

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2024

OR

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

For the transition period from _____ to _____

Commission File Number: 001-38107

SoundThinking, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
39300 Civic Center Dr., Suite 300
Fremont, California
(Address of principal executive offices)

47-0949915
(I.R.S. Employer
Identification No.)

94538
(Zip Code)

Registrant's telephone number, including area code: (510) 794-3100

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.005 per share	SSTI	The Nasdaq Capital Market

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

As of August 9, 2024 the registrant had 12,782,928 shares of common stock, \$0.005 par value per share, outstanding.

Table of Contents

	Page	
PART I.		
	FINANCIAL INFORMATION	
Item 1.	Condensed Consolidated Financial Statements	2
	Condensed Consolidated Balance Sheets	2
	Condensed Consolidated Statements of Operations	3
	Condensed Consolidated Statements of Comprehensive Loss	4
	Condensed Consolidated Statements of Stockholders' Equity	5
	Condensed Consolidated Statements of Cash Flows	6
	Notes to Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3.	Qualitative and Quantitative Disclosures About Market Risk	30
Item 4.	Controls and Procedures	30
PART II.		
	OTHER INFORMATION	
Item 1	Legal Proceedings	31
Item 1A.	Risk Factors	31
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	60
Item 6.	Exhibits	60
	Exhibit Index	61
	Signatures	62

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

SoundThinking, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)

	June 30, 2024 (unaudited)	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	\$ 9,790	\$ 5,703
Accounts receivable and contract assets, net	35,705	30,700
Prepaid expenses and other current assets	3,541	3,902
Total current assets	49,036	40,305
Property and equipment, net	21,396	21,028
Operating lease right-of-use assets	2,297	2,315
Goodwill	34,213	34,213
Intangible assets, net	35,037	36,938
Other assets	3,902	3,909
Total assets	\$ 145,881	\$ 138,708
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 2,448	\$ 3,031
Accrued expenses and other current liabilities	8,434	8,521
Line of credit	7,000	7,000
Deferred revenue, short-term	42,985	41,265
Total current liabilities	60,867	59,817
Deferred revenue, long-term	6,446	812
Deferred tax liability	1,333	1,226
Other liabilities	1,620	2,096
Total liabilities	70,266	63,951
Commitments and contingencies (Note 15)		
Stockholders' equity		
Common stock: \$0.005 par value; 500,000,000 shares authorized; 12,782,928 and 12,761,448 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	64	64
Additional paid-in capital	174,662	170,139
Accumulated deficit	(98,779)	(95,118)
Accumulated other comprehensive loss	(332)	(328)
Total stockholders' equity	75,615	74,757
Total liabilities and stockholders' equity	\$ 145,881	\$ 138,708

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenues	\$ 26,960	\$ 22,075	\$ 52,370	\$ 42,695
Costs				
Cost of revenues	10,781	9,413	21,052	18,656
Impairment of property and equipment	106	—	358	72
Total costs	10,887	9,413	21,410	18,728
Gross profit	16,073	12,662	30,960	23,967
Operating expenses				
Sales and marketing	7,322	7,443	14,434	13,291
Research and development	3,468	3,057	7,028	5,710
General and administrative	5,880	5,513	12,710	10,129
Change in fair value of contingent consideration	(554)	(999)	(554)	(1,005)
Total operating expenses	16,116	15,014	33,618	28,125
Operating loss	(43)	(2,352)	(2,658)	(4,158)
Other income (expense), net				
Interest income (expense), net	(61)	52	(183)	106
Other expense, net	(414)	(53)	(472)	(91)
Total other income (expense), net	(475)	(1)	(655)	15
Loss before income taxes	(518)	(2,353)	(3,313)	(4,143)
Provision for income taxes	234	344	348	344
Net loss	<u>\$ (752)</u>	<u>\$ (2,697)</u>	<u>\$ (3,661)</u>	<u>\$ (4,487)</u>
Net loss per share, basic and diluted	<u>\$ (0.06)</u>	<u>\$ (0.22)</u>	<u>\$ (0.29)</u>	<u>\$ (0.37)</u>
Weighted-average shares used in computing net loss per share, basic and diluted	12,792,952	12,224,501	12,781,910	12,238,432

See accompanying notes to condensed consolidated financial statements.

SoundThinking, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net loss	\$ (752)	\$ (2,697)	\$ (3,661)	\$ (4,487)
Other comprehensive income (loss):				
Change in foreign currency translation adjustment, net of taxes	12	(56)	(4)	(73)
Comprehensive loss	<u>\$ (740)</u>	<u>\$ (2,753)</u>	<u>\$ (3,665)</u>	<u>\$ (4,560)</u>

See accompanying notes to condensed consolidated financial statements.

SoundThinking, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(In thousands, except share data)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Par Value				
Balance at January 1, 2024	12,761,448	\$ 64	\$ 170,139	\$ (95,118)	\$ (328)	\$ 74,757
Issuance of common stock from RSUs vested	31,720	—	—	—	—	—
Stock-based compensation	—	—	2,927	—	—	2,927
Foreign currency translation loss	—	—	—	—	(16)	(16)
Net loss	—	—	—	(2,909)	—	(2,909)
Balance at March 31, 2024	12,793,168	64	173,066	(98,027)	(344)	74,759
Exercise of stock options	5,640	—	5	—	—	5
Repurchase of common stock	(134,150)	—	(1,999)	—	—	(1,999)
Issuance of common stock from ESPP purchases	36,586	—	444	—	—	444
Issuance of common stock from RSUs vested	81,684	—	—	—	—	—
Stock-based compensation	—	—	3,146	—	—	3,146
Foreign currency translation income	—	—	—	—	12	12
Net loss	—	—	—	(752)	—	(752)
Balance at June 30, 2024	<u>12,782,928</u>	<u>\$ 64</u>	<u>\$ 174,662</u>	<u>\$ (98,779)</u>	<u>\$ (332)</u>	<u>\$ 75,615</u>

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Par Value				
Balance at January 1, 2023	12,243,929	\$ 62	\$ 153,573	\$ (92,400)	\$ (290)	\$ 60,945
Exercise of stock options	10,063	—	127	—	—	127
Repurchase of common stock	(35,369)	—	(1,256)	—	—	(1,256)
Issuance of common stock from RSUs vested	25,157	—	—	—	—	—
Stock-based compensation	—	—	2,220	—	—	2,220
Foreign currency translation loss	—	—	—	—	(17)	(17)
Net loss	—	—	—	(1,790)	—	(1,790)
Balance at March 31, 2023	12,243,780	62	154,664	(94,190)	(307)	60,229
Exercise of stock options	4,097	—	17	—	—	17
Repurchase of common stock	(100,401)	—	(2,392)	—	—	(2,392)
Issuance of common stock from ESPP purchases	25,193	—	483	—	—	483
Issuance of common stock from RSUs vested	56,666	—	—	—	—	—
Stock-based compensation	—	—	2,479	—	—	2,479
Foreign currency translation loss	—	—	—	—	(56)	(56)
Net loss	—	—	—	(2,697)	—	(2,697)
Balance at June 30, 2023	<u>12,229,335</u>	<u>\$ 62</u>	<u>\$ 155,251</u>	<u>\$ (96,887)</u>	<u>\$ (363)</u>	<u>\$ 58,063</u>

See accompanying notes to condensed consolidated financial statements.

SoundThinking, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (3,661)	\$ (4,487)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation of property and equipment	3,126	3,419
Amortization of intangible assets	1,929	2,160
Impairment of property and equipment	358	72
Stock-based compensation	6,073	4,699
Change in fair value of contingent consideration	(554)	(1,005)
Loss on disposal of property and equipment	5	—
Deferred taxes	107	168
Allowance for credit losses	50	252
Changes in operating assets and liabilities:		
Accounts receivable and contract assets	(5,055)	3,104
Prepaid expenses and other assets	368	(561)
Accounts payable	(728)	(432)
Accrued expenses and other liabilities	20	(1,359)
Deferred revenue	7,353	(4,725)
Net cash provided by operating activities	9,391	1,305
Cash flows from investing activities:		
Purchase of property and equipment	(3,717)	(3,216)
Investment in intangible and other assets	(31)	(50)
Net cash used in investing activities	(3,748)	(3,266)
Cash flows from financing activities:		
Payment of contingent consideration liability	—	(1,500)
Proceeds from exercise of stock options	5	144
Repurchases of common stock	(1,999)	(3,648)
Proceeds from employee stock purchase plan	444	483
Net cash used in financing activities	(1,550)	(4,521)
Change in cash and cash equivalents	4,093	(6,482)
Effect of exchange rate on cash and cash equivalents	(6)	(72)
Cash and cash equivalents at beginning of year	5,703	10,479
Cash and cash equivalents at end of period	<u>\$ 9,790</u>	<u>\$ 3,925</u>
Supplemental cash flow disclosures:		
Property and equipment purchases included in accounts payable	\$ 614	\$ 528

See accompanying notes to condensed consolidated financial statements.

SoundThinking, Inc.
Notes to Condensed Consolidated Financial Statements

Note 1. Organization and Description of Business

SoundThinking, Inc. (the “Company”) brings the power of digital transformation to law enforcement and security personnel by providing precision-policing and security solutions, combining data-driven solutions and strategic advisory services for law enforcement and civic leadership. As of June 30, 2024, the Company had approximately 250 customers and to date has worked with approximately 2,100 agencies to help drive more efficient, effective, and equitable public safety outcomes.

In April 2023, the Company introduced its SafetySmart™ platform that includes five data-driven tools consisting of (i) its flagship product, ShotSpotter® (formerly ShotSpotter Respond), the leading outdoor gunshot detection, location and alerting system trusted by 176 cities and 18 universities and corporations as of June 30, 2024, (ii) CrimeTracer™ (formerly COPLINK X), a leading law enforcement search engine that enables investigators to search through more than one billion criminal justice records across jurisdictions to generate tactical leads and quickly make intelligent connections to solve crimes, (iii) CaseBuilder™ (formerly ShotSpotter Investigate), a one-stop investigative management system for tracking, reporting, and collaborating on cases, (iv) ResourceRouter™ (formerly ShotSpotter Connect) that directs the deployment of patrol and community anti-violence resources in an objective way to help maximize the impact of limited resources and improve community safety, and (v) SafePointe™, an AI-based weapons detection system that the Company added when it acquired SafePointe, LLC (“SafePointe”) in August 2023. The Company offers its solutions on a software-as-a-service subscription model to its customers.

ShotSpotter for Highways, ShotSpotter for Campus and ShotSpotter for Corporate are typically smaller-scale deployments of ShotSpotter vertically marketed to universities, corporate campuses, highways, and key infrastructure centers to mitigate risk and enhance security by notifying authorities of outdoor gunfire incidents, saving critical minutes for first responders to arrive. In 2019, the Company created a technology innovation unit, SoundThinking Labs, to expand its efforts supporting innovative uses of its technology to help protect wildlife and the environment. Additionally, the Company provides maintenance and support services and professional software development services to two customers, through sales channel intermediaries.

In July 2024 the Company announced a strategic partnership to create and launch a new end-to-end vehicle and License Plate Reader (LPR) public safety solution, ‘PlateRanger, Powered by Rekor.’ This collaboration brings together two industry leaders, combining SoundThinking's expertise in acoustic gunshot detection and investigative solutions with Rekor's best-in-class vehicle LPR solutions. PlateRanger is expected to be positioned as a part of the SafetySmart™ platform starting in September 2024, marking SoundThinking's expansion into the growing LPR market.

The Company’s principal executive offices are located in Fremont, California. The Company has six wholly-owned subsidiaries.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and note disclosures normally included in the consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated financial statements include the results of the Company and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated upon consolidation.

The accompanying condensed consolidated financial statements and related financial information should be read in conjunction with the consolidated financial statements filed with the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on April 1, 2024.

In the opinion of management, the accompanying condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, comprehensive loss, stockholders' equity and cash flows for the interim periods, but are not necessarily indicative of the results of operations or cash flows to be anticipated for the full year 2024 or any future period. The Company has evaluated subsequent events occurring after the date of the condensed consolidated financial statements for events requiring recording or disclosure in the condensed consolidated financial statements.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its significant estimates, including the valuation of accounts receivable, the lives and realization of tangible and intangible assets, contingent consideration liabilities, stock-based compensation expense, customer life, accounting for revenue recognition, contingent liabilities related to legal matters, and income taxes including deferred taxes and any related valuation allowance. In particular, the Company's contingent consideration liabilities are subject to significant estimates surrounding forecasts of certain revenues and other factors. Management bases its estimates on historical experience and on various other market-specific and relevant assumptions it believes to be reasonable under the circumstances. Actual results could differ from those estimates and such differences could be material to the Company's financial position and results of operations.

The Company records net deferred tax assets to the extent the Company believes these assets will more likely than not be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. In the event the Company determines that it would be able to realize its deferred assets in the future in excess of their net recorded amount, the Company would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

Concentrations of Risk

Credit Risk – Financial instruments that potentially subject the Company to concentration of credit risk consisted primarily of cash and cash equivalents and accounts receivable from trade customers. The Company maintains its deposits of cash and cash equivalents at three domestic and four international financial institutions. The Company is exposed to credit risk in the event of default by a financial institution to the extent that cash and cash equivalents are in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC") and other local country government agencies. The Company generally places its cash and cash equivalents with high-credit quality financial institutions. To date, the Company has not experienced any losses on its cash and cash equivalents. As of June 30, 2024, the Company had approximately \$9.0 million deposited with one of the Company's domestic financial institutions, and \$32,000 each deposited with the Company's other two domestic financial institutions, for which only \$250,000 per bank is insured under FDIC limits.

Concentration of Accounts Receivable and Contract Assets – At June 30, 2024, two customers accounted for 24% and 11% of the Company's total accounts receivable and contract assets, net. At December 31, 2023, two customers accounted for 24% and 10%, of the Company's total accounts receivable and contract assets, net.

Concentration of Revenues – For the three months ended June 30, 2024, two customers accounted for 25% and 10% of the Company's total revenues. For the three months ended June 30, 2023, two customers accounted for 25% and 9% of the Company's total revenues. For the six months ended June 30, 2024, two customers accounted for 26% and 10% of the Company's total revenues. For the six months ended June 30, 2023, two customers accounted for 26% and 10% of the Company's total revenues.

Concentration of Suppliers – The Company relies on a limited number of suppliers and contract manufacturers. In particular, a single supplier is currently the sole manufacturer of the Company's proprietary sensors.

The Company evaluates all Accounting Standards Update ("ASU") updates recently issued by the Financial Accounting Standards Board ("FASB") for consideration of their applicability. Any recently issued ASUs not listed below were assessed and determined to either not be applicable, or have not had, or are not expected to have, a material impact on our condensed consolidated financial statements. The Company did not adopt any new accounting standards during

the six months ended June 30, 2024. During the three and six months ended June 30, 2024, there were no changes to the Company's significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, except as follows.

Recent Accounting Pronouncements Not Yet Effective

Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures* ("ASU 2023-09"). ASU 2023-09 enhances the transparency of income tax disclosures, primarily by requiring public business entities to disclose on an annual basis, specific categories in the rate reconciliation tabular presentation, as well as by providing additional information for reconciling items that meet a quantitative threshold. The ASU also requires disaggregated disclosures of federal, state and foreign income taxes paid. The new guidance is effective for fiscal years beginning after December 15, 2024. The Company does not expect implementation of the new guidance to have a material impact on its condensed consolidated financial statements.

Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which enhances prior reportable segment disclosure requirements in part by requiring entities to disclose significant expenses related to their reportable segments. The guidance also requires disclosure of the Chief Operating Decision Maker's ("CODM") position for each segment and detail of how the CODM uses financial reporting to assess their segment's performance. The new guidance is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, on a retrospective basis, with early adoption permitted. The Company does not expect implementation of the new guidance to have a material impact on its consolidated financial statements.

Note 3. Revenue Related Disclosures

The changes in deferred revenue were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Beginning balance	\$ 50,752	\$ 37,459	\$ 42,077	\$ 43,720
New billings	24,887	23,309	57,924	37,457
Revenue recognized during the year from beginning balance	(19,550)	(14,505)	(29,051)	(26,071)
Revenue recognized during the year from new billings	(6,658)	(7,263)	(21,519)	(16,111)
Foreign currency impact	—	(5)	—	—
Ending balance	<u>\$ 49,431</u>	<u>\$ 38,995</u>	<u>\$ 49,431</u>	<u>\$ 38,995</u>

The following table presents remaining performance obligations for contractually committed revenues as of June 30, 2024 (in thousands):

Remainder of 2024	\$ 39,068
2025	41,744
2026	21,102
2027	4,542
Thereafter	1,920
Total	<u>\$ 108,376</u>

The timing of certain revenue recognition included in the table above is based on estimates of go-live dates for contracts not yet live. Contractually committed revenue includes deferred revenue as of June 30, 2024 and amounts under contract that will be invoiced after June 30, 2024.

During the three months ended June 30, 2024, the Company recognized revenues of \$26.3 million from customers in the United States, and \$0.7 million from customers in the Bahamas, South Africa and Uruguay. During the three months ended June 30, 2023, the Company recognized revenues of \$21.6 million from customers in the United States, and \$0.5 million from customers in the Bahamas and South Africa.

During the six months ended June 30, 2024, the Company recognized revenues of \$51.1 million from customers in the United States, and \$1.3 million from customers in the Bahamas, South Africa and Uruguay. During the six months ended June 30, 2023, the Company recognized revenues of \$41.8 million from customers in the United States, and \$0.9 million from customers in the Bahamas and South Africa.

During the three months ended June 30, 2024, the Company recognized revenues of \$26.0 million from monthly subscription, maintenance and support services, and \$1.0 million from professional software development services. During the six months ended June 30, 2024, the Company recognized revenues of \$50.6 million from monthly subscription, maintenance and support services, and \$1.8 million from professional software development services.

During the three months ended June 30, 2023, the Company recognized revenues of \$20.9 million from monthly subscription, maintenance and support services, and \$1.2 million from professional software development services. During the six months ended June 30, 2023, the Company recognized revenues of \$40.4 million from monthly subscription, maintenance and support services, and \$2.3 million from professional software development services.

Note 4. Acquisitions

SafePointe, LLC

During the third quarter of 2023, the Company completed the acquisition of 100% of the membership interests in SafePointe for purchase consideration of \$11.4 million in cash, subject to working capital adjustments, of which \$1.1 million is indemnification escrow cash, and \$11.2 million in the form of 549,579 shares of the Company's common stock based on the closing price on the date of acquisition, of which \$1.1 million is indemnification escrow stock. The purchase consideration also included a contingent earnout payable based on SafePointe's revenues generated during 2023 through 2025. The Company borrowed \$7.0 million under the Umpqua Credit Agreement (See Note 14, *Financing Arrangements*) to partially fund the purchase consideration. The acquisition date fair value of the contingent earnout was \$3.0 million, resulting in a total purchase consideration of \$25.6 million. Up to \$11.5 million in earnout would be payable based on SafePointe's revenues generated during the remainder of 2023 and during the years ended December 31, 2024 and 2025. The SafePointe acquisition was accounted for as a business acquisition in accordance with ASC 805, *Business Combinations*. The acquisition allows the Company to enter the AI-based weapons detection market.

The following table summarizes the assignment of fair value to the identified assets and liabilities recorded as of the acquisition date (in thousands):

Cash and cash equivalents	\$	394
Accounts receivable and contract assets		370
Property and equipment, net		717
Customer relationships		2,500
Software technology		9,200
Tradename		1,100
Goodwill		11,242
Other assets		101
Accrued expenses and other current liabilities		(52)
Deferred revenue		(581)
Net assets acquired		24,991
Escrow claim		581
Total estimated consideration	\$	<u>25,572</u>

The goodwill recognized was primarily attributed to increased synergies that are expected to be achieved from the integration of SafePointe and primarily represents the value of cash flows from future customers and the employee workforce. The Company expects to deduct the amortization of goodwill and intangible assets for tax purposes. A portion of the amortization deduction will commence upon settlement of contingent consideration liabilities. The Company valued the intangible assets using income-based approaches. Significant assumptions included forecasts of revenues, cost of revenues, research and development expense, sales and marketing expense, general and administrative expense, technology lives, royalty rates, working capital rates, customer attrition rates and other estimates. The Company discounted the cash flows at 20.9%, reflecting the risk profile of the assets.

The Company will amortize the acquired customer relationships for 12 years, the acquired software technology for 11 years and the acquired tradename for 9 years.

There were no acquisition-related expenses during the three and six months ended June 30, 2024 or 2023.

The unaudited pro forma combined revenue and net loss presented below have been prepared as if the Company had acquired SafePointe on January 1, 2023 and is for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had taken place on January 1, 2023. The unaudited pro forma financial information has been derived from the consolidated statements of operations of the Company and SafePointe for the below period. The historical financial information has been adjusted in the unaudited combined pro forma information based upon currently available information and certain estimates and assumptions. The actual effect of the transactions ultimately may differ from the pro forma adjustments included herein. However, management believes that the assumptions used to prepare the pro forma adjustments provide a reasonable basis for presenting the significant effects of the transactions as currently contemplated and that the pro forma adjustments are factually supportable, give appropriate effect to the expected impact of events that are directly attributable to the transactions, and reflect those items expected to have a continuing impact on the Company.

The unaudited pro forma combined revenue and net loss for the three months ended June 30, 2023 would have been \$22.5 million and \$3.3 million, respectively. The unaudited pro forma combined revenue and net loss for the six months ended June 30, 2023 would have been \$43.5 million and \$5.7 million, respectively.

Note 5. Fair Value Measurements

In November 2020, the Company estimated the fair value of the contingent consideration liability associated with its acquisition of LEEDS, LLC ("LEEDS"). In May 2023, the Company renamed LEEDS to Technologic Solutions, LLC ("Technologic"). This fair value measurement was classified as Level III within the fair value hierarchy as prescribed by Accounting Standards Codification 820-10-35-37 ("ASC 820, *Fair Value Measurement*"). During the first quarter of 2023,

the Company paid the \$1.5 million Technologic contingent consideration balance, in full settlement of its obligations under the purchase agreement.

In January 2022, the Company estimated the fair value of the contingent consideration liability associated with its acquisition of Forensic Logic to be \$12.4 million as of the acquisition date, using a Monte Carlo simulation approach with asset and revenue volatility of 60.0% and 28.0%, respectively. This fair value measurement is classified as Level III within the fair value hierarchy as prescribed by ASC 820, *Fair Value Measurement*. During the six months ended June 30, 2023, the fair value of the contingent consideration was decreased by \$1.0 million, based upon adjustments to recorded liabilities as a result of revised 2023 forecasted revenues as of June 30, 2023. As a result of actual revenue recognized in the year ended December 31, 2023, the Company did not pay any amounts under the contingent consideration and no further contingent payments remain.

In August 2023, the Company estimated the fair value of the contingent consideration liability associated with its acquisition of SafePointe to be \$3.0 million as of the acquisition date, using a Monte Carlo simulation approach with asset and revenue volatility of 76.1% and 25.8%, respectively. This fair value measurement is classified as Level III within the fair value hierarchy as prescribed by ASC 820, *Fair Value Measurement*. During the six months ended June 30, 2024, the fair value of the contingent consideration was decreased by \$0.6 million, based upon adjustments to recorded liabilities as a result of revised 2024 and 2025 forecasted revenues as of June 30, 2024. During the year ended December 31, 2023, the fair value of the contingent consideration was decreased by \$2.4 million based upon revised estimated 2024 and 2025 revenue targets, as of December 31, 2023.

The changes in the fair value of contingent consideration liabilities for the six months ended June 30, 2024 and 2023 are as follows (in thousands):

	Six Months Ended June 30,	
	2024	2023
Beginning balance	\$ 554	\$ 4,746
Payment of contingent consideration liability	—	(1,500)
Change in fair value of contingent consideration	(554)	(1,005)
Ending balance	\$ —	\$ 2,241

There were no transfers into or out of Level III during the three and six months ended June 30, 2024 and 2023.

Note 6. Goodwill

The change in goodwill is as follows (in thousands):

	June 30, 2024	December 31, 2023
Beginning balance	\$ 34,213	\$ 22,971
Acquisition of SafePointe (Note 4 - Acquisitions)	—	11,242
Ending balance	\$ 34,213	\$ 34,213

Note 7. Intangible Assets, Net

Intangible assets consist of the following (in thousands):

	Weighted-Average Amortization Period (in years)	June 30, 2024		
		Gross	Accumulated Amortization	Net
Customer relationships	14	\$ 25,470	\$ (5,387)	\$ 20,083
Acquired software technology	9	16,340	(3,055)	13,285
Patents and intellectual property	4	1,994	(1,319)	675
Tradename	6	1,100	(106)	994
Total intangible assets, net		<u>\$ 44,904</u>	<u>\$ (9,867)</u>	<u>\$ 35,037</u>

	Weighted-Average Amortization Period (in years)	December 31, 2023		
		Gross	Accumulated Amortization	Net
Customer relationships	14	\$ 25,470	\$ (4,467)	\$ 21,003
Acquired software technology	9	16,340	(2,199)	14,141
Patents	4	1,966	(1,227)	739
Tradename	6	2,100	(1,045)	1,055
Total intangible assets, net		<u>\$ 45,876</u>	<u>\$ (8,938)</u>	<u>\$ 36,938</u>

Intangible amortization expense was approximately \$1.0 million and \$1.5 million for the three months ended June 30, 2024 and June 30, 2023, respectively. Intangible amortization expense was approximately \$1.9 million and \$2.2 million for the six months ended June 30, 2024 and June 30, 2023, respectively.

The following table presents future intangible asset amortization as of June 30, 2024 (in thousands):

Remainder of 2024	\$ 1,905
2025	3,819
2026	3,802
2027	3,802
2028	3,736
Thereafter	17,973
Total	<u>\$ 35,037</u>

Note 8. Details of Certain Condensed Consolidated Balance Sheet Accounts

Accounts receivable and contract assets, net (in thousands):

	June 30, 2024	December 31, 2023
Accounts receivable	\$ 31,353	\$ 24,574
Contract assets	4,528	6,225
Allowance for credit losses	(176)	(99)
	<u>\$ 35,705</u>	<u>\$ 30,700</u>

Prepaid expenses and other current assets (in thousands):

	June 30, 2024	December 31, 2023
Deferred commissions	\$ 1,408	\$ 1,295
Prepaid software and licenses	874	1,147
Other	829	248
Short-term deposits	366	406
Prepaid insurance	64	806
	<u>\$ 3,541</u>	<u>\$ 3,902</u>

Other assets (long-term) (in thousands):

	June 30, 2024	December 31, 2023
Deferred commissions	\$ 3,188	\$ 3,205
Escrow claim (Note 4 - Acquisitions)	581	581
Other	133	123
	<u>\$ 3,902</u>	<u>\$ 3,909</u>

Accrued expenses and other current liabilities (in thousands):

	June 30, 2024	December 31, 2023
Personnel-related accruals	\$ 5,889	\$ 6,500
Other	919	422
Operating lease liabilities	877	964
Professional fees	367	407
Sales/use tax payable	150	100
State income tax payable	232	128
	<u>\$ 8,434</u>	<u>\$ 8,521</u>

Other liabilities (long-term) (in thousands):

	June 30, 2024	December 31, 2023
Operating lease liabilities	\$ 1,620	\$ 1,542
Contingent consideration liability	—	554
	<u>\$ 1,620</u>	<u>\$ 2,096</u>

Note 9. Related Party Transactions

During the three and six months ended June 30 2024, the Company recognized approximately \$47,000 and \$80,000, respectively, in revenues from SoundThinking Labs projects with charitable organizations that have received donations from one of the Company's former directors and from one of the Company's significant stockholders. During the three and six months ended June 30 2023, the Company recognized approximately \$32,000 and \$39,000, respectively, in revenues from such SoundThinking Labs projects.

Note 10. Restructuring

In the second quarter of 2024, the Company restructured its workforce and eliminated 3% of its total headcount to more effectively allocate its resources and to reduce operational costs. Additionally, the Company terminated a building lease early for a location that was no longer in use.

Restructuring expense related to the workforce reduction during the three months ended June 30, 2024, amounted to \$0.3 million, consisting of cash expenditures for severance and other employee separation-related costs. Restructuring expenses related to the lease termination were \$0.1 million, comprising of early termination fees and monthly rent. These

restructuring expenses were recorded in other expense, net, in the unaudited condensed consolidated statement of operations.

As of June 30, 2024, net restructuring liabilities totaled approximately \$0.2 million and were included in accrued expenses and other current liabilities on the Company's unaudited condensed consolidated balance sheet.

Note 11. Stock Repurchase Program

During the six months ended June 30, 2024, the Company repurchased 134,150 shares of its common stock at an average price of \$14.86 per share for a total of \$2.0 million, under its stock repurchase program. During the six months ended June 30, 2023, the Company repurchased 135,770 shares of its common stock at an average price of \$26.82 per share, for a total of \$3.6 million, under the stock repurchase program.

Note 12. Net Income (Loss) per Share

The computation of basic net income (loss) per share is based on the weighted-average number of shares of common stock outstanding during each period. The computation of diluted net income (loss) per share is based on the weighted-average number of shares outstanding during the period plus, when their effect is dilutive, incremental shares consisting of shares subject to stock options, restricted stock units, employee stock purchase plan purchase rights and warrants.

The following table summarizes the computation of basic and diluted net loss per share (in thousands, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Numerator:				
Net loss	\$ (752)	\$ (2,697)	\$ (3,661)	\$ (4,487)
Denominator:				
Weighted-average shares outstanding, basic and diluted	12,792,952	12,224,501	12,781,910	12,238,432
Net loss per share, basic and diluted	\$ (0.06)	\$ (0.22)	\$ (0.29)	\$ (0.37)

The following potentially dilutive shares outstanding at the end of the periods presented were excluded in the calculation of diluted net loss per share as the effect would have been anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Options to purchase common stock	1,796,901	1,498,511	1,796,901	1,498,511
Unvested restricted stock units	1,056,904	322,052	1,056,904	322,052
Total	<u>2,853,805</u>	<u>1,820,563</u>	<u>2,853,805</u>	<u>1,820,563</u>

Note 13. Equity Incentive Plans

Stock options

A summary of option activities under the 2005 Stock Plan, as amended in January 2010 and November 2012 (the "2005 Plan") and 2017 Equity Incentive Plan (the "2017 Plan") during the six months ended June 30, 2024 is as follows:

	Number of Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Grant Date Fair Value per Option	Aggregate Intrinsic Value Exercised (in thousands)
Outstanding at December 31, 2023	1,789,431	\$ 26.83		
Granted	73,819	\$ 16.72	\$ 10.20	
Exercised	(5,640)	\$ 0.87		\$ 85
Canceled	(60,709)	\$ 23.03		
Outstanding at June 30, 2024	<u>1,796,901</u>	\$ 26.63		

Under an “evergreen” provision, the number of shares of common stock reserved for issuance under the 2017 Plan will automatically increase on January 1 of each year, beginning on January 1, 2018 and ending on and including January 1, 2027, by 5% of the total number of shares of the Company's common stock outstanding on December 31 of the preceding calendar year or a lesser number of shares determined by the Board of Directors of the Company. In accordance with the evergreen provision, the number of shares of common stock reserved for issuance under the 2017 Plan was increased on January 1, 2024 by 638,072 shares, which was equal to 5% of the total number of shares of common stock outstanding on December 31, 2023.

Restricted stock units

A summary of restricted stock unit ("RSU") activities under the 2017 Plan during the six months ended June 30, 2024 is as follows:

	Number of RSUs	Weighted-Average Fair Value per RSU	Aggregate Fair Value of RSUs Vested (in thousands)
Unvested RSUs at December 31, 2023	298,361	\$ 27.58	
Granted	871,948	\$ 17.54	
Vested	(113,405)	\$ 24.50	\$ 2,778
Forfeited	—	\$ —	
Unvested RSUs at June 30, 2024	<u>1,056,904</u>	\$ 19.68	

Performance-based restricted stock units:

During the six months ended June 30, 2024, the Company granted to members of the Company's management team RSU awards with performance-based vesting conditions (“PSUs”), totaling 544,228 shares at a grant date fair value of \$17.74 per share, the closing stock price on the grant date. These PSUs vest in one installment on the certification date, which shall occur as soon as administratively practicable following the end of 2026, based on the satisfaction of certain Company performance criteria in 2026, as determined by the Compensation and Human Capital Committee of the Board of Directors of the Company. Compensation expense related to the PSUs is estimated each period based on the fair value of the target stock unit at the grant date and the most probable level of achievement of the performance conditions. Compensation expense related to these awards was approximately \$0.3 million and \$0.4 million for the three and six months ended June 30, 2024.

2017 Employee Stock Purchase Plan

There were 36,586 shares of common stock issued under the 2017 Employee Stock Purchase Plan ("2017 ESPP") during the six months ended June 30 2024. The 2017 ESPP contains an “evergreen” provision that provides for an automatic annual share increase on January 1 of each year, in an amount equal to the lesser of (1) 2% of the total number of shares of common stock outstanding on December 31st of the preceding calendar year, (2) 150,000 shares or (3) such number of shares as determined by the Board of Directors of the Company. In accordance with the evergreen provision, the number of shares of common stock reserved for issuance under the 2017 ESPP was increased on January 1, 2024 by 150,000 shares. The number of shares available for grant under the 2017 ESPP was 741,757 as of June 30, 2024.

Total stock-based compensation expense associated with the 2005 Plan, 2017 Plan and 2017 ESPP is recorded in the condensed consolidated statements of operations and was allocated as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cost of revenues	\$ 399	\$ 484	\$ 839	\$ 958
Sales and marketing	584	490	1,185	929
Research and development	303	346	605	640
General and administrative	1,860	1,159	3,444	2,172
Total	<u>\$ 3,146</u>	<u>\$ 2,479</u>	<u>\$ 6,073</u>	<u>\$ 4,699</u>

Note 14. Financing Arrangements

On September 27, 2018, the Company entered into a Credit Agreement with Umpqua Bank (the “Umpqua Credit Agreement”), which allowed the Company to borrow up to \$10.0 million under a revolving loan facility (the “Revolving Facility”). On November 23, 2022, the Company entered into a Fifth Amendment to the Umpqua Credit Agreement (the “Amendment”), which amended the terms of the Umpqua Credit Agreement to, among other things, (1) extend the maturity date from November 27, 2022 to October 15, 2024, (2) increase the revolving credit commitment from \$20.0 million to \$25.0 million, (3) increase the letter of credit sub-facility from \$6.0 million to \$7.5 million, (4) remove the minimum profitability covenants and (5) replace the LIBOR index rate with a Term Secured Overnight Financing Rate index rate. On February 7, 2024, the Company entered into a Sixth Amendment to extend the expiration date to October 15, 2025.

Any amounts outstanding under the letter of credit sub-facility reduce the amount available for the Company to borrow under the Revolving Facility. The available loan facility as of June 30, 2024 and December 31, 2023 was approximately \$18.0 million for both periods. As of June 30, 2024 and December 31, 2023, there was \$7.0 million outstanding on the Company's line of credit, which the Company borrowed in August 2023 to partially fund the acquisition of SafePointe. The interest expense recorded for the three and six months ended June 30, 2024 was \$0.1 million and \$0.2 million, respectively. The weighted-average interest rates on the line of credit were 6.34% and 6.77% during the three and six months ended June 30, 2024, respectively. There were no borrowings outstanding as of June 30, 2023. As of June 30, 2024 and December 31, 2023, the Company was in compliance with all covenants and other requirements set forth in the Umpqua Credit Agreement and Amendments thereto.

Note 15. Commitments and Contingencies

Contingencies

On August 28, 2018, Silvon S. Simmons (the “Plaintiff”) amended a complaint against the City of Rochester, New York and various city employees, filed in the United States District Court, Western District of New York, to add the Company and employees as a defendant. The amended complaint alleges conspiracy to violate the Plaintiff’s civil rights, denial of the right to a fair trial, and malicious prosecution. The Plaintiff claims that the Company colluded with the City of Rochester to fabricate and create gunshot alert evidence to secure Plaintiff’s conviction. On the basis of the allegations, the Plaintiff has petitioned for compensatory and punitive damages and other costs and expenses, including attorney’s fees. The Company believes that the Plaintiff’s claims are without merit and has disputed them vigorously. Following a motion for summary judgment by the Company on September 13, 2023, the court removed the Company as a defendant from the litigation. The Plaintiff then lost its case against the City of Rochester, New York at trial and may appeal.

The Company may become subject to legal proceedings, as well as demands and claims that arise in the normal course of business. Such claims, even if not meritorious, could result in the expenditure of significant financial and management resources. The Company makes a provision for a liability relating to legal matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed and adjusted to include the impacts of negotiations, estimated settlements, legal rulings, advice of legal counsel, and other information and events pertaining to a particular matter.

An unfavorable outcome on any litigation matters could require payment of substantial damages, or, in connection with any intellectual property infringement claims, could require the Company to pay ongoing royalty payments or could prevent the Company from selling certain of its products. As a result, a settlement of, or an unfavorable outcome on, any of the matters referenced above or other litigation matters could have a material adverse effect on the Company’s business, operating results, financial condition and cash flows.

Note 16. Subsequent Events

On August 1, 2024, the Company repaid \$3.0 million on its line of credit. Following this payment, the Company has an outstanding balance of \$4.0 million on its line of credit.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and accompanying notes included in this Quarterly Report on Form 10-Q and the financial statements and accompanying notes and other financial information in the Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission ("SEC") on April 1, 2024. This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of 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"). These statements are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "project," "will," "would" or the negative or plural of these words or similar expressions or variations. Such forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, those discussed in the section titled "Risk Factors" set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q and in our other SEC filings. You should not rely upon forward-looking statements as predictions of future events. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

We are a leading public safety technology company that combines data-driven solutions and strategic advisory services for law enforcement and civic leadership. In April 2023, we introduced our SafetySmart™ platform that includes five data-driven tools consisting of: (i) our flagship product, ShotSpotter® (formerly ShotSpotter Respond), a leading outdoor gunshot detection, location and alerting system trusted by 176 cities and 18 universities and corporations as of June 30, 2024, (ii) CrimeTracer™ (formerly COPLINK X) a leading law enforcement search engine that enables investigators to search through more than one billion criminal justice records from across jurisdictions to generate tactical leads and quickly make intelligent connections to solve cases, (iii) CaseBuilder™ (formerly ShotSpotter Investigate) a one-stop investigative management system for tracking, reporting, and collaborating on cases, (iv) ResourceRouter™ (formerly ShotSpotter Connect), which directs the deployment of patrol and community anti-violence resources in an objective way to help maximize the impact of limited resources and improve community safety, and (v) SafePointe™, an AI-based weapons detection system, that we added when we acquired SafePointe in August 2023. We also offer other security solutions within our flagship product offering ShotSpotter, including ShotSpotter for Highways, ShotSpotter for Campus and ShotSpotter for Corporate that are typically smaller-scale deployments of ShotSpotter vertically marketed to universities, corporate campuses, highways, and key infrastructure centers to mitigate risk and enhance security by notifying authorities of outdoor gunfire incidents, saving critical minutes for first responders to arrive. SoundThinking Labs supports innovative uses of our technology to help protect wildlife and the environment.

In the second quarter of 2024, we announced a strategic partnership to create and launch a new end-to-end vehicle and License Plate Reader ("LPR") public safety solution, "PlateRanger, Powered by Rekor." This collaboration brings together two industry leaders, combining SoundThinking's expertise in acoustic gunshot detection and investigative solutions with Rekor's best-in-class vehicle LPR solutions. PlateRanger is expected to be positioned as a part of our SafetySmart platform starting in September 2024, marking SoundThinking's expansion into the growing LPR market.

Our gunshot detection solutions consist of highly-specialized, cloud-based software integrated with proprietary, internet-enabled sensors designed to detect outdoor gunfire. The speed and accuracy of our gunfire alerts enable law enforcement and security personnel to consistently and quickly respond to shooting events including those unreported through 911, which can increase the chances of apprehending the shooter, providing timely aid to victims, and identifying witnesses before they scatter, as well as aid in evidence collection and serve as an overall deterrent. When a potential gunfire incident is detected by our sensors, our system precisely locates where the incident occurred and applies machine classification combined with human review to analyze and validate the incident. An alert containing a location on a map and critical information about the incident is sent directly to subscribing law enforcement or security personnel through any internet-connected computer and to iPhone or Android mobile devices.

Our software sends gunfire data along with the audio of the triggering sound to our Incident Review Center ("IRC"), where our trained incident review specialists are on duty 24 hours a day, seven days a week, 365 days a year to screen and confirm actual gunfire incidents. Our trained incident review specialists can supplement alerts with additional tactical

information, such as the potential presence of multiple shooters or the use of high-capacity weapons. Gunshot incidents reviewed by our IRC result in alerts typically sent within approximately 45 seconds of the receipt of the gunfire incident.

We offer our solutions on a software-as-a-service subscription model to our customers. We generate annual subscription revenues from the deployment of ShotSpotter on a per-square-mile basis. Our security solutions, ShotSpotter for Highways, ShotSpotter for Campus, and ShotSpotter for Corporate are typically sold on a subscription basis, each with a customized deployment plan. CaseBuilder, ResourceRouter, and CrimeTracer are also sold on a subscription basis generally customized based on the number of sworn officers in a particular city. We generate annual subscription revenues from the deployment of SafePointe on a per-lane basis, a lane being the detection area of an entryway. As of June 30, 2024, we had ShotSpotter, ShotSpotter for Campus, and ShotSpotter for Corporate coverage areas under contract for 1,184 square miles, of which 1,171 square miles had gone live. Coverage areas under contract for ShotSpotter included 176 cities and coverage areas under contract for ShotSpotter for Campus and ShotSpotter for Corporate included 18 campuses/sites across the United States, South Africa, Uruguay and the Bahamas, including some of the largest cities in the United States. As of June 30, 2024, we had 179 SafePointe lanes under contract. Most of our revenues are attributable to customers based in the United States.

While we intend to continue to devote resources to increase sales of our other solutions, we expect that revenues from ShotSpotter will continue to comprise a majority of our revenues for the foreseeable future. SoundThinking Labs projects are generally conducted in coordination with a sponsoring charitable organization and may or may not be revenue-producing. When they are revenue-producing, they will generally be sold on a cost-plus basis. As such, SoundThinking Labs projects will normally produce gross margins significantly lower than most of our other solutions. Additionally, we offer pricing programs for Tier 4 and 5 law enforcement agencies (those with fewer than 100 sworn officers) that allow them to contract for our gunshot detection solutions to cover a footprint of less than three square miles, using standardized coverage parameters, at a discounted annual subscription rate.

Since our founding over 27 years ago, we have been a purpose-led company. We are a mission-driven organization that focuses on improving public safety outcomes. We accomplish this by earning the trust of law enforcement and providing solutions to help them better engage and strengthen the police-community relationships in fulfilling their sworn obligation to equally serve and protect all. Our inspiration comes from our principal founder, Dr. Bob Showen, who believes that the highest and best use of technology is to promote social good. We are committed to developing comprehensive, respectful, and engaged partnerships with law enforcement agencies, elected officials and communities focused on making a positive difference in the world.

We enter into subscription agreements that typically range from one to three years in duration. Substantially all of our sales are to governmental agencies and universities, which often undertake a prolonged contract evaluation process that affects the size or the timing of our sales contracts and may likewise increase our customer acquisition costs.

We rely on a limited number of suppliers and contract manufacturers to produce components of our solutions. We have no long-term contracts with these manufacturers and purchases from them are generally on a purchase order basis. Although we use a limited number of suppliers and contract manufacturers, we believe that we could find alternate suppliers or manufacturers if circumstances required us to do so, in part because a portion of the components required by our solutions are available off the shelf.

We generated revenues of \$27.0 million and \$22.1 million for the three months ended June 30, 2024 and 2023, respectively, representing an increase of 22%. For the three months ended June 30, 2024 and 2023 revenues from ShotSpotter represented approximately 69% and 73% of total revenues, respectively. Our two current largest customers, the City of New York and the City of Chicago, accