,841	$ 2,732
ASRs in progress	1,575	773
Finished ASRs	12,130	10,198
	17,546	13,703
Accumulated depreciation on Finished ASRs	(8,701)	(7,853)
ASRs, net	$ 8,845	$ 5,850

The components of the Finished ASRs, net, are as follows (in thousands):

	December 31,	
	2023	2022
ASRs on lease or available for lease	$ 10,804	$ 9,002
Demonstration ASRs	607	622
Research and development ASRs	194	194
Charge boxes	525	380
	12,130	10,198
Less: accumulated depreciation	(8,701)	(7,853)
Finished ASRs, net	$ 3,429	$ 2,345

Property, Equipment and Software, net

Property, equipment and software, net is stated at cost less accumulated depreciation and amortization and is depreciated using the straight-line method over the estimated useful lives of the assets. Computer equipment, software and furniture, fixtures and equipment are depreciated over useful lives ranging from three to five years, and leasehold improvements are depreciated over the respective lease term or useful lives, whichever is shorter. Maintenance and repairs are charged to expense as incurred, and improvements and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the balance sheets and any resulting gain or loss is reflected in the statements of operations in the period realized.

Property, equipment, and software, net as of December 31, 2023 and 2022 were as follows (in thousands):

	December 31	
	2023	2022
Computer equipment	$ 258	$ 258
Software	8	8
Furniture, fixtures and equipment	1,245	788
Leasehold improvements	46	46
	1,557	1,100
Accumulated depreciation and amortization	(700)	(486)
Property, equipment and software, net	$ 857	$ 614

Depreciation and amortization expense on property, equipment and software included in research and development expenses amounted to $27 and $47, for cost of revenue, net amounted to $173 and $29, and for sales and marketing amounted to $8 and $0 for the years ended December 31, 2023 and 2022, respectively. Depreciation and amortization expense relating to general and administrative expenses was insignificant for all periods presented.

Business Acquisitions

The Company performs valuations of assets acquired and liabilities assumed for acquisitions and allocates the purchase price to its respective net tangible and intangible assets, and liabilities based on their estimated fair values. Any residual purchase price is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies. During the measurement period, the Company may record certain adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. After the measurement period, which could be up to one year after the transaction date, all adjustments are recorded to the Company's statements of operations.

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 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 financial statements for the year ended December 31, 2022 and the unaudited condensed financial statements for the quarters ended March 31, 2023 and June 30, 2023.

Goodwill and Acquired Intangible Assets

The Company records goodwill when the consideration paid in a purchase acquisition exceeds the fair value of the net tangible assets and the identified intangible assets acquired. Goodwill is not amortized, but rather is tested for impairment. The Company performs testing for impairment of goodwill annually, at the end of the year, or as events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company tests goodwill for impairment at the reporting unit level using a two-step approach. In step one, the Company determines if the fair value of the reporting unit exceeds the unit's carrying value. If step one indicates that the fair value of the reporting unit is less than its carrying value, the Company performs step two, determining the fair value of goodwill and, if the carrying value of goodwill exceeds the implied fair value, recording an impairment charge. The Company has determined that there is a single reporting unit for the purpose of goodwill impairment tests. Since inception through December 31, 2023, the Company did not have any goodwill impairment.

Acquired intangible assets consist of identifiable intangible assets, primarily developed technology, trademark and customer relationships. These intangible assets have been determined to have definite lives and are carried at cost, less accumulated amortization. The Company amortizes the intangible assets with finite lives using the straight-line method over the estimated economic lives of the assets, which is normally one to eight years. The amortization expense for developed technology is recorded in cost of revenues. The amortization expense for the trademark and customer relationships is recorded in sales and marketing expense.

Impairment of Long-Lived Assets

The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable from the estimated future cash flows expected to result from their use or eventual disposition. If estimates of future undiscounted net cash flows are insufficient to recover the carrying value of the assets, the Company will record an impairment loss in the amount by which the carrying value exceeds the fair value. If the assets are determined to be recoverable, but the useful lives are shorter than originally estimated, the Company will depreciate or amortize the net book value of the assets over the newly determined remaining useful lives. None of the Company's ASRs, property, equipment and software or intangible assets were determined to be impaired during the year ended December 31, 2023 and 2022.

Leases

The Company determines if a contract is a lease or contains a lease at the inception of the contract and reassesses that conclusion if the contract is modified. All leases are assessed for classification as an operating lease or a finance lease. Operating lease right-of-use ("ROU") assets are presented separately on the Company's balance sheets. The Company does not have any finance lease ROU assets or liabilities. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. The Company does not obtain and control its right to use the identified asset until the lease commencement date.

The Company's lease liabilities are recognized at the applicable lease commencement date based on the present value of the lease payments required to be paid over the lease term. Because the rate implicit in the lease is not readily determinable, the Company generally uses its incremental borrowing rate to discount the lease payments to present value. The estimated incremental borrowing rate is derived from information available at the lease commencement date. The Company factors in publicly available data for instruments with similar characteristics when calculating its incremental borrowing rates. The Company's ROU assets are also recognized at the applicable lease commencement date. The ROU asset equals the carrying amount of the related lease liability, adjusted for any lease payments made prior to lease commencement and lease incentives provided by the lessor. Variable lease payments are expensed as incurred and do not factor into the measurement of the applicable ROU asset or lease liability.

The term of the Company's leases equals the non-cancellable period of the lease, including any rent-free periods provided by the lessor, and also include options to renew or extend the lease (including by not terminating the lease) that the Company is reasonably certain to exercise. The Company establishes the term of each lease at lease commencement and reassesses that term in subsequent periods when one of the triggering events outlined in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842") occurs. Operating lease costs for lease payments is recognized on a straight-line basis over the lease term.

The adjustments due to the adoption of ASC 842 primarily related to the recognition of an operating lease ROU asset and corresponding operating lease liability for the Company's leased properties. The Company's operating lease ROU asset and liability were recognized at the adoption date of ASC 842, based on the present value of lease payments over the remaining lease term. In determining the net present value of lease payments, the Company used its borrowing rate of 12.0% based on the information available, including remaining lease term, at the adoption date of ASC 842. As of December 31, 2023, the Company's incremental borrowing rate for its real estate operating leases range from 5.25% to 16% dependent upon the weighted-average remaining lease term of 1.9 years for the Company's leased properties.

The Company's lease contracts often include lease and non-lease components. For facility leases, the Company has elected the practical expedient offered by the standard to not separate lease from non-lease components and accounts for them as a single lease component.

The Company has elected, for all classes of underlying assets, not to recognize ROU assets and lease liabilities for leases with a term of twelve months or less. Lease costs for short-term leases is recognized on a straight-line basis over the lease term.

Other Current Liabilities

Other current liabilities consisted of the following:

	December 31, 2023	December 31, 2022
Sales tax	$ 364	$ 419
Customer and vendor deposits	239	50
Warranty liability	406	145
Other	460	449
	$ 1,469	$ 1,063

Accrued Warranty

The liability for estimated warranty claims is accrued at the time of sale and the expense is recorded in the 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 years ended consisted of the following:

	December 31,	
	2023	2022
Balance January 1,	$ 145	$ —
Provision for warranties issued during the year	675	288
Warranty services provided	(414)	(143)
	$ 406	$ 145

Accrued Expenses

Accrued expenses consisted of the following:

	December 31, 2023	December 31, 2022
Accrued bonuses	$ —	$ 961
Payroll and payroll taxes	604	696
Legal, consulting, and financial services	117	542
Credit cards	244	188
Other	180	16
	$ 1,145	$ 2,403

Convertible Preferred Warrant Liability 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 statements of operation. 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, the completion of a sale of the Company or an underwritten initial public offering ("IPO"). Upon an IPO, 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.

The Company issued common stock warrants in connection with the execution of a certain debt financing during the year ended December 31, 2015. 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.

On October 10, 2022, the Company issued common stock warrants in connection with the execution of Convertible Notes ("2022 Convertible Notes"). These warrants are recorded as a derivative liability as it was determined they are not indexed to the Company's common stock and accounted for at fair value upon issuance. The derivative liability will be marked to market each reporting period with changes in fair value recorded in change in fair value of warrant and derivative liability on the statements of operations.

Revenue Recognition

ASR related revenues

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.

ECD related revenues

The Company also derives revenues from sales of its ECDs and related services, such as installation, maintenance, and upgrades. Revenue is recognized when clients sign full or partial certificate of completion, at which point, Knightscope can generate an invoice for its products and services. Clients also have the option to sign up for ongoing preventative and maintenance agreements. The maintenance revenue is recognized in the period the service is performed and the Company has determined that 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 is generated from lease of proprietary ASRs along with access to the browser-based interface KSOC through contracts that typically have 12-month terms. These revenue arrangements adhere to lease accounting guidance and are classified as leases for revenue recognition purposes. Currently, all revenue arrangements qualify as operating leases where consideration allocated to the lease deliverables is recognized ratably over the lease term.

Deferred revenue

In connection with the Company's 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 its revenue from the lease subscription of its proprietary ASRs along with access to its browser and mobile based software interface, KSOC. MaaS subscription agreements typically have a twelve (12)-month term.

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

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

	December 31, 2023	December 31, 2022
Deferred revenue - short term	$ 1,741	$ 1,711
Revenue recognized in the year ended related to amounts included in deferred revenue at the beginning of the period	$ 1,466	$ 657

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

Customer Deposits

Customer deposits primarily relate to sales of ECDs 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:

	Year Ended December 31					
	2023			2022		
	Point in time	Over time	Total	Point in time	Over time	Total
ASRs	$ 153	$ 4,036	$ 4,189	$ 77	$ 4,125	$ 4,202
ECDs	8,330	278	8,608	1,370	59	1,429
Total	$ 8,483	$ 4,314	$ 12,797	$ 1,447	$ 4,184	$ 5,631

Other revenue, net

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

Product Revenue, net

Product revenue, net includes point of sale transactions related to the ECDs, including product, shipping, and installation.

Cost of revenue, net

Cost of revenue, net related to services includes depreciation of the ASRs and some ECDs over their useful lives, labor and associated benefits incurred in the production and maintenance of the ASRs, data and communications fees, routine maintenance costs, shipping costs, and other direct costs incurred during assembly and deployment. ECD related cost of revenue, net also consist of all direct materials and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tool, repairs and other expenses.

Shipping and Handling Costs

The Company classifies certain shipping and handling costs as cost of revenue, net in the accompanying statements of operations. The amounts classified as cost of revenue, net represent shipping and handling costs associated with the deployment or returns of the ASRs directly to or from clients. Management believes that the classification of these shipping and handling costs as cost of revenue, net better reflects the cost of producing the ASRs and selling its services. Shipping and handling costs associated with the transportation of demonstration units shipped to sales personnel and clients are recorded as sales and marketing expenses.

The shipping and handling costs recorded within cost of revenue, net totaled approximately $275 and $153 for the years ended December 31, 2023 and 2022, respectively. Shipping and handling costs recorded within sales and marketing was insignificant for the years ended December 31, 2023 and 2022, respectively.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with 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.

Research and Development Costs

Research and development costs primarily consist of employee-related expenses, including salaries and benefits, share-based compensation expense, facilities costs, depreciation and other allocated expenses. Research and development costs are expensed as incurred.

Advertising Costs

Advertising costs are recorded in sales and marketing expense in the Company's statements of operations as incurred. Advertising expense was $1.7 million and $5.1 million for the years ended December 31, 2023 and 2022, respectively.

Income Taxes

The Company uses the liability method of accounting for income taxes as set forth in ASC 740, *Income Taxes* ("ASC740"). Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. The Company measures deferred tax assets and liabilities using tax rates applicable to taxable income in effect for the years in which those tax assets are expected to be realized or settled and provides a valuation allowance against deferred tax assets when it cannot conclude that it is more likely than not that some or all deferred tax assets will be realized. The assessment requires significant judgment and is performed in each of the applicable taxing jurisdictions. Additionally, the Company assesses its uncertain tax positions and records tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. In accordance with ASC 740-10, for those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, the Company's policy is to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the financial statements.

Basic and Diluted Net Loss per Share

Net loss per share of Class A and Class B 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 are 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 convertible preferred stock, other than Series m-4 Preferred Stock, are also entitled to noncumulative dividends prior and in preference to common stock and do not have a contractual obligation to share in the losses of the Company. 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 of Class A and Class B Common Stock is computed by dividing net loss attributable to common stockholders (adjusted for preferred stock dividends declared or accumulated) by the weighted average number of shares of Class A and Class B Common Stock 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:

	December 31,	
	2023	2022
Series A Preferred Stock (convertible to Class B Common Stock)	1,418,381	3,086,160
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)	1,779,653	1,855,328
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)	2,642,190	2,714,732
Warrants to purchase common stock (convertible to Class A Common Stock)	1,138,446	1,138,446
Warrants to purchase Series m-3 (convertible to Class A Common Stock)	1,432,786	1,432,786
Warrants to purchase Series s (convertible to Class A Common Stock)	2,941,814	4,441,814
Convertible Notes	—	5,189,351
Stock options	10,069,394	10,081,915
Total potentially dilutive shares	25,081,523	33,636,153

As all potentially dilutive securities are anti-dilutive as of December 31, 2023 and 2022, diluted net loss per share of Class A and Class B Common Stock is the same as basic net loss per share for each year.

Accounting Pronouncements Adopted in 2023

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU No. 2016-13"), which requires measurement and recognition of expected credit losses for financial assets held at the reporting date based on internal information, external information, or a combination of both relating to past events, current conditions, and reasonable and supportable forecasts. ASU No. 2016-13 replaces the existing incurred loss impairment model with a forward-looking expected credit loss model, which will result in earlier recognition of credit losses. Subsequent to the issuance of ASU No.2016-13, the FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments – Credit Losses, ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815,Derivatives and Hedging, and Topic 825, Financial Instrument, ASU No. 2019-05, Financial Instruments – Credit Losses (Topic 326) Targeted Transition Relief, ASU No. 2016-13, ASU No. 2019-10 Financial Instruments-Credit Losses (Topic326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), and ASU No. 2019-11 Codification Improvements to Topic 326, Financial Instruments-Credit Losses. The subsequent ASUs do not change the core principle of the guidance in ASU No. 2016-13. Instead, these amendments are intended to clarify and improve operability of certain topics included within ASU No. 2016-13.

The Company adopted this standard on January 1, 2023, using a modified retrospective approach, which requires accumulative-effect adjustment to accumulated deficit as of the beginning of the period of adoption with prior periods not restated. The adoption of ASU No. 2016-13 did not have a material impact on the Company's financial statements.

Accounting Pronouncements Not Yet Adopted

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

On December 14, 2023, the FASB issued Accounting Standards Update 2023-09, *Income Taxes*, which establishes new income tax disclosure requirements in addition to modifying and eliminating certain existing requirements. Under the new guidance, entities must consistently categorize and provide greater disaggregation of information in the rate reconciliation. The amendment is effective for fiscal years ending after December 15, 2025. Management does not believe the implementation of this pronouncement will have a material impact on the Company's financial statements.

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 financial statements.

NOTE 2: 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 liability. The inputs used in estimating the fair value of the warrant liability 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 December 31, 2023 and 2022 and the classification by level of input within the fair value hierarchy:

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

	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 years ended December 31, 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 and derivative liability during the years ended December 31, 2023 and 2022, which were measured at fair value on a recurring basis:

		Warrant and Derivative Liability
Balance as of January 1, 2022	$	30,566
Initial fair value of Class A Common Stock warrants		1,818
Exercise of warrants		(370)
Revaluation of Class A Common Stock, Series B, m-3 and s Preferred Stock warrants		(20,857)
Balance as of December 31, 2022		11,157
Warrant cancellations		(308)
Revaluation of Common Stock warrants		(875)
Revaluation of Series s and Series m-3 Preferred Stock warrants		(3,727)
Balance as of December 31, 2023	$	6,247

The following table sets forth a summary of the changes in the fair value of the Company's level 3 convertible note during the year ended December 31, 2023, which were measured at fair value on a recurring basis:

Balance January 1, 2023	$	8,152
Accretion of interest		440
Note conversion		(8,592)
Balance as of December 31, 2023	$	—

NOTE 3: Business Acquisition

On October 14, 2022, the Company finalized an asset acquisition ("APA") with CASE Emergency Systems, a privately held California corporation ("CASE"), pursuant to which the Company purchased and assumed from CASE substantially all the assets and certain specified liabilities of CASE's emergency call box and communications business to complement and strengthen the Company's growing autonomous security robot business with a comprehensive product portfolio and a broadened geographic footprint.

The purchase price was $6.72 million, which included an unsecured, non-negotiable promissory note (see Note 5) in the amount of $0.56 million. The cash purchase price of $6.16 million was reduced by a working capital adjustment of $67 and was subject to an indemnification holdback of $0.67 million. On February 8, 2023, the Company and CASE finalized the working capital adjustment reflected as a reduction of the indemnification holdback amount to $0.23 million, reflected in the purchase price. The indemnification holdback was not needed to satisfy indemnification claims and was released to CASE on October 14, 2023.

The following table represents the unaudited pro-forma operating results of the Company as if the CASE acquisition had been completed on January 1, 2021 (amounts in thousands). The unaudited pro-forma information makes certain adjustments to remove transaction costs and related expenses, amortize acquired intangible assets and align the Company's debt financing with that as of the acquisition date. The unaudited pro-forma information should not be considered indicative of the results that would have occurred if the acquisition had been completed on January 1, 2022, nor is such unaudited pro-forma information necessarily indicative of future results.

		December 31, 2022 (unaudited)
Revenue	$	12,990
Net loss		(26,185)

NOTE 4: Goodwill and Intangible Assets, net

The Company recorded goodwill of $1.3 million during the year ended December 31, 2022 related to the CASE acquisition (Note 3) and an out of period adjustment of $0.6 million during the year ended December 31, 2023, bringing the total goodwill recorded pursuant to the CASE acquisition to $1.9 million (Note 1). Goodwill is not amortized to earnings, but instead is reviewed for impairment at least annually, absent any interim indicators of impairment. There was no impairment of goodwill during the years ended December 31, 2023 and 2022.

The following table sets forth a summary of the changes in goodwill (in thousands):

Balance as of January 1, 2022	$ —
Goodwill recorded pursuant to the CASE acquisition	1,344
Balance as of December 31, 2022	1,344
Out of period adjustment	578
Balance as of December 31, 2023	$ 1,922

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

		December 31, 2023		
	Amortization Period (years)	Gross carrying amount	Accumulated amortization	Carrying amount, net
Developed technology	5	$ 990	$ (239)	$ 751
Customer relationships	8	950	(144)	806
Trademark	1	230	(230)	—
Total		$ 2,170	$ (613)	$ 1,557

		December 31, 2022		
	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 was recorded as follows (in thousands):

	December 31, 2023	December 31, 2022
Cost of revenue	$ 198	$ 41
Sales and marketing	301	73
Total intangible asset amortization	$ 499	$ 114

As of December 31, 2023, future intangible assets amortization expense for each of the next five years and thereafter is as follows (in thousands):

Year ending December 31,	Amount
2024	$ 317
2025	317
2026	317
2027	275
2028	118
Thereafter	213
Total	$ 1,557

NOTE 5: Debt Obligations

Convertible Note Financing

On April 30, 2019 the Company signed a Note and Warrant Purchase Agreement under the form of which the Company could issue up to $15 million of convertible promissory notes and warrants to purchase up to 3,000,000 shares of Series S Preferred Stock (20% warrant coverage) (the "Convertible Note Financing"). Pursuant to the terms of the Convertible Note Financing, the Company became obligated, to the same group of Convertible Note Financing investors, to exchange their outstanding shares of Series m-3 Preferred Stock for the newly authorized shares of Series m-4 Preferred stock upon the closing of at least $1 million in aggregate principal amount of convertible promissory notes under the Convertible Note Financing. Warrants to purchase shares of Series S Preferred Stock of the Company were also issued to investors who invested in the Convertible Note Financing. The warrants to purchase shares of Series S Preferred Stock have an exercise price of $4.50 per share and were initially scheduled to expire on the earlier of December 31, 2021 or 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. The convertible promissory notes initially had a maturity date of January 1, 2022, and provided for payment of accrued interest at a rate of 12% per annum upon the maturity date, and were generally the most senior company security (subject to limited subordination carve-outs) and provided for significant discounts upon a qualified financing or an initial public offering, and for a premium upon a change of control.

On November 18, 2021, the Company agreed to amend the Note and Warrant Purchase Agreement and the convertible notes and warrants to purchase Series S Preferred Stock issued thereunder principally as follows: (i) the scheduled maturity date of the convertible notes was extended from January 1, 2022 to January 1, 2024, (ii) the interest rate of the convertible notes was reduced from 12% per annum to 3% per annum starting on January 1, 2022, (iii) the conversion terms of the convertible notes were revised so that the convertible notes would automatically convert into Class A Common Stock upon the listing of the Company's common stock for trading on a nationally recognized securities exchange (e.g., the New York Stock Exchange) or inter-dealer quotation system (e.g., Nasdaq), (iv) the exercise period of the warrants was extended from December 31, 2021 to December 31, 2024, commencing on January 1, 2023, and (v) the cashless exercise feature was removed from the warrants. The conversion price of the convertible notes for conversion into Class A Common Stock was not changed and remained at $2.50 per share and the exercise price of the warrants to purchase Series S Preferred Stock was not changed and remains at $4.50 per share. In connection with the listing of our Class A Common Stock on the Nasdaq Global Market on January 27, 2022, all of the outstanding convertible notes issued under the Convertible Note Financing converted to Class A Common Stock.

On October 10, 2022, the Company entered into a securities purchase agreement with an accredited investor (the "Buyer") pursuant to which the Company 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 the Company's 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, 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. Digital Offering, LLC, acted as the placement agent for the 2022 Convertible Notes Offering and received a commission of four and half percent (4.50%) of the aggregate principal amount of the 2022 Convertible Notes.

During the year ended December 31, 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 December 31, 2023, the entire outstanding principal balance of the 2022 Convertible Notes was fully retired. The 2022 Common Stock Warrants remain outstanding.

The 2022 Common Stock Warrants are recorded as derivative liabilities as it was determined they were not indexed to the Company's stock and accounted for at fair value upon issuance. The derivative liability will be marked to market each reporting period with changes in fair value recorded in changes in fair value of warrant and derivative liability on the statements of operations.

Promissory Note

On June 30, 2023, Knightscope 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 was payable in two installments with the first payment made July 10, 2023 and the final payment made on October 5, 2023.

Public Safety Infrastructure Bonds

The Company 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 the initial issuance. The Company issued Bonds totaling a principal amount of $1.4 million, in aggregate, generating net proceeds to the Company of approximately $1.2 million, net of issuance costs of approximately $0.2 million.

The amortized carrying amount of the debt obligations consists of the following:

	December 31,	
	2023	2022
Bonds, net of unamortized issuance costs of $194	$ 1,242	$ —
Convertible notes, net of fees and discount	—	8,152
Promissory notes	—	546
Total debt	1,242	8,698
Less: current portion of debt obligations	—	2,144
Non-current portion of debt obligations	$ 1,242	$ 6,554

NOTE 6: Capital Stock and Warrants

In May 2019, the Company amended and restated its Certificate of Incorporation. As of December 31, 2023, the Company was authorized to issue three classes of $0.001 par value stock consisting of Class A Common Stock ("Class A Common Stock"), Class B Common Stock ("Class B Common Stock") and Preferred Stock totaling 187,405,324 shares. The total number of shares the Company has the authority to issue under each class consists of common stock designated as 114,000,000 shares of Class A Common Stock and 30,000,000 shares of Class B Common Stock, 43,405,324 shares of $0.001 par value Preferred Stock, with Preferred Stock designated as 8,936,015 shares of Series A Preferred Stock ("Series A Preferred Stock"), 4,707,501 shares of Series B Preferred Stock ("Series B Preferred Stock"), 6,666,666 shares of Series m Preferred Stock ("Series m Preferred Stock"), 333,334 shares of Series m-1 Preferred Stock ("Series m-1 Preferred Stock"), 1,660,756 shares of Series m-2 Preferred Stock ("Series m-2 Preferred Stock"), 3,490,658 shares of Series m-3 Preferred Stock ("Series m-3 Preferred Stock"), 13,108,333 shares of Series S Preferred Stock ("Series S Preferred Stock") and 4,502,061 shares of Series m-4 Preferred Stock ("Series m-4 Preferred Stock").

Preferred Stock

Other than a change of control or in a liquidation, dissolution or winding up of the Company whether voluntary or involuntary or upon the occurrence of a deemed liquidation event, the Preferred Stock is non-redeemable. As a result of the liquidation preference, the Preferred Stock was not classified as part of stockholders' deficit in the accompanying balance sheets in accordance with ASC 480-10-S99, *SEC Materials*. The Company has excluded all series of Preferred Stock from being presented within stockholders' deficit in the accompanying balance sheets due to the nature of the liquidation preferences.

Effective December 23, 2016, the Company was qualified by the SEC to offer up to 6,666,666 shares of Series m Preferred Stock to accredited and non-accredited investors in an offering pursuant to Regulation A of the Securities Act of 1933, as amended (the "Securities Act"). The offering commenced in January 2017 for up to $20 million of the Company's Series m Preferred Stock pursuant to Regulation A at a price of $3.00 per share and closed at the end of 2017. The Company received net proceeds of approximately $18.2 million from the sale of its Series m Preferred Stock through the Regulation A offering as well as from private placement transactions through December 31, 2017. The Company entered into Series m-3 Preferred Stock Purchase Agreements with certain purchasers pursuant to which the Company issued and sold directly to the purchasers an aggregate of 1,038,571 and 410,972 shares of the Company's Series m-3 Preferred Stock in December 2017 and year ended 2018, respectively, par value $0.001 per share, at a price of $3.50 per share. The Company received net proceeds of approximately $3.6 million and $1.4 million in December 2017 and the year ended 2018, respectively.

In January and February 2018, the Company converted 1,327,423 shares of Series m Preferred Stock into shares of Series m-2 Preferred Stock at a 1:1 conversion ratio. In January 2018, the Company issued 333,333 shares of Series m-2 Preferred Stock, par value $0.001 per share, at a price of $3.00 per share.

On July 11, 2018, the Company commenced an offering of up to $50 million of its Series S Preferred Stock pursuant to Regulation D and Regulation S to raise additional capital for operations (the "Regulation D Offering"). The Company is offering to sell up to 6,250,000 shares of Series S Preferred Stock, which are convertible into shares of Class A Common Stock, at a price of $8.00 per share. As of December 31, 2019, the Company has raised approximately $3.8 million through the Regulation D Offering, of which $1 million was received during year ended December 31, 2019. Issuance costs related to Regulation D Offering were $3 million as of December 31, 2019.

On May 21, 2019, the Company filed an offering statement in connection with a proposed offering of up to $50 million of its Series S Preferred Stock pursuant to Regulation A of the Securities Act, to raise additional capital for operations (the "2019 Regulation A Offering"). The offering statement was qualified by the Securities and Exchange Commission on July 22, 2019 and the Company commenced the 2019 Regulation A Offering shortly thereafter. Consistent with prior financings by the Company, the 2019 Regulation A Offering was conducted as a continuous offering pursuant to Rule 251(d)(3) of Regulation A, meaning that while the offering of securities is continuous, active sales of securities may happen sporadically over the term of the offering. For clarity, the 2019 Regulation A Offering was conducted simultaneously with the Regulation D Offering for aggregate proceeds of $50 million. As of December 31, 2021, the Company has raised $44.6 million from the 2019 Regulation A Offering, offset by $4.6 million issuance costs.

In June 2019, the Company issued to investors in the Convertible Note Financing, 1,432,786 shares of its Series m-4 Preferred Stock in exchange for 1,432,786 shares of its shares of Series m-3 Preferred Stock. The Series m-4 Preferred Stock has a senior liquidation preference to all other Preferred Stock and Common Stock of the Company, has an accruing payment in kind dividend of 12%, in the form of m-4 Preferred shares, and has certain other preferential rights, including voting rights. Due to higher seniority and different terms of Series m-4 Preferred Stock compared to Series m-3 Preferred Stock, this exchange resulted in an increase in fair value of Series m-4 Preferred Stock exchanged from Series m-3 Preferred Stock of $0.9 million that was recorded as interest expense on the exchange date.

On June 15, 2020, the Company filed an offering statement in connection with a proposed offering of up to $25 million of its Series S Preferred Stock pursuant to Regulation A of the Securities Act, to raise additional capital for operations (the “2020 Regulation A Offering”). The offering statement was qualified by the Commission on October 21, 2020 and the Company commenced the 2020 Regulation A Offering shortly thereafter. Consistent with prior financings by the Company, the 2020 Regulation A Offering was conducted as a continuous offering pursuant to Rule 251(d)(3) of Regulation A, meaning that while the offering of securities is continuous, active sales of securities may happen sporadically over the term of the offering. For clarity, the 2020 Regulation A Offering was conducted simultaneously with the Regulation D Offering for aggregate proceeds of $50 million. As of December 31, 2020, the Company had raised approximately $2.5 million from the 2020 Regulation A Offering. The 2020 Regulation A Offering terminated on April 21, 2021.

All classes of preferred stock have a par value of $0.001 per share.

The following tables summarize convertible preferred stock authorized and issued and outstanding as of December 31, 2023:

	Shares Authorized	Shares Issued and Outstanding	Proceeds Net of Issuance Costs (in thousands)	Aggregate Liquidation Preference (in thousands)
Series A Preferred Stock	8,936,015	1,413,381	$ 614	$ 1,267
Series B Preferred Stock	4,707,501	3,498,859	7,098	7,138
Series m Preferred Stock	6,666,666	1,779,653	4,621	5,339
Series m-1 Preferred Stock	333,334	—	—	—
Series m-2 Preferred Stock	1,660,756	160,000	480	480
Series m-3 Preferred Stock	3,490,658	—	—	—
Series m-4 Preferred Stock	4,502,061	—	—	—
Series S Preferred Stock	13,108,333	2,642,190	21,390	21,137
	43,405,324	9,499,083	$ 34,203	$ 35,361

Conversion Rights

Each share of Series A Preferred Stock, Series B Preferred Stock and Series m-2 Preferred Stock (collectively known as “Super Voting Preferred Stock”) is convertible at the option of the holder at any time after the date of issuance of those shares into fully paid non-assessable shares of Class B Common Stock at the then-applicable conversion rate. Each share of Series m, Series m-1, Series m-3, Series m-4 and Series S Preferred Stock (collectively known as “Ordinary Preferred Stock”) is convertible at the option of the holder at any time after the date of issuance of such shares into fully paid non-assessable shares of Class A Common Stock at the then-applicable conversion rate. Both Super Voting Preferred Stock and Ordinary Preferred Stock will be automatically converted into fully paid non-assessable shares of Class A Common Stock (i) immediately prior to an IPO, or (ii) upon receipt by the Company of a written request for such conversion from the holders of a majority of the preferred stock then outstanding and voting as a single class on an as-converted basis other than the Series m-4 Preferred Stock then outstanding, or (iii) with respect to the Series m-4 Preferred Stock, upon the receipt by the Company of a written request for such conversion from the holders of a majority of the Series m-4 Preferred Stock then outstanding. The stock will convert in the same manner as a voluntary conversion.

Voting Rights

Super Voting Preferred stockholders vote on an as converted to Class B Common Stock basis and Class B Common Stock are entitled to ten votes for each share of Class B Common Stock held. Ordinary Preferred stockholders are entitled to one vote for each share of Class A Common Stock held. Class A and Class B Common stockholders vote together as one class on all matters. The holders of the preferred stock, the Class A Common Stock and Class B Common Stock vote together and not as separate classes.

Holders of Preferred Stock are entitled to vote on all matters submitted to a vote of the stockholders, including the election of directors, as a single class with the holders of common stock.

William Santana Li, the Chief Executive Officer and sole director of the Company, holds the Voting Proxy to vote substantially all of the shares of the Company's Series m-4 Preferred Stock, and the stock issued upon the conversion of warrants to purchase all of the shares of the Company's Series m-3 Preferred Stock and upon the conversion of warrants to purchase shares of the Company's Series S Preferred Stock, and the stock issuable upon conversion of the convertible promissory notes issued as part of the Convertible Note Financing, in each case to the extent that such shares are held by participants in the Convertible Note Financing.

Dividends Rights

In any calendar year, the holders of outstanding shares of Preferred Stock are entitled to receive dividends, when, as and if declared by the Board of Directors, out of any assets at the time legally available therefor, at the dividend rate specified for such shares of Preferred Stock payable in preference and priority to any declaration or payment of any distribution on Common Stock of the Company in such calendar year. Except the PIK dividends described below, the right to receive dividends on shares of Preferred Stock is not cumulative, and no right to dividends shall accrue to holders of Preferred Stock by reason of the fact that dividends on said shares are not declared or paid.

Holders of Series m-4 Preferred Stock are entitled to receive cumulative dividends payable semi-annually in arrears with respect to each dividend period ending on and including the last calendar day of each six-month period ending March 31 and September 30, respectively at an annual rate of $0.42 per share in the form of Series m-4 Preferred Stock ("PIK Dividends).

The Company has no obligation to pay any dividends other than the PIK Dividends to the holders of Series m-4 Preferred Stock, except when, as and if declared by the Board of Directors out of any assets at the time legally available therefor or as otherwise specifically provided in its amended and restated certificate of incorporation. No distribution will be made with respect to the other series of Preferred Stock or Common Stock until all declared or accrued but unpaid dividends on the Series m-4 Preferred Stock have been paid or set aside for payment to the Series m-4 Preferred Stockholders.

No distributions shall be made with respect to the Series B Preferred Stock, the Series m Preferred Stock, the Series m-1 Preferred Stock, the Series m-2 Preferred Stock, Series A Preferred Stock or Series m-3 Preferred Stock unless dividends on the Series S Preferred Stock have been declared in accordance with the preferences stated in the amended and restated certificate of incorporation and all declared dividends on the Series S Preferred Stock have been paid or set aside for payment to the Series S Preferred Stockholders.

No distributions shall be made with respect to the Series A Preferred Stock or Series m-3 Preferred Stock unless dividends on the Series B Preferred Stock, the Series m Preferred Stock, the Series m-1 Preferred Stock and the Series m-2 Preferred Stock have been declared in accordance with the preferences stated in the amended and restated certificate of incorporation and all declared dividends on the Series B Preferred Stock, the Series m Preferred Stock, the Series m-1 Preferred Stock and the Series m-2 Preferred Stock have been paid or set aside for payment to the Series B Preferred Stockholders, the Series m Preferred Stockholders, the Series m-1 Preferred Stockholders and the Series m-2 Preferred Stockholders, as applicable.

No distributions shall be made with respect to the Series m-3 Preferred Stock unless dividends on the Series A Preferred Stock have been declared in accordance with the preferences stated in the amended and restated certificate of incorporation and all declared dividends on the Series A Preferred Stock have been paid or set aside for payment to the Series A Preferred Stockholders.

No distributions shall be made with respect to the Common Stock unless dividends on the Series m-3 Preferred Stock have been declared in accordance with the preferences stated in the amended and restated certificate of incorporation and all declared dividends on the Series m-3 Preferred Stock have been paid or set aside for payment to the Series m-3 Preferred Stockholders.

The Company has never declared or paid cash dividends on any of its capital stock and currently does not anticipate paying any cash dividends after this offering or in the foreseeable future.

Right to receive Liquidation Distributions

In the event of any Liquidation Event, as defined in the Company's amended and restated certificate of incorporation (which includes the liquidation, dissolution, merger, acquisition or winding up of the Company), the holders of the Series m-4 Preferred Stock are entitled to receive, prior and in preference to any distribution of any of the assets of the Company to the holders of the other series of Preferred Stock or Common Stock by reason of their ownership of such stock, an amount per share for each share of Series m-4 Preferred Stock held by them equal to the greater of (A): the sum of (i) the Liquidation Preference specified for such share of Series m-4 Preferred Stock, and (ii) all accrued but unpaid PIK Dividends (if any) on such share of Series m-4 Preferred Stock, whether or not declared, or (B) the consideration that such Holder would receive in the Liquidation Event if all shares of Series m-4 Preferred Stock were converted to Class A Common Stock immediately prior to such Liquidation Event, or (C) such lesser amount as may be approved by the holders of the majority of the outstanding shares of Series m-4 Preferred Stock, where for purposes of (B) such Holder is deemed to hold, in addition to each of its shares of Series m-4 Preferred Stock, any additional shares of Series m-4 Preferred Stock that constitute all accrued but unpaid PIK Dividends, whether or not declared. If upon the Liquidation Event, the assets of the Company legally available for distribution to the holders of the Series m-4 Preferred Stock are insufficient to permit the payment to such holders of the full amounts specified in our amended and restated certificate of incorporation, then the entire assets of the Company legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Series m-4 Preferred Stock in proportion to the full amounts they would otherwise be entitled to receive. The Series m-4 Preferred Stock has a $7.00 per share liquidation preference, which is 2x its original issue price.

The holders of the Series S Preferred Stock are entitled to receive, after distributions to Series m-4 Preferred stockholders and prior and in preference to any distribution of any of the assets of the Company to the holders of the Series A Preferred Stock, Series B Preferred Stock, Series m Preferred Stock, Series m-1 Preferred Stock, Series m-2 Preferred Stock, Series m-3 Preferred Stock or Common Stock by reason of their ownership of such stock, an amount per share for each share of Series S Preferred Stock held by them equal to the greater of (A): the sum of (i) $8.00 per share of Series S Preferred Stock, and (ii) all declared but unpaid dividends (if any) on such share of Series S Preferred Stock, or (B) the amount such Holder would receive if all shares of Series S Preferred Stock were converted to Common Stock immediately prior to such Liquidation Event, or (C) such lesser amount as may be approved by the holders of the majority of the outstanding shares of Series S Preferred Stock. If upon the Liquidation Event, the assets of the Company legally available for distribution to the holders of the Series S Preferred Stock are insufficient to permit the payment to such holders of the full amounts specified in our amended and restated certificate of incorporation, then the entire assets of the Company legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Series S Preferred Stock in proportion to the full amounts they would otherwise be entitled to receive.

The holders of the Series B Preferred Stock, the Series m Preferred Stock, the Series m-1 Preferred Stock and the Series m-2 Preferred Stock shall be entitled to receive, after distributions to Series m-4 and Series S Preferred stockholders and prior and in preference to any distribution of any of the assets of the Company to the holders of the Series A Preferred Stock, Series m-3 Preferred Stock or Common Stock by reason of their ownership of such stock, an amount per share for each share of Series B Preferred Stock, the Series m Preferred Stock, the Series m-1 Preferred Stock and the Series m-2 Preferred Stock held by them equal to the greater of (A): the sum of (i) $2.0401 per share of Series B Preferred Stock, $3.00 per share of Series m Preferred Stock, $3.00 per share of Series m-1 Preferred Stock or $3.00 per share of Series m-2 Preferred Stock, as applicable, and (ii) all declared but unpaid dividends (if any) on such share of Series B Preferred Stock, Series m Preferred Stock, Series m-1 Preferred Stock or Series m-2 Preferred Stock, as applicable, or (B) the amount such Holder would receive if all shares of the applicable series of Preferred Stock were converted to Common Stock immediately prior to such Liquidation Event, or (C) such lesser amount as may be approved by the holders of the majority of the outstanding shares of Series B Preferred Stock, Series m Preferred Stock, Series m-1 Preferred Stock and Series m-2 Preferred Stock, voting together as a single class. If upon the Liquidation Event, the assets of the Company legally available for distribution to the holders of the Series B Preferred Stock, the Series m Preferred Stock, the Series m-1 Preferred Stock and the Series m-2 Preferred Stock are insufficient to permit the payment to such holders of the full amounts specified in our amended and restated certificate of incorporation, then the entire assets of the Company legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Series B Preferred Stock, the Series m Preferred Stock, the Series m-1 Preferred Stock and the Series m-2 Preferred Stock in proportion to the full amounts they would otherwise be entitled to receive.

The holders of Series A Preferred Stock are entitled to receive, after distributions to Series m-4, Series S, Series B, Series m, Series m-1 and Series m-2 Preferred Stock and prior and in preference to any distribution of any of the assets of the Company to the holders of Common Stock or Series m-3 Preferred Stock by reason of their ownership of such stock, an amount per share for each share of Series A Preferred Stock held by them equal to the greater of: (A) the sum of (i) $0.8932 per share of Series A Preferred Stock and (ii) all declared but unpaid dividends (if any) on such share of Series A Preferred Stock, or (B) the amount such Holder would receive if all shares of Series A Preferred Stock were converted to Common Stock immediately prior to such Liquidation Event, or (C) such lesser amount as may be approved by the holders of the majority of the outstanding shares of Series A Preferred Stock. If upon a Liquidation Event, the assets of the Company legally available for distribution to the holders of the Series A Preferred Stock are insufficient to permit the payment to such holders of the full amounts specified in our amended and restated certificate of incorporation, then the entire assets of the Company legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Series A Preferred Stock in proportion to the full amounts they would otherwise be entitled to receive.

The holders of Series m-3 Preferred Stock are entitled to receive, after distributions to Series m-4, Series S, Series B, Series m, Series m-1 and Series m-2, and Series A Preferred Stock and prior and in preference to any distribution of any of the assets of the Company to the holders of Common Stock by reason of their ownership of such stock, an amount per share for each share of Series m-3 Preferred Stock held by them equal to the greater of (A): the sum of (i) the $3.50 per share of Series m-3 Preferred Stock and (ii) all declared but unpaid dividends (if any) on such share of Series m-3 Preferred Stock, or (B) the amount such Holder would receive if all shares of Series m-3 Preferred Stock were converted to Common Stock immediately prior to such Liquidation Event, or (C) such lesser amount as may be approved by the holders of the majority of the outstanding shares of Series m-3 Preferred Stock. If upon a Liquidation Event, the assets of the Company legally available for distribution to the holders of the Series m-3 Preferred Stock are insufficient to permit the payment to such holders of the full amounts specified in our amended and restated certificate of incorporation, then the entire assets of the Corporation legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Series m-3 Preferred Stock in proportion to the full amounts they would otherwise be entitled to receive.

After payment of all liquidation preferences to the holders of the Preferred Stock, as outlined below, all remaining assets of the Company legally available for distribution shall be distributed pro rata to the holders of the common stock, without any participation in such liquidation by the Preferred Stock. Our amended and restated certificate of incorporation explicitly requires that before any shares of Preferred Stock are converted into common stock, the relevant holder's right to liquidation preference be surrendered, in order to prevent treatment of shares as both Preferred Stock and common stock for the purpose of distributions of assets upon a Liquidation Event.

Common Stock

Each share of Class B Common Stock is convertible into one fully paid and non-assessable share of Class A Common Stock at the option of the holder at any time. Each share of Class B Common Stock will automatically convert into one fully paid and non-assessable share of Class A Common Stock upon the sale, assignment, transfer or disposition of the share or any interest in the share.

Standstill Agreements

On August 14, 2023, the Company entered into a Standstill Agreement (the "August Standstill Agreement") with a holder of 7,000,000 shares of Class B Common Stock. Under the terms of the August Standstill Agreement the holder agreed not to exercise his right to convert his Class B Common Stock to Class A Common Stock until after 2024 Annual Meeting of Stockholders of the Company.

On November 27, 2023, the Company entered into a Standstill Agreement (the "November Standstill Agreement") with a holder of 2,000,000 shares of Class B Common Stock. Under the terms of the November Standstill Agreement the holder agreed not to exercise his right to convert his Class B Common Stock to Class A Common Stock until the 2024 Annual Meeting of Stockholders of the Company.

On December 26, 2023, the Company entered into a Standstill Agreement (the "First December Standstill Agreement") with a holder of a warrant to purchase up to 346,000 shares of Series m-3 Preferred Stock. Under the terms of the First December Standstill Agreement the warrant holder agreed not to convert any of the shares of Series m-3 Preferred Stock issuable under the warrants upon exercise thereof into Class A Common Stock, until the 2024 Annual Meeting of Stockholders of the Company. The First December Standstill Agreement provides that in the event that the stockholders of the Company do not approve at the 2024 annual meeting of stockholders an amendment to the Company's certificate of incorporation that increases the available authorized shares of Class A Common Stock, then the conversion standstill period shall be extended until such time as the stockholders duly approve an amendment to the Company's certificate of incorporation that increases the available authorized shares of Class A Common Stock. On February 23, 2024, the Company

filed a definitive proxy statement with the SEC in connection with a special meeting of stockholders to be held on April 5, 2024 to approve an amendment to the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our Class A Common Stock from 114,000,000 to 228,000,000.

On December 27, 2023, the Company entered into a Standstill Agreement (the "Second December Standstill Agreement") with a holder of a warrant to purchase up to 835,787 shares of Series m-3 Preferred Stock. Under the terms of the Second December Standstill Agreement the warrant holder agreed not to convert any of the shares of Series m-3 Preferred Stock issuable under the warrants upon exercise thereof into Class A Common Stock, until the 2024 Annual Meeting of Stockholders of the Company. The Second December Standstill Agreement provides that in the event that the stockholders of the Company do not approve at the 2024 meeting of stockholders an amendment to the Company's certificate of incorporation that increases the available authorized shares of Class A Common Stock, then the conversion standstill period shall be extended until such time as the stockholders duly approve an amendment to the Company's certificate of incorporation that increases the available authorized shares of Class A Common Stock.

On December 27, 2023, the Company entered into a Standstill Agreement (the "Third December Standstill Agreement") with a holder of warrants to purchase up to 250,999 shares of Series m-3 Preferred Stock and 2,942,714 shares of Series S Preferred Stock. Under the terms of the Third December Standstill Agreement the warrant holder agreed not to convert any of the shares of Series m-3 or Series S Preferred Stock issuable under the warrants upon exercise thereof into Class A Common Stock, until the 2024 Annual Meeting of Stockholders of the Company. The Second December Standstill Agreement provides that in the event that the stockholders of the Company do not approve at the 2024 meeting of stockholders an amendment to the Company's certificate of incorporation that increases the available authorized shares of Class A Common Stock, then the conversion standstill period shall be extended until such time as the stockholders duly approve an amendment to the Company's certificate of incorporation that increases the available authorized shares of Class A Common Stock.

Warrants

On January 16, 2018, March 16, 2018, and June 20, 2018, the Company issued warrants in connection with the Company's Series m-3 financing to purchase an aggregate of 394,215 shares of the Company's Series m-3 Preferred Stock. The warrants have an exercise price of $4.00 per share and expire on the earlier of: a) two years from the date of the warrant; b) the acquisition of the Company by another entity by means of any transaction or series of transactions to which the Company is a party or sale, lease or disposition of all or substantially all of the assets of the Company, or c) immediately prior to the closing of an initial public offering pursuant to an effective registration statement filed under the Securities Act covering the offering and sale of the Company's common stock. The warrants issued qualify as liability instruments as the warrants are exercisable into Series m-3 Preferred Stock which are redeemable upon a change of control or any liquidation or winding up of the Company whether voluntary or involuntary. The warrants have been classified as a noncurrent liability on the Company's balance sheets and were recorded as a component of the issuance costs related to the Series m-3 Preferred Stock. The Series m-3 warrant is valued at market at the end of every reporting period until the warrant is exercised or expires with the change in fair value being recorded in other income (expense) on the Company's statements of operations. The expiration date of the Series m-3 warrants have been extended to December 31 2024.

On April 30, 2019, the Company entered into the "Convertible Note Financing". Pursuant to the terms of the Convertible Note Financing, the Company became obligated to exchange its outstanding shares of Series m-3 Preferred Stock for the newly authorized shares of Series m-4 Preferred stock upon the closing of at least $1 million in aggregate principal amount of convertible promissory notes under the Convertible Note Financing. Warrants to purchase shares of Series S Preferred Stock of the Company were also issued to investors who invested in the Convertible Note Financing. The warrants to purchase shares of Series S Preferred Stock have an exercise price of $4.50 per share and were initially scheduled to expire on the earlier of December 31, 2021, or 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. As of December 31, 2021, the Company had issued and accrued warrants to purchase up to 2,941,814 shares of Series S Preferred Stock. These warrants issued qualify as liability instruments as the warrants are exercisable into Series S Preferred Stock which are redeemable upon a change of control or any liquidation or winding up of the Company whether voluntary or involuntary. The warrants have been classified as a current liability on the Company's balance sheets and were recorded as a component of the issuance costs related to Convertible Note. The Series S warrants are valued at market at the end of every reporting period until the warrants are exercised or expire with the change in fair value being recorded in other income (expense) on the Company's statements of operations.

On November 18, 2021, the Company agreed to amend the Note and Warrant Purchase Agreement for the Convertible Note Financing and the convertible notes and warrants to purchase Series S Preferred Stock issued thereunder principally as follows: (i) the scheduled maturity date of the convertible notes was extended from January 1, 2022 to January 1, 2024, (ii) the interest rate of the convertible notes was reduced from 12% per annum to 3% per annum starting on January 1, 2022, (iii) the conversion terms of the convertible notes were revised so that the convertible notes would automatically convert into Class A Common Stock upon the listing of the Company's common stock for trading on a nationally recognized securities exchange (e.g., the New York Stock Exchange) or inter-dealer quotation system (e.g., Nasdaq), (iv) the exercise period of the warrants was extended from December 31, 2021 to December 31, 2024, commencing on January 1, 2023, and (v) the cashless exercise feature was removed from the warrants. The conversion price of the convertible notes for conversion into Class A Common Stock was not changed and remained at $2.50 per share and the exercise price of the warrants to purchase Series S Preferred Stock was not changed and remains at $4.50 per share.

On July 23, 2019, the Company issued a warrant to purchase 1,500,000 shares of its Series S Preferred Stock, par value $0.001 per share (the "Warrant"), to Proud Productions LLC ("Proud") pursuant to the terms of a Distribution Assignment and Warrant Purchase Agreement, dated as of July 22, 2019 (the "Purchase Agreement"). The warrants were exercisable at $8.00 per share beginning July 24, 2021 and expiring on July 31, 2024. On April 7, 2023, the Company entered into an Amendment and Cancellation Agreement whereby these warrants were cancelled in exchange for an extension of 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 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.

On October 10, 2022, the Company entered into a securities purchase agreement with an accredited investor, pursuant to which the Company issued and sold to the investor (i) the 2022 Convertible Notes (see Note 5) in an aggregate principal amount of $6.075 million, at an initial conversion price of $5.00 per share of the Company's Class A Common Stock, 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.

A summary of the Company's outstanding warrants as of December 31, 2023, is as follows:

Class of shares	Number of warrants	Exercise price	Expiration date
Class A Common Stock	1,138,446	$ 3.2500	October 13, 2027
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

Common Stock Reserved for Future Issuance

Shares of common stock reserved for future issuance relate to outstanding preferred stock, warrants, stock options, and the 2022 Convertible Notes were as follows:

	December 31, 2023
Series A Preferred Stock (convertible to Class B Common Stock)	1,418,381
Series B Preferred Stock (convertible to Class B Common Stock)	3,498,859
Series m Preferred Stock (convertible to Class A Common Stock)	1,779,653
Series m-2 Preferred Stock (convertible to Class B Common Stock)	160,000
Series S Preferred Stock (convertible to Class A Common Stock)	2,642,190
Stock options to purchase common stock	10,069,394
Warrants outstanding for future issuance of convertible preferred stock and common stock	5,513,046
Stock options available for future issuance	99,363
Total shares of common stock reserved	25,180,886

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, in connection with which the Company filed a prospectus supplement filed on February 9, 2023 (the "February Prospectus Supplement"), allowing the Company to offer and sell from time to time of up to $20.0 million in shares of Class A Common Stock, subject to, and in accordance with, SEC rules. Pursuant to General Instruction I.B.6 of Form S-3, the prospectus supplement provided that in no event would the Company sell any securities in a public primary offering with a value exceeding one-third of its non-affiliated public float in any 12-month period unless its non-affiliated public float subsequently rose to $75.0 million or more.

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

For the year ended December 31, 2023, the Company issued 25,734,332 shares of Class A Common Stock under the at-the-market offering program for net proceeds of approximately $16.4 million, net of brokerage and placement fees of approximately $0.6 million pursuant to the February Prospectus Supplement, and 11,817,912 shares of Class A Common Stock under the at-the-market offering program for net proceeds of approximately $8.2 million, net of brokerage and placement fees of approximately $0.3 million pursuant to the August Prospectus Supplement.

NOTE 7: Stock-Based Compensation

Equity Incentive Plans

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

On June 23, 2022, following approval by the Board of Directors, the Company's stockholders adopted the 2022 Equity Incentive Plan (the "2022 Plan") allowing for the issuance of up to 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 issuance under the 2016 Plan became available for issuance under the 2022 Plan. The number of shares authorized under the 2022 Plan will be increased each January 1st, beginning January 1, 2023 and ending on (and including) January 1, 2032, by an amount equal to the lesser of (a) 5% of our 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 committee. Shares subject to awards (including under the 2016 Plan and the 2014 Plan) that lapse, expire, terminate, or are canceled prior to the issuance of the underlying shares or that are subsequently forfeited to or otherwise reacquired by us will be added back to the shares of common stock available for issuance under the 2022 Plan.

The Board of Directors may grant stock options under the 2022 Plan at 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 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. At each measurement date, the Company will remeasure the fair value of these stock options using the Black-Scholes option pricing model and recognize the expense ratably over the vesting period of each stock option award. Stock options comprise all of the awards granted since the Plan's inception.

Stock option activity under all of the Company's equity incentive plans as of December 31, 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)
Outstanding as of January 1, 2022	216,003	8,799,415	$ 3.07	8.12	$ 60,924
2022 Equity incentive plan	5,000,000				
Granted	(2,272,299)	2,272,299	3.26		
Exercised	—	(395,235)	1.39		
Forfeited	582,898	(582,898)	4.31		
Expired	11,666	(11,666)	2.34		
Outstanding as of December 31, 2022	3,538,268	10,081,915	$ 3.11	7.61	$ 4,099
2022 Equity incentive plan increase	1,917,456				
Granted	(2,190,299)	2,190,299	1.01		
Exercised	—	(451,020)	0.58		
Forfeited	1,751,800	(1,751,800)	3.42		
Expired	—	—			
2022 Equity incentive plan decrease	(4,917,862)				
Outstanding as of December 31, 2023	99,363	10,069,394	$ 2.72	7.14	$ 141
Vested and exercisable as of December 31, 2023		6,717,063	$ 2.34	6.4	$ 134

The aggregate intrinsic value in the table above represents the total intrinsic value based on the Company's closing stock price of $0.60 as of December 31, 2023, which would have been received by the option holders had all option holders exercised their options as of that date. The total intrinsic value of options exercised during the years ended December 31, 2023 and 2022 was $0.2 million and $1.2 million, respectively. The fair value of stock options that vested during the years ended December 31, 2023 and 2022 was $3.4 million and $3.1 million, respectively.

As of December 31, 2023, the Company had unamortized stock-based compensation expense of $12.5 million that will be recognized over the average remaining vesting term of options of 1.82 years.

The determination of the fair value of options granted during the years ended December 31, 2023 and 2022 is computed using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Year Ended December 31,	
	2023	2022
Risk-free interest rate	4.00 %	7.33 %
Expected dividend yield	— %	— %
Expected volatility	54.39 %	54.60 %
Expected term (in years)	5.76	5.97

The weighted average grant date fair value of options granted during the years ended December 31, 2023 and 2022 was $0.55 and $1.76 per share, respectively.

Option pricing models require the input of various subjective assumptions, including the option's expected life and the price volatility of the underlying stock. The expected stock price volatility is based on the analysis of volatilities of the Company's selected public peer group over a period commensurate with the expected term of the options. The expected term of the employee stock options represents the weighted-average period the stock options are expected to remain outstanding and is based on the contractual terms, the vesting period and the expected remaining term of the outstanding options. The risk-free interest rate is based on the U.S. Treasury interest rates whose term in consistent with the expected life of the stock options. No dividend yield is included as the Company has not issued any dividends and do not anticipate issuing any dividends in the future.

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

	Year ended December 31,	
	2023	2022
Cost of revenue, net	$ 358	$ 348
Research and development	397	1,058
Sales and marketing	221	235
General and Administrative	1,750	1,898
Total	$ 2,726	$ 3,539

NOTE 8: Employee Benefit Plan

The Company administers a 401(K) retirement plan (the "401(K) Plan") in which all employees are eligible to participate. Each eligible employee may elect to contribute to the 401(K) Plan. During the years ended December 31, 2023 and 2022, the Company has made no matching contributions.

NOTE 9: Income Taxes

The Company has incurred cumulative U.S. net operating losses since inception.

Income tax expense consisted of the following:

	2023	2022
Current:		
Federal	$ —	$ —
State	—	—
Total current expense	—	—
Deferred:		
Federal	—	—
State	—	—
Total deferred expense	—	—
Total income tax expense	$ —	$ —

Reconciliation between the effective tax rate on income from continuing operations and the statutory tax rate of 21% is as follows:

	2023	2022
Provision at statutory rate	21.0 %	21.0 %
Stock-based compensation	(2.0)	(1.9)
Convertible notes	(0.4)	(7.5)
Fair value adjustment	4.7	13.1
Change in valuation allowance	(24.6)	(26.3)
Research and development credits	1.6	1.6
Other	(0.3)	—
Effective tax rate	0.0 %	0.0 %

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table presents the significant components of the Company's deferred tax assets and liabilities for the periods presented:

(in thousands)	2023	2022
Deferred tax assets:		
Net operating loss carryforwards	$ 34,157	$ 28,218
Research and development credit carryforwards	2,599	2,006
Accruals and other	717	798
Lease liability	388	650
Property, equipment and software	93	165
Amortization	198	189
Capitalized research and experimental expenses	2,218	1,191
Other	11	11
Total deferred tax assets	40,381	33,228
Valuation allowance	(39,989)	(32,702)
Deferred tax assets recognized	392	526
Deferred tax liabilities:		
Right of use asset	(392)	(526)
Total deferred tax liabilities	(392)	(526)
Net deferred taxes	$ —	$ —

The Company considers all available evidence, both positive and negative, including historical levels of taxable income, expectations and risks associated with estimates of future taxable income, and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. As of December 31, 2023 and 2022, based on the Company's analysis of all available evidence, both positive and negative, it was considered more likely than not that the Company's deferred tax assets would not be realized and, as a result, the Company recorded a full valuation allowance for its deferred tax assets. The valuation allowance increased $7.3 million and $8.7 million during the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023, the Company had U.S. federal net operating loss carryforwards amounts of approximately $128.0 million of which $23.3 million begin to expire in 2033 and $104.7 million can be carried over indefinitely. As of December 31, 2023, the Company had federal research and development tax credits of approximately $1.7 million which begin to expire in 2033.

As of December 31, 2023, the Company had state net operating loss carryforwards amounts of approximately $102.5 million which begin to expire in 2024. As of December 31, 2023, the Company had state research and development tax credits of approximately $1.5 million, which do not expire.

Utilization of the federal and state net operating loss and federal and state research and development tax credit carryforwards may be subject to annual limitations due to the ownership percentage change provisions of the Internal Revenue Code Section 382 and similar state provisions. The annual limitations may result in the inability to fully offset future annual taxable income and could result in the expiration of the net operating loss carry forwards before utilization.

The Company accounts for uncertainty in income taxes in accordance with ASC 740. Tax positions are evaluated in a two-step process, whereby the Company first determines whether it is more likely than not that a tax position will be sustained upon examination by tax authorities, including resolutions of any related appeals or litigation processes, based on technical merit. If a tax position meets the more-likely-than-not recognition threshold it is then measured to determine the amount of benefit to recognized in the financial statements. The tax position is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

(in thousands)	2023	2022
Unrecognized tax benefits as of the beginning of the year	$ 430	$ 313
Increases related to prior year tax provisions	12	28
Decrease related to prior year tax provisions	—	—
Increase related to current year tax provisions	102	89
Statute lapse	—	—
Unrecognized tax benefits as of the end of the year	$ 544	$ 430

The Company's unrecognized tax benefits as of December 31, 2023 relate entirely to research and development credits. The total amount of unrecognized tax benefits at December 31, 2023 is $0.5 million. If recognized, none of the unrecognized tax benefits would impact the effective tax rate because of the valuation allowance. The Company's policy is to recognize interest and penalties to income taxes as components of interest expense and other expense, respectively. The Company did not accrue interest or penalties related to unrecognized tax benefits as of December 31, 2023. The Company does not anticipate any significant change within twelve months of this reporting date.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. Due to the Company's net operating loss carryforwards, all tax years since inception remain subject to examination by all taxing authorities. The Company is not currently under audit in any major tax jurisdiction.

NOTE 10: 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 has paid to Konica Minolta approximately $0.4 million and $0.4 million in service fees for the years ended December 31, 2023 and 2022, respectively. The Company had payables of $84 and $117 owed to Konica Minolta as of December 31, 2023 and 2022, respectively.

The Company paid $180 and $38 for rent for the years ended December 31, 2023 and 2022, respectively, for a building owned by Sebastian Gutierrez, Senior VP Public Safety Infrastructure Development.

NOTE 11: 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.

The components of leases and lease costs are as follows (in thousands):

Operating leases	December 31, 2023	December 31, 2022
Operating lease right-of-use assets	$ 1,458	$ 2,012
Operating lease liabilities, current portion	$ 733	$ 731
Operating lease liabilities, non-current portion	711	1,309
Total operating lease liabilities	$ 1,444	$ 2,040
Operating lease costs	$ 1,027	$ 906

As of December 31, 2023, future minimum operating lease payments for each of the next two years is as follows (in thousands):

Year ending December 31,	Amount
2024	$ 856
2025	675
2026	73
Total future minimum lease payments	1,604
Less – Interest	(160)
Present value of lease liabilities	$ 1,444

Weighted average remaining lease term is 1.9 years. The weighted average discount rate of 11.58% ranges from 5.25% to 16.0% dependent upon the assets underlying the operating lease and its term.

Rent expense totaled $1.0 million and $0.9 million for the years ended December 31, 2023 and 2022, respectively, included in the Company's statements of operations. There were three month to month lease agreements and one lease agreement with a lease term of less than 12 months for the year ended December 31, 2023. There were no lease agreements of less than 12 months for the year ended December 31, 2022.

Legal Matters

The Company may be subject to pending legal proceedings and regulatory actions in the ordinary course of business; however, no such claims have been identified as of December 31, 2023 that are expected to 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 financial statements as of December 31, 2023 and 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 in conjunction with the Financing Arrangement of the Company's ASRs with Farnam and use tax on all purchases of raw materials. The Company's MaaS product offering may be subject to sales tax in certain jurisdictions. If a taxing authority were to successfully assert that the Company has not properly collected sales or other transaction taxes, or if sales or other transaction tax laws or the interpretation thereof were to change, and the Company was unable to enforce the terms of their contracts with clients that give the right to reimbursement for the assessed sales taxes, tax liabilities in amounts that could be material may be incurred. Based on the Company's assessment, the Company has recorded a use tax liability of approximately $0.4 million as of December 31, 2023 and 2022, which has been included in other current liabilities on the accompanying 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 12: Subsequent Events

On February 23, 2024, the Company filed a definitive proxy statement with the SEC in connection with a special meeting of stockholders to be held on April 5, 2024 to approve an amendment to the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our Class A Common Stock from 114,000,000 to 228,000,000.

The Company issued Public Safety Infrastructure Bonds (see Note 5) with a total principal amount of approximately $2.8 million, in aggregate, generating net proceeds to the Company of approximately $2.6 million, net of issuance costs of approximately $0.2 million and from January 1, 2024 until the Bond issuance was closed on March 14, 2024. Overall, we issued Bonds totaling a principal amount of approximately $4.2 million, in aggregate, generating net proceeds to the Company of approximately $3.8 million, net of issuance costs of approximately $0.4 million during the offering.

From January 1, 2024 through March 26, 2024 the Company issued 13,074,738 shares of Class A Common Stock under the at-the-market offering program for net proceeds of approximately $6.9 million, net of brokerage and placement fees of approximately $0.3 million pursuant to the August Prospectus Supplement. See Note 6.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Limitations on Effectiveness of Controls and Procedures

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

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of the end of the period covered by this Annual Report on Form 10-K, the effectiveness of our disclosure controls and procedures, (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 2023, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

Under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in Internal Control—Integrated Framework (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon the results of the evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2023.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended December 31, 2023 that have materially affected, or reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

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

None

(b) Insider Trading Arrangements and Policies.

During the three months ended December 31, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Code of Conduct

We have a written code of conduct in place that applies to all our employees and directors, including our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions. A copy of our code of conduct is available on our website at https://ir.knightscope.com/corporate-governance/governance-overview. We intend to use our website as a method of disclosing any change to, or waiver from, our code of conduct as permitted by applicable SEC and Nasdaq rules.

The information concerning our executive offers and directors required by this Item 10 is contained under the caption “Information about our Executive Officers and Directors” at the end of Part I of this Annual Report on Form 10-K.

The remaining information required by this item is incorporated by reference to our definitive proxy statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2023.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to our definitive proxy statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2023.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated herein by reference to our definitive proxy statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2023.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated herein by reference to our definitive proxy statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2023.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated herein by reference to our definitive proxy statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2023.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(1) Financial Statements

Balance sheets
Statements of Operations
Statements of Preferred Stock and Stockholders’ Deficit
Statements of Cash Flows
Notes to Financial Statements

(2) Schedules

All financial statement schedules have been omitted because they are not required, are not applicable or the information is included in the financial statements or related notes thereto.

(3) Exhibits

The following exhibits are filed with, or incorporated by reference in this Annual Report

Exhibit No.	Description
2.1#	Asset Purchase Agreement, dated as of October 10, 2022, by and between Knightscope, Inc. and Case Emergency Systems (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on October 11, 2022 (File No. 001-41248)).
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 2.1 to our Regulation A Offering Statement on Form 1-A/A filed on July 18, 2019 (File No. 024-11004)).
3.2	Bylaws (incorporated by reference to Exhibit 2.2 to our Regulation A Offering Statement on Form 1-A/A filed on December 7, 2016 (File No. 024-10633)).
4.1	Description of Capital Stock (incorporated by reference to Exhibit 4.1 to our Annual Report on Form 10-K for the year ended December 31, 2021, filed on March 31, 2022 (File No. 001-41248)).
4.2	Warrant to Purchase Series S Preferred Stock, dated April 30, 2019, between Knightscope, Inc. and Proud Ventures KS, LLC (incorporated by reference to Exhibit 3.3 to our Regulation A Offering Statement on Form 1-A/A filed on July 18, 2019 (File No. 024-11004)).
4.3	Warrant to Purchase Series S Preferred Stock, dated July 23, 2019, between Knightscope, Inc. and Proud Productions LLC (incorporated by reference to Exhibit 3.2 to our Current Report on Form 1-U dated July 29, 2019 (File No. 24R-00075)).
4.4	Warrants to Purchase Series m-3 Preferred Stock, dated December 19, 2017, between Knightscope, Inc. and Andrew Brown (incorporated by reference to Exhibit 3.12 to our Regulation A Offering Statement on Form 1-A/A filed on November 23, 2021 (File No. 024-11680).
4.5	Form of Senior Secured Convertible Note (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on October 11, 2022 (File No. 001-41248)).
4.6	Form of Warrant to Purchase Common Stock (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on October 11, 2022 (File No. 001-41248)).
4.7	Form of Senior Debt Indenture (incorporated by reference to Exhibit 4.10 to our Registration Statement on Form S-3 filed on February 1, 2023 (File No. 333-269493)).
4.8	Form of Subordinated Debt Indenture (incorporated by reference to Exhibit 4.11 to our Registration Statement on Form S-3 filed on February 1, 2023 (File No. 333-269493)).
4.9	Form of Indenture, including Form of Bond (incorporated by reference to Exhibit 3.1 to our Regulation A Offering Statement on Form 1-A/A filed on September 29, 2023 (File No. 024-12314)).
4.10	Form of Subscription Agreement (incorporated by reference to Exhibit 4.1 to our Regulation A Offering Statement on Form 1-A/A filed on September 29, 2023 (File No. 024-12314)).
10.1*	2014 Equity Incentive Plan (incorporated by reference to Exhibit 6.1 to our Regulation A Offering Statement on Form 1 -A/A filed on December 7, 2016 (File No. 024-10633)).
10.2*	2016 Equity Incentive Plan (incorporated by reference to Exhibit 6.2 to our Regulation A Offering Statement on Form 1 -A/A filed on December 7, 2016 (File No. 024-10633)).
10.3*	Knightscope, Inc. 2022 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on June 28, 2022 (File No. 001-41248)).
10.4	Lease Agreement dated January 14, 2018 between Terra Bella Partners LLC and the Company, as amended February 6, 2018 (incorporated by reference to Exhibit 6.5 to our Annual Report on Form 1-K for the period ended December 31, 2017, filed on April 30, 2018 (File No. 24R-00075)).
10.5*	Employment Agreement and Indemnification Agreement between the Company and William Santana Li (incorporated by reference to Exhibit 6.6 to our Regulation A Offering Statement on Form 1-A filed on October 15, 2021 (File No. 024 -11680)).
10.6*	Amendment No. 1 to Employment Agreement, dated July 10, 2023, between Knightscope, Inc. and William Santana Li (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 13, 2023 (File No. 001-41248)).
10.7*	Employment Agreement and Indemnification Agreement between the Company and Mallorie Burak (incorporated by reference to Exhibit 6.8 to our Regulation A Offering Statement on Form 1-A filed on October 15, 2021 (File No. 024 -11680)).
10.8*	Amendment No. 1 to Employment Agreement, dated July 10, 2023, between Knightscope, Inc. and Mallorie Burak (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on November 13, 2023 (File No. 001-41248)).

10.9†*	Employment Agreement between the Company and Apoorv Dwivedi.
10.10*	Employment Agreement and Indemnification Agreement between the Company and Mercedes Soria Li (incorporated by reference to Exhibit 6.9 to our Regulation A Offering Statement on Form 1-A filed on October 15, 2021 (File No. 024-11680)).
10.11*	Amendment No. 1 to Employment Agreement, dated July 11, 2023, between Knightscope, Inc. and Mercedes Soria (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on November 13, 2023 (File No. 001-41248)).
10.12†*	Form of Board of Directors Agreement.
10.13	Referral Program Agreement, dated April 20, 2021, between Knightscope, Inc. and Dimension Funding, LLC (incorporated by reference to Exhibit 6.6 to our Annual Report on Form 1-K for the period ended December 31, 2020, filed on April 30, 2021 (File No. 24R-00075)).
10.14	Common Stock Purchase Agreement, dated April 4, 2022, by and between Knightscope, Inc. and B. Riley Principal Capital, LLC (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on April 5, 2022 (File No. 001-41248)).
10.15	Amendment No. 1 to Common Stock Purchase Agreement, dated April 11, 2022, by and between Knightscope, Inc. and B. Riley Principal Capital, LLC (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on April 12, 2022 (File No. 001-41248)).
10.16**	Securities Purchase Agreement, dated as of October 10, 2022, by and between Knightscope, Inc. and each purchaser identified on the signature pages thereto (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on October 11, 2022 (File No. 001-41248)).
10.17	Agreement and Waiver, dated as of December 30 2022, by and between Knightscope, Inc. and the investor signatory thereto (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on January 3, 2023 (File No. 001-41248)).
10.18	At the Market Offering Agreement, dated as of February 1, 2023, by and between Knightscope, Inc. and H.C. Wainwright & Co., LLC (incorporated by reference to Exhibit 1.2 to our Registration Statement on Form S-3 (File No. 333-269493) filed on February 1, 2023).
23.1†	Consent of BPM LLP.
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
97.1†*	Knightscope, Inc. Incentive Compensation Recovery Policy.
101.INS†	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH†	Inline XBRL Taxonomy Extension Schema Document
101.CAL†	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104†	Inline Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

† Filed herewith.
+ Furnished herewith.
# Certain exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted exhibits or schedules upon request; provided that the Company may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.
** Certain exhibits and schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted exhibits or schedules upon request.
* Represents management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on April 1, 2024.

KNIGHTSCOPE, INC.
By: /s/ William Santana Li
William Santana Li
Chairman, Chief Executive Officer, and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated.

Signature	Title	Date
/s/ William Santana Li William Santana Li	Chairman, Chief Executive Officer, and President (Principal Executive Officer)	April 1, 2024
/s/ Apoorv Dwivedi Apoorv Dwivedi	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	April 1, 2024
/s/ William Billings William Billings	Director	April 1, 2024
/s/ Robert Mocny Robert Mocny	Director	April 1, 2024
/s/ Melvin Torrie Melvin Torrie	Director	April 1, 2024

Exhibit 10.9

KNIGHTSCOPE, INC.

EMPLOYMENT AGREEMENT

This Employment Agreement (the "**Agreement**") is entered into as of the Effective Date (as defined below) by and between Knightscope, Inc. (the "**Company**"), and Apoorv S. Dwivedi ("**Executive**").

1. Duties and Scope of Employment.

(a) Positions and Duties. As of January1, 2023 (the "Effective Date"), or on a date mutually agreed by the Parties, Executive will serve as the Company's Executive Vice President and Chief Financial Officer. Executive will render such business and professional services in the performance of Executive's duties, consistent with Executive's position within the Company, as will reasonably be assigned to Executive by the Company's Chief Executive Officer (the "**CEO**"). The period of Executive's employment under this Agreement is referred to herein as the "**Employment Term**."

(b) Obligations. During the Employment Term, Executive will perform Executive's duties faithfully and to the best of Executive's ability and will devote Executive's full business efforts and time to the Company. For the duration of the Employment Term, Executive agrees not to actively engage in any other employment, occupation, or consulting activity for any direct or indirect remuneration without the prior approval of the Company's CEO. Executive further agrees to comply with all Company policies currently in existence or that may be adopted by the Company during the Employment Term.

2. At-Will Employment. The parties agree that Executive's employment with the Company will be "at-will" employment and may be terminated at any time with or without cause or notice. Executive understands and agrees that neither Executive's job performance nor promotions, commendations, bonuses or the like from the Company give rise to or in any way serve as the basis for modification, amendment, or extension, by implication or otherwise, of Executive's employment with the Company. However, as described in this Agreement, Executive may be entitled to severance payments or benefits depending on the circumstances of Executive's termination of employment with the Company.

3. Compensation.

(a) Base Salary. During the Employment Term, the Company will pay Executive an annual salary of $350,000.00 as compensation for Executive's services (the "**Base Salary**"), which will be paid periodically in accordance with the Company's normal payroll practices. The Base Salary will be subject to review and adjustments will be made based upon the Company's normal performance review practices.

(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**"), however, said bonus shall be commercially reasonable and in line with a NASDAQ-listed company as determined by a 3rd party compensation

consultant. 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 within the first seventy-five (75) days of the fiscal year immediately following the fiscal year to which the Annual Bonus relates. The Annual Bonus is not earned incrementally, and no portion of the Annual Bonus is earned or payable unless the Executive is continuously employed with the Company through the payment date. 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).

(c) Transition. At the sole discretion of the Chief Executive Officer, for the purposes to ensure an orderly transition of duties, the CEO may approve a temporary consulting arrangement or arrangements in order to assist with the onboarding of Executive.

(d) Equity. Executive will receive an initial equity award to be determined by the Board or the Compensation Committee and said award shall be commercially reasonable and in line with a NASDAQ-listed company as determined by a 3rd party compensation consultant. You will be eligible to receive additional equity awards pursuant to any plans or arrangements the Company may have in effect from time to time. The Board will determine in its discretion whether Executive will be granted any such equity awards and the terms of any such equity award in accordance with the terms of any applicable plan or arrangement that may be in effect from time to time.

4. Employee Benefits. During the Employment Term, Executive will be entitled to participate in employee benefit plans and programs of the Company, if any, on the same terms and conditions as other similarly-situated employees to the extent that Executive's position, tenure, salary, age, health and other qualifications make Executive eligible to participate in such plans or programs, and subject to the rules and regulations applicable thereto. The Company reserves the right to cancel or change the benefit plans and programs it offers to its employees at any time. Included in the Company's benefit program is the ability to work remotely, with prior authorization of the CEO or within the parameters of an announced work from home Company policy.

5. Vacation. Executive will be entitled to vacation in accordance with the Company's vacation policy, with the timing and duration of specific days off mutually and reasonably agreed to by the parties hereto.

6. Expenses. The Company will reimburse Executive for reasonable travel, entertainment or other expenses incurred by Executive in the furtherance of or in connection with the performance of Executive's duties hereunder, in accordance with the Company's expense reimbursement policy as in effect from time to time.

7. Severance Benefits.

(b) Qualifying Non-CIC Termination. In the event of a Qualifying Non-CIC Termination, then subject to Section 8, Executive will receive the following severance benefits:

(i) Salary Severance. Continuing payments of severance pay at a rate equal to Executive's Base Salary (as in effect immediately prior to the Qualifying Non-CIC Termination) for six months from the date of the Qualifying Non-CIC Termination, which will be paid in accordance

with the Company's normal payroll practices, subject to Section 8.

(ii) Continued Employee Benefits. If Executive elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**") within the time period prescribed pursuant to COBRA for Executive and Executive's eligible dependents, then subject to Section 7(d), the Company will reimburse Executive for the premiums necessary to continue group health insurance benefits for Executive and Executive's eligible dependents (such reimbursements, the "**COBRA Reimbursements**") until the earlier of (A) a period of six months from the date of the Qualifying Non-CIC Termination, (B) the date upon which Executive and/or Executive's eligible dependents becomes covered under similar plans or (C) the date upon which Executive ceases to be eligible for coverage under COBRA.

(c) Qualifying CIC Termination. In the event of a Qualifying CIC Termination, then subject to Section 8, Executive will receive the following severance benefits from the Company:

(i) Salary Severance. A lump sum severance payment equal to twelve months of Executive's Base Salary (as in effect immediately prior to the Qualifying CIC Termination (or if the Qualifying CIC Termination is Executive's resignation for Good Reason due to a material reduction in base salary, as in effect immediately prior to such reduction) or, if higher, as in effect immediately prior to the Change in Control), which will be paid in accordance with the Company's normal payroll practices, subject to Section 8.

(ii) Bonus Severance. A single, lump sum payment equal to 100% of Executive's Target Bonus (as in effect for the fiscal year in which the Qualifying CIC Termination occurs or, if higher, as in effect immediately prior to the Change in Control), which will be paid on the Initial Payment Date, subject to Section 8.

(iii) Continued Employee Benefits. If Executive elects continuation coverage pursuant to COBRA within the time period prescribed pursuant to COBRA for Executive and Executive's eligible dependents, then subject to Section 7(d), the Company will provide COBRA Reimbursements until the earlier of (A) a period of twelve months from the date of Executive's Qualifying CIC Termination, (B) the date upon which Executive and/or Executive's eligible dependents becomes covered under similar plans or (C) the date upon which Executive ceases to be eligible for coverage under COBRA.

(iv) Equity Vesting. Vesting acceleration (and exercisability, as applicable) as to 100% of the then-unvested portion of each of Executive's then-outstanding Company equity awards, and in the case of equity awards with performance-based vesting, with respect to 100% of the then-unvested portion of each such equity award, all performance goals and other vesting criteria will be deemed achieved at the greater of (x) actual achievement (if determinable) or (y) 100% of target levels, in each case unless otherwise specified in the applicable equity award agreement governing such equity award.

(d) If the Company determines in its sole discretion that it cannot provide the COBRA Reimbursements without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company will in lieu thereof provide to Executive a taxable monthly payment payable on the last day of a given month (except as provided by Section 8(c)), in an amount equal to the monthly COBRA premium that Executive would be required to pay to continue Executive's group health coverage in effect on the date of Executive's termination of employment

(which amount will be based on the premium for the first month of COBRA coverage) (each, a "**COBRA Replacement Payment**"), which COBRA Replacement Payments will be made regardless of whether Executive elects COBRA continuation coverage and will end on the earlier of (x) the date upon which Executive obtains other employment or (y) the date the Company has paid an amount totaling the number of COBRA Replacement Payments equal to the number of months of COBRA Reimbursements under Section 7(a) or Section 7(b), as applicable. For the avoidance of doubt, the COBRA Replacement Payments may be used for any purpose, including, but not limited to continuation coverage under COBRA, and will be subject to all applicable tax withholdings. Notwithstanding anything to the contrary under this Agreement, if at any time the Company determines in its sole discretion that it cannot provide the COBRA Replacement Payments without violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), Executive will not receive the COBRA Replacement Payments or any further COBRA Reimbursements.

(e) Termination Other Than a Qualifying Termination. If the termination of Executive's employment with the Company is not a Qualifying Termination, then Executive will not be entitled to receive severance or other benefits except for those (if any) as may then be established under the Company's then existing severance and benefits plans and practices or pursuant to other written agreements with the Company.

(f) Accrued Compensation. For the avoidance of any doubt, in the event of a termination of Executive's employment with the Company, Executive will be entitled to receive all accrued but unpaid vacation, expense reimbursements, wages, and other benefits due to Executive under any Company-provided plans, policies, and arrangements. For avoidance of doubt, receipt of accrued compensation is not subject to the Release (as defined below) requirement discussed in Section 8(a).

(g) Exclusive Remedy. In the event of a termination of Executive's employment with the Company, the provisions of this Section 7 are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive or the Company may otherwise be entitled, whether at law, tort or contract, in equity. Executive will be entitled to no benefits, compensation or other payments or rights upon termination of employment other than those benefits expressly set forth in this Section 7.

8. Conditions to Receipt of Severance; No Duty to Mitigate.

(a) Separation Agreement and Release of Claims. The receipt of any severance payments or benefits pursuant to Sections 7(a) or 7(b) will be subject to Executive signing and not

revoking a separation agreement and release of claims in a form reasonably satisfactory to the Company (the "**Release**") and provided that such Release becomes effective and irrevocable no later than 60 days following the termination date (such deadline, the "**Release Deadline**"). If the Release does not become effective and irrevocable by the Release Deadline, Executive will forfeit any rights to severance payments or benefits under this Agreement. In no event will severance payments or benefits be paid or provided until the Release becomes effective and irrevocable.

(b) Timing of Severance Payments. Provided that the Release becomes effective and irrevocable by the Release Deadline, any severance payments or benefits under this Agreement will be paid on, or, in the case of installments, will not commence until, the first payroll date following the Release Deadline (the "**Initial Payment Date**"), or, if later, such time as required by Section 8(c)(ii). Except as required by Section 8(c)(ii), any installment payments that would have been made to Executive prior to the Initial Payment Date but for the preceding sentence will be paid to Executive on the Initial Payment Date and the remaining payments will be made as provided in this Agreement. In no event will Executive have discretion to determine the taxable year of payment for any Deferred Payments (as defined below).

(c) Section 409A.

(i) Notwithstanding anything to the contrary in this Agreement, no severance pay or benefits to be paid or provided to Executive, if any, pursuant to this Agreement, when considered together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A (together, the "**Deferred Payments**") will be paid or otherwise provided until Executive has a "separation from service" within the meaning of Section 409A. Similarly, no severance payable to Executive, if any, pursuant to this Agreement that otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) will be payable until Executive has a "separation from service" within the meaning of Section 409A.

(ii) Notwithstanding anything to the contrary in this Agreement, if Executive is a "specified employee" within the meaning of Section 409A at the time of Executive's separation from service (other than due to death), then the Deferred Payments, if any, that are payable within the first 6 months following Executive's separation from service, will become payable on the first payroll date that occurs on or after the date that is 6 months and 1 day following the date of Executive's separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Executive dies following Executive's separation from service, but prior to the 6 month anniversary of the separation from service, then any payments delayed in accordance with this Section 8I(ii) will be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment, installment, and benefit payable under this Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(iii) The foregoing provisions and all compensation and benefits provided for under this Agreement are intended to comply with or be exempt from the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will

be interpreted to be exempt or so comply. The Company and Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate, or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Executive under Section 409A. In no event will the Company have any liability or obligation to reimburse, indemnify, or hold harmless Executive (or any other person) for any taxes or costs that may be imposed on or incurred by Executive (or any other person) as a result of Section 409A.

(d) Confidential Information Agreement. Executive's receipt of any payments or benefits under Section 7(a) or 7(b) will be subject to Executive continuing to comply with the terms of the Confidential Information Agreement (as defined below) and the provisions of this Agreement.

(e) No Duty to Mitigate. Executive will not be required to mitigate the amount of any payment contemplated by this Agreement, nor will any earnings that Executive may receive from any other source reduce any such payment.

9. Limitation on Payments. In the event that the payments and benefits provided for in this Agreement or otherwise payable to Executive (collectively, the "**Payments**") (x) constitute "parachute payments" within the meaning of Section 280G of the Code and (y) but for this Section 9, would be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then such Payments will be either:

(a) delivered in full, or

(b) delivered as to such lesser extent which would result in no portion of such Payments being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income and employment taxes and the Excise Tax, results in the receipt by Executive, on an after - tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. If a reduction in severance and other benefits constituting "parachute payments" is necessary so that benefits are delivered to a lesser extent, reduction will occur in the following order: (i) reduction of cash payments, which will occur in reverse chronological order such that the cash payment owed on the latest date following the occurrence of the event triggering such excise tax will be the first cash payment to be reduced; (ii) cancellation of equity awards that were granted "contingent on a change in ownership or control" within the meaning of Section 280G of the Code in the reverse order of date of grant of the awards (that is, the most recently granted equity awards will be cancelled first); (iii) reduction of acceleration of vesting of equity awards, which will occur in the reverse order of the date of grant for such equity awards (i.e., the vesting of the most recently granted equity awards will be reduced first); and (iv) reduction of other benefits paid or provided to Executive, which will occur in reverse chronological order such that the benefit owed on the latest date following the occurrence of the event triggering such excise tax will be the first benefit to be reduced. If more than one equity award was made to Executive on the same date of grant, all such awards will have their acceleration of vesting reduced pro rata. In no event will Executive have any discretion with respect to the ordering of payment reductions.

Unless the Company and Executive otherwise agree in writing, any determination required under this Section 9 will be made in writing by the Company's legal counsel, a nationally

recognized firm of independent public accountants selected by the Company, or such other person or entity to which the parties mutually agree (the "**Firm**"). For purposes of making the calculations required by this Section 9, the Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive will furnish to the Firm such information and documents as the Firm may reasonably request in order to make a determination under this Section 9. The Company will bear all costs the Firm may reasonably incur in connection with any calculations contemplated by this Section 9.

10. Definitions. The following terms referred to in this Agreement will have the following meanings:

(a) "**Cause**" means (i) an act of dishonesty made by Executive in connection with his or her responsibilities as an employee; (ii) Executive's commission of, or plea of *nolo contendere* to, any crime involving fraud, embezzlement or any other act of moral turpitude or any felony; (iii) Executive's gross misconduct; (iv) Executive's unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom Executive owes an obligation of nondisclosure as a result of Executive's relationship with the Company; (v) Executive's breach of any obligations under any written agreement or covenant with the Company; (vi) Executive's continued failure to perform his or her employment duties after he or she has received a written demand of performance from the Company which specifically sets forth the factual basis for the Company's belief that Executive has not substantially performed his or her duties; or (vii) Executive's willful violation of a federal or state law or regulation applicable to the business of the Company.

(b) "**Change in Control**" will have the meaning given to it in the Plan, provided that an acquisition in which the acquirer is a special purpose acquisition company and the primary purpose of the acquisition is to enable a class of the Company's equity securities to become publicly traded will not constitute a Change in Control under this Agreement.

(c) "**Change in Control Period**" means the period beginning on the date of a closing of the first Change in Control to occur after the Effective Date and ending on the 1-year anniversary of such Change in Control.

(d) "**Code**" means the Internal Revenue Code of 1986, as amended.

(e) "**Deferred Payment**" means any severance pay or benefits to be paid or provided to Executive (or Executive's estate or beneficiaries) pursuant to this Agreement and any other severance payments or separation benefits, that in each case, when considered together, are considered deferred compensation under Section 409A.

(f) "**Disability**" means Executive (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering Company employees.

(g) “**Good Reason**” means the termination of Executive’s employment with the Company by Executive in accordance with the next sentence after the occurrence of one or more of the following events without Executive’s express written consent: (i) a material reduction of Executive’s duties, authorities, or responsibilities relative to Executive’s duties, authorities, or responsibilities in effect immediately prior to the reduction, provided, however, that continued employment following a Change in Control with substantially the same duties, authorities, or responsibilities with respect to the Company’s business and operations will not constitute “Good Reason” (for example, “Good Reason” does not exist if Executive is employed by the Company or a successor with substantially the same duties, authorities, or responsibilities with respect to the Company’s business that Executive had immediately prior to the Change in Control regardless of whether Executive’s title is revised to reflect Executive’s placement within the overall corporate hierarchy or whether Executive provides services to a subsidiary, affiliate, business unit or otherwise); (ii) a material reduction by the Company of Executive’s Base Salary provided, however, that (A) a reduction of Executive’s Base Salary by less than 10% will not constitute “Good Reason” and (B) a reduction of base salary that also applies to substantially all other similarly situated employees of the Company will not constitute “Good Reason”; (iii) a material change in the geographic location of Executive’s primary work facility or location by more than 50 miles from Executive’s then present location, provided that (A) a relocation to a location that is within 50 miles from Executive’s then- present primary residence will not be considered a material change in geographic location and (B) the Company’s determination (in its discretion and consistent with applicable law or health and safety orders) that the Company’s executives may return to work in the Company’s offices during or following a period of mandated remote work, Executive’s being required to return to Executive’s primary work facility or location (as of immediately before Executive was permitted to work from home or other location of Executive’s choice in response to mandated remote work) will not constitute “Good Reason”; or (iv) failure of a successor corporation to assume the obligations under this Agreement. In order for the termination of Executive’s employment with the Company to be for Good Reason, Executive must not terminate employment without first providing written notice to the Company of the acts or omissions constituting the grounds for “Good Reason” within 90 days of the initial existence of the grounds for “Good Reason” and a cure period of 30 days following the date of written notice (the “**Cure Period**”), the grounds must not have been cured during that time, and Executive must terminate Executive’s employment within 30 days following the Cure Period.

(h) “**Qualifying CIC Termination**” means, within the Change in Control Period, (i) the Company terminates Executive’s employment with the Company other than (A) for Cause, (B) due to Executive’s death, or (C) due to Executive’s Disability or (ii) Executive resigns from such employment for Good Reason.

(i) “**Qualifying Non-CIC Termination**” means, outside the Change in Control Period, the Company terminates Executive’s employment with the Company other than (i) for Cause, (ii) due to Executive’s death, or (iii) due to Executive’s Disability.

(j) “**Qualifying Termination**” means a Qualifying Non-CIC Termination or a Qualifying CIC Termination.

(k) “**Section 409A**” means Section 409A of the Code and any final regulations and guidance thereunder and any applicable state law equivalent, as each may be amended or promulgated from time to time.

11. Confidential Information. Executive agrees that the terms of the At-Will Employment, Confidential Information, Invention Assignment, and Arbitration Agreement previously entered into by the Company and Executive (the "**Confidential Information Agreement**") continue to apply.

12. Assignment. This Agreement will be binding upon and inure to the benefit of (i) the heirs, executors, and legal representatives of Executive upon Executive's death and (ii) any successor of the Company. Any such successor of the Company will be deemed substituted for the Company under the terms of this Agreement for all purposes. For this purpose, "**successor**" means any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company. None of the rights of Executive to receive any form of compensation payable pursuant to this Agreement may be assigned or transferred except by will or the laws of descent and distribution. Any other attempted assignment, transfer, conveyance or other disposition of Executive's right to compensation or other benefits will be null and void.

13. Notices. All notices, requests, demands and other communications called for hereunder will be in writing and will be deemed given (i) on the date of delivery if delivered personally, (ii) 1 day after being sent by a well-established commercial overnight service, or (iii) 4 days after being mailed by registered or certified mail, return receipt requested, prepaid and addressed to the parties or their successors at the following addresses, or at such other addresses as the parties may later designate in writing:

If to the Company:

Knightscope, Inc.
Attn: Chief Executive Officer
1070 Terra Bella Ave.
Mountain View, CA 94043

If to Executive:

at the last residential address known by the Company.

14. Severability. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement will continue in full force and effect without said provision.

15. Integration. This Agreement and the Confidential Information Agreement represent the entire agreement and understanding between the parties as to the subject matter herein and supersede all prior or contemporaneous agreements whether written or oral (including, but not limited to, the Prior Offer Letter). With respect to equity awards granted on or after the date of this Agreement, the acceleration of vesting provisions provided herein will apply to such equity awards except to the extent otherwise explicitly provided in the applicable equity award agreement. This Agreement may be modified only by agreement of the parties by a written instrument executed by the parties that is designated as an amendment to this Agreement.

16. Waiver of Breach. The waiver of a breach of any term or provision of this Agreement, which must be in writing, will not operate as or be construed to be a waiver of any other previous or subsequent breach of this Agreement.

17. Headings. All captions and section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.

18. Tax Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable taxes.

19. Arbitration. Any dispute or controversy arising out of or relating to any interpretation, construction, performance or breach of the Agreement or the Confidential Information Agreement, will be settled by arbitration pursuant to the arbitration provisions set forth in the Confidential Information Agreement.

20. Governing Law. This Agreement will be governed by the laws of the State of California (with the exception of its conflict of laws provisions).

21. Acknowledgment. Executive acknowledges that Executive has had the opportunity to discuss this matter with and obtain advice from Executive's private attorney, has had sufficient time to, and has carefully read and fully understands all the provisions of this Agreement, and is knowingly and voluntarily entering into this Agreement.

22. Gender Neutral. Wherever used herein, a pronoun in the masculine gender will be considered as including the feminine gender unless the context clearly indicates otherwise.

23. Counterparts. This Agreement may be executed in counterparts, and each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement on the part of each of the undersigned.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the parties has executed this Agreement (in the case of the Company, by a duly authorized officer), effective as of the last date set forth below (the "**Effective Date**").

COMPANY:

Knightscope, Inc.

By: /s/ William Santana Li   Date: 14 Nov 2023

Title: Chairman and CEO

EXECUTIVE:

/s/ Apoorv S. Dwivedi   Date: November 15, 2023
Apoorv S. Dwivedi

Exhibit 10.12

BOARD OF DIRECTORS AGREEMENT

This Board of Directors Agreement ("Agreement") made effective as of February [●], 2024, by and between Knightscope, Inc., a Delaware corporation (the "Company"), and _____________________, ("Director").

I. Services Provided

The Director agrees, subject to the Director's continued status as a director, to serve on the Company's Board of Directors (the "Board") and to provide those services required of a director under the Company's Amended and Restated Certificate of Incorporation and Bylaws, as both may be amended from time to time (the "Articles and Bylaws"), and under the Delaware General Corporation Law, the federal securities laws and other state and federal laws and regulations, as applicable, and the rules and regulations of the Securities and Exchange Commission (the "SEC") and any stock exchange or quotation system on which the Company's securities may be traded from time to time. Director will also serve on such one or more committees of the Board as he or she and the Board shall mutually agree.

II. Nature of Relationship

The Director is an independent contractor and will not be deemed as an employee of the Company for any purposes by virtue of this Agreement. The Director shall be solely responsible for the payment or withholding of all federal, state, or local income taxes, social security taxes, unemployment taxes, and any and all other taxes relating to the compensation he or she earns under this Agreement. The Director shall not, in his or her capacity as a director of the Company, enter into any agreement or incur any obligations on the Company's behalf, without appropriate Board action.

The Company will supply, at no cost to the Director: periodic briefings on the business, director packages for each Board and committee meeting, copies of minutes of meetings and any other materials that are required under the Articles and Bylaws or the charter of any committee of the Board on which the Director serves and any other materials which may, by mutual agreement, be necessary for performing the services requested under this Agreement.

III. Compensation

A. Expenses

During the term of this Agreement, the Company will reimburse the Director for reasonable business-related expenses approved by the Company in advance, on a cost-only basis, without markup, such approval not to be unreasonably withheld. Invoices for expenses, with receipts attached, shall be submitted. Such invoices must be approved by the Company's Chief Executive Officer or Chief Financial Officer as to reasonableness, form and completeness.

B. Equity Compensation

For his or her services as a Director of the Company, the Director shall receive upon appointment to the Board an initial equity award in the form of non-statutory stock options for 100,000 shares of the Company's Class A Common Stock that will be fully vested as of the later of the Board action approving the initial equity award or February [20], 2024. Director shall also be eligible to receive awards under the Company's equity incentive plans as may from time to time be determined by the Board or the administrator of such plan in its sole discretion.

IV. Indemnification and Insurance

The Company will execute an indemnification agreement in favor of the Director substantially in the form of the Company's standard form of indemnification agreement.

V. Term of Agreement and Amendments

This Agreement shall be in effect from the effective date hereof through the last date of the Director's service as a director on the Board. Any amendment to this Agreement must be approved by the Board. Amendments to Section III "Compensation" hereof do not require the Director's consent to be effective.

VI. Termination

This Agreement shall automatically terminate upon the death of the Director or upon his or her resignation or removal from, or failure to win election or reelection to, the Board. In the event of expiration or termination of this Agreement the Company's and the Director's continuing obligations hereunder in the event of expiration or termination of this Agreement shall be subject to the terms of Section XIII hereof.

VII. Confidentiality and Use of Director Information

The Director explicitly consents to the Company holding and processing both electronically and manually the information that he or she provides to the Company or the data that the Company collects which relates to the Director for the purpose of the administration, management and compliance purposes, including but not limited to the Company's disclosure of any and all information provided by the Director in the Company's proxy statements, annual reports or other securities filings or reports pursuant to federal or state securities laws or regulations or the rules and regulations of any exchange on which the Company's equity securities trade, and the Director agrees to promptly notify the Company of any misstatement of a material fact regarding the Director, and of the omission of any material fact necessary to make the statements contained in such documents regarding the Director not misleading.

VIII. Resolution of Dispute

Any dispute regarding this Agreement (including without limitation its validity, interpretation, performance, enforcement, termination and damages) shall be determined in accordance with the laws of the State of California, the United States of America. Any action under this paragraph shall not preclude any party hereto from seeking injunctive or other legal relief to which each party may be entitled.

IX. Entire Agreement

This Agreement (including agreements executed in substantially the form of the exhibits attached hereto) supersedes all prior or contemporaneous written or oral understandings or agreements, and, except as otherwise set forth herein, may not be added to, modified, or waived, in whole or in part, except by a writing signed by the party against whom such addition, modification or waiver is sought to be asserted.

X. Assignment

This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns and, except as otherwise expressly provided herein, neither this Agreement, nor any of the rights, interests or obligations hereunder shall be assigned by either of the parties hereto without the prior written consent of the other party.

XI. Notices

Any and all notices, requests and other communications required or permitted hereunder shall be in writing, registered mail or by facsimile, to each of the parties at the respective addresses set forth on the signature page hereto.

Any such notice shall be deemed given when received and notice given by registered mail shall be considered to have been given on the tenth (10th) day after having been sent in the manner provided for above.

XII. Survival of Obligations

Notwithstanding the expiration or termination of this Agreement, neither party hereto shall be released hereunder from any liability or obligation to the other which has already accrued as of the time of such expiration or termination (including, without limitation, the Director's obligations under the Proprietary Information Agreement, attached hereto as Exhibit A and incorporated herein by reference, the Company's obligation to make any fees and expense payments required pursuant to Section III due up to the date of the expiration or termination, and the Company's indemnification and insurance obligations set forth in Section IV hereof) or which thereafter might accrue in respect of any act or omission of such party prior to such expiration or termination.

XIII. Attorneys' Fees

If any legal action or other proceeding is brought for the enforcement of this Agreement, or because of a dispute, breach or default in connection with any of the provisions hereof, the successful or substantially prevailing party (including a party successful or substantially prevailing in defense) shall be entitled to recover its actual attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which it may be entitled.

XIV. Severability

Any provision of this Agreement which is determined to be invalid or unenforceable shall not affect the remainder of this Agreement, which shall remain in effect as though the invalid or unenforceable provision had not been included herein, unless the removal of the invalid or unenforceable provision would substantially defeat the intent, purpose or spirit of this Agreement.

XV. Counterparts

This Agreement may be executed in any number of counterparts, and by different parties on separate counterparts, all of which taken together shall constitute one instrument. Execution and delivery of this Agreement by facsimile or other electronic signature is legal, valid and binding for all purposes.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

KNIGHTSCOPE, INC.
By:
William Santana Li
Chairman, Chief Executive Officer, and President

Address: 1070 Terra Bella Ave
Mountain View, CA 94043

DIRECTOR
By: ______________________________

Address:

Signature Page to Board of Directors Agreement

EXHIBIT A

DIRECTOR PROPRIETARY INFORMATION AGREEMENT

THIS DIRECTOR PROPRIETARY INFORMATION AGREEMENT (the "Agreement") is made effective as of _____________________ 202_, by and between Knightscope, Inc., a Delaware corporation ("Knightscope"), and _____________________ (the "Director").

WHEREAS, the Director has agreed to serve on the Board of Directors of Knightscope (the "Board"); and

WHEREAS, the parties desire to assure the confidential status of the information which may be disclosed by Knightscope to the Director in connection with the Director serving on the Board.

NOW THEREFORE, in reliance upon and in consideration of the following undertaking, the parties agree as follows:

1. Subject to the limitations set forth in Paragraph 2, all information disclosed by or on behalf of Knightscope to the Director, or which Director learns in connection with his or her services as a director on the Board, shall be deemed to be "Proprietary Information". Proprietary Information shall be deemed to include any information, process, technique, algorithm, program, design, drawing, formula or test data relating to any research project, work in process, future development, engineering, manufacturing, marketing, servicing, financing or personnel matter relating to Knightscope, any of its affiliates or subsidiaries, present or future products, sales, suppliers, customers, employees, investors, business or business plans of Knightscope or any of its affiliates or subsidiaries, whether or oral, written, graphic or electronic form.

2. The term "Proprietary Information" shall not be deemed to include the following information: (i) information which is now, or hereafter becomes, through no breach of this Agreement on the part of the Director, generally known or available to the public; (ii) is known by the Director at the time of receiving such information; (iii) is hereafter furnished to the Director by a third party, as a matter of right and without restriction on disclosure; or (iv) is the subject of a written permission to disclose provided by Knightscope.

3. The Director shall maintain in trust and confidence and not disclose to any third party or use for any unauthorized purpose any Proprietary Information received from or on behalf of Knightscope or which Director learns in connection with his or her services as a director on the Board. The Director may use such Proprietary Information only to the extent required to accomplish the purposes of his or her position at Knightscope. The Director shall not use Proprietary Information for any purpose or in any manner which would constitute a violation of any laws or regulations, including without limitation the export control laws of the United States. No other rights or licenses to trademarks, inventions, copyrights, or patents are implied or granted under this Agreement.

4. Proprietary Information supplied shall not be reproduced in any form except as required to accomplish the intent of this Agreement.

5. The Director represents, warrants and covenants that he or she shall protect the Proprietary Information received with at least the same degree of care used to protect his or her own, or that a reasonable person would use to protect their own, Proprietary Information from unauthorized use or disclosure.

6. All Proprietary Information (including all copies thereof) shall remain the property of Knightscope, and shall be returned to Knightscope (or destroyed) after the Director's need for it has expired, or upon request of Knightscope, and in any event, upon the expiration or termination of that certain Board of Directors Agreement, of even date herewith, between Knightscope and the Director (the "Director Agreement").

7. Notwithstanding any other provision of this Agreement, disclosure of Proprietary Information shall not be precluded if such disclosure:

   a. is in response to a valid order, including a subpoena, of a court or other governmental body of the United States or any political subdivision thereof; provided, however, that to the extent reasonably feasible, the Director shall first have given Knightscope notice of the Director's receipt of such order and Knightscope shall have had an opportunity to obtain a protective order requiring that the Proprietary Information so disclosed be used only for the purpose for which the order was issued;

   b. is otherwise required by law; or

   c. is otherwise necessary to establish rights or enforce obligations under this Agreement, but only to the extent that any such disclosure is necessary.

8. This Agreement shall continue in full force and effect during the term of the Director Agreement. This Agreement may be terminated at any time thereafter upon thirty (30) days written notice to the other party. The termination of this Agreement shall not relieve the Director of the obligations imposed by Paragraphs 3, 4, 5 and 11 of this Agreement with respect to Proprietary Information disclosed prior to the effective date of such termination and the provisions of these Paragraphs shall survive the termination of this Agreement indefinitely with respect to Proprietary Information that constitutes "trade secrets" and for a period of ten (10) years from the date of such termination with respect to other Proprietary Information.

9. This Agreement shall be governed by the laws of the State of California as those laws are applied to contracts entered into and to be performed entirely in California, by California residents.

10. This Agreement contains the final, complete and exclusive agreement of the parties relative to the subject matter hereof and may not be changed, modified, amended or supplemented except by a written instrument signed by both parties.

11. Each party hereby acknowledges and agrees that in the event of any breach of this Agreement by the Director, including, without limitation, an actual or threatened disclosure of Proprietary Information without the prior express written consent of Knightscope, Knightscope will suffer an irreparable injury, such that no remedy at law will afford it adequate protection against, or appropriate compensation for, such injury. Accordingly, each party hereby agrees that Knightscope shall be entitled to specific performance of the Director's obligations under this Agreement, as well as such further injunctive relief as may be granted by a court of competent jurisdiction.

KNIGHTSCOPE, INC.	**DIRECTOR**
By: ______________________________	**By:** ______________________________

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-1 (Nos. 333-264259 and 333-268315), Form S-3 (No. 333-269493) and Form S-8 (Nos. 333-264454, 333-266891, and 333-272393) of Knightscope, Inc. of our report (which contains an explanatory paragraph relating to the Company's ability to continue as a going concern as described in Note 1 to the financial statements) dated April 1, 2024, relating to the financial statements, which appears in this Annual Report on Form 10-K for the year ended December 31, 2023.

/s/ BPM LLP

San Jose, California
April 1, 2024

Exhibit 31.1

CERTIFICATION

I, William Santana Li, certify that:

1. I have reviewed this annual report on Form 10-K 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: April 1, 2024

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

Exhibit 31.2

CERTIFICATION

I, Apoorv Dwivedi, certify that:

1. I have reviewed this annual report on Form 10-K 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: April 1, 2024

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

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

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

(i) the accompanying Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 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: April 1, 2024

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

Exhibit 32.2

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

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

(i) the accompanying Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 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: April 1, 2024

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

Knightscope, Inc. Incentive Compensation Recovery Policy

1. Purpose

The purpose of the Knightscope, Inc. Incentive Compensation Recovery Policy (this **"Policy")** is to provide for the recovery of certain Incentive-Based Compensation in the event of an Accounting Restatement. This Policy is intended to comply with, and to be administered and interpreted consistent with, Section 1OD of the Securities Exchange Act of 1934, as amended (the **"Exchange Act"),** Rule 10D-1 promulgated under the Exchange Act **("Rule 1OD-1**"), and Listing Rule 5608 adopted by the Nasdaq Stock Market LLC **("Nasdaq")** (the **"Listing Standard").** Unless otherwise defined in this Policy, capitalized terms shall have the meanings set forth in Section 1O below.

2. Policy for Recovery of Erroneously Awarded Compensation

In the event of an Accounting Restatement, it is the Company's policy that it will recover reasonably promptly the amount of any Erroneously Awarded Compensation Received by an Executive Officer during the Recovery Period.

3. Administration

3.1. This Policy shall be administered by the Compensation Committee, except that the Board may determine to act as the administrator or designate another committee of the Board to act as the administrator with respect to any portion of this Policy other than Section 3.3 (the **"Administrator").** The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy.

3.2. The Administrator is authorized to take appropriate steps to implement this Policy and may effect recovery hereunder by: (i) requiring payment to the Company, (ii) set-off, (iii) reducing compensation, or (iv) such other means or combination of means as the Administrator determines to be appropriate.

3.3. The Administrator is authorized to engage any third-party advisers that it deems necessary or appropriate in connection with its administration of this Policy and to effect any recovery required hereunder, with appropriate funding provided by the Company for such third-party engagement. The Administrator is further authorized and directed to consult with the full Board or such other committees of the Board, such as the Audit Committee, as may be necessary or appropriate as to matters within the scope of such other committee's responsibility and authority.

3.4. The Company need not recover Erroneously Awarded Compensation if and to the extent that the Compensation Committee determines that such recovery is impracticable and not required under Rule 10D-1 and the Listing Standard because: (i) the direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered after making a reasonable attempt to recover or (ii) recovery would likely cause an otherwise tax-qualified

broad-based retirement plan to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

3.5. Any determinations made by the Administrator under this Policy shall be final and binding on all affected individuals and need not be uniform with respect to each Executive Officer covered by this Policy.

4. Other Recovery Rights; Company Claims

Any right of recovery pursuant to this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law or pursuant to the terms of any other compensation recovery policy of the Company that may be in effect from time to time, including in any employment agreement, plan or award agreement, or similar agreement and any other legal remedies available to the Company. Nothing contained in this Policy and no recovery hereunder shall limit any claims, damages, or other legal remedies the Company may have against an individual arising out of or resulting from any actions or omissions by such individual .

5. Reporting and Disclosure

The Company shall file all disclosures with respect to this Policy in accordance with the requirements of federal securities laws.

6. Indemnification Prohibition

Notwithstanding the terms of any indemnification or insurance policy or any contractual arrangement that may be interpreted to the contrary, the Company shall not indemnify any Executive Officer with respect to amount(s) recovered under this Policy or claims relating to the enforcement of this Policy, including any payment or reimbursement for the cost of third-party insurance purchased by such individual to fund potential clawback obligations hereunder.

7. Amendment; Termination

The Board or the Compensation Committee may amend or terminate this Policy from time to time in its discretion as it deems appropriate and shall amend this policy as it deems necessary to comply with applicable law or any rules or standards adopted by a national securities exchange or association on which the Company's securities are listed; provided, however, that no amendment or termination of this Policy shall be effective to the extent it would cause the Company to violate any federal securities laws, Securities and Exchange Commission rule or the rules or standards of any national securities exchange or association on which the Company's securities are listed.

8. Successors

This Policy shall be binding and enforceable against all individuals who are, were or become Executive Officers and their beneficiaries, heirs, executors, administrators, or other legal representatives.

9. Effective Date

This Policy is effective only for Incentive-Based Compensation Received by an Executive Officer on or after the Effective Date.

10. Definitions. For purposes of this Policy, the following terms shall have the meanings set forth below:

10.1. "Accounting Restatement" means an accounting restatement of the Company's financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws, including any accounting restatement required to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

10.2. "Administrator" has the meaning set forth in Section 3.1 hereof.

10.3. "Board" means the Company's Board of Directors.

10.4. "Company" means Knightscope, Inc., a Delaware corporation, and its affiliates.

10.5. "Committee" means the Compensation Committee of the Board.

10.6. "Effective Date" means October 2, 2023.

10.7. "Erroneously Awarded Compensation" means the amount, as determined by the Administrator, of Incentive-Based Compensation received by an Executive Officer that exceeds the amount of Incentive-Based Compensation that would have been received by the Executive Officer had it been determined based on the restated amounts. For Incentive-Based Compensation based on stock price or total shareholder return **("TSR")** the Administrator will determine the amount based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received, and the Company will maintain documentation of the determination of that reasonable estimate and provide the documentation to Nasdaq. In all cases, the amount to be recovered will be calculated without regard to any taxes paid by the Executive Officer with respect to the Erroneously Awarded Compensation. As set forth in Section 3.3, the Administrator is authorized to engage third-party advisers in connection with the determination of any amounts of Erroneously Awarded Compensation.

10.8. "Executive Officers" means the Company's current and former executive officers as determined by the Administrator in accordance with Rule 1OD-1 and the Listing Standard. Generally, Executive Officers include any executive officer designated by the Board as an "officer" under Rule 16a-1(f) under the Exchange Act.

10.9. "Financial Reporting Measure" means (i) any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements and any measure derived wholly or in part from such a measure, and (ii) any measure based wholly or in part on the Company's stock price or total shareholder return. A Financial Reporting

Measure need not be presented within the Company's financial statements or included in a filing with the Securities and Exchange Commission.

10.10. **"Incentive-Based Compensation"** means any compensation granted, earned, or vested based in whole or in part on the Company's attainment of a Financial Reporting Measure that was Received by an individual (i) on or after the Effective Date and after such individual began service as an Executive Officer, (ii) who served as an Executive Officer at any time during the performance period for the Incentive-Based Compensation and (iii) while the Company has a class of securities listed on a national securities exchange or association.

10.11. **"Received"**: Incentive-Based Compensation is deemed to be "**Received**" in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period.

10.12. **"Recovery Period"** means the three00 completed fiscal years immediately preceding the date that the Company is required to prepare the applicable Accounting Restatement and any "transition period" as described under Rule 10D-1 and the Listing Standard. For purposes of this Policy, the "**date that the Company is required to prepare the applicable Accounting Restatement**" is the earlier to occur of (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.

11. Acknowledgement by Executive Officer

Each Executive Officer shall sign and return to the Company an Acknowledgment Form substantially the form attached to this Policy as Exhibit A-1 or in such other form determined by the Administrator, pursuant to which the Executive Officer agrees to be bound by, and comply with, the terms of this Policy.

<u>Exhibit A-1</u>

Knightscope, Inc. Incentive Compensation Recovery Policy

ACKNOWLEDGEMENT FORM

I, the undersigned, acknowledge and affirm that I have received and reviewed a copy of the Knightscope, Inc. Incentive Compensation Recovery Policy, and agree that:

(i) I am and will continue to be subject to the Knightscope, Inc. Incentive Compensation Recovery Policy, as amended from time to time (the **"Policy").**

(ii) The Policy will apply to me both during and after my employment with the Company.

(iii) I will abide by the terms of the Policy, including, without limitation, by promptly returning any Erroneously Awarded Compensation to the Company to the extent required by, and in a manner determined by the Administrator and permitted by, the Policy.

(iv) In the event of any inconsistency between the Policy and the terms of any employment agreement or offer letter to which I am a party, or the terms of any compensation plan, program, or agreement under which any compensation has been granted, awarded, earned or paid, the terms of the Policy shall govern.

Capitalized terms used but not otherwise defined in this Acknowledgement Form shall have the meanings ascribed to such terms in the Policy.

____
Signature

____
Print Name

____
Date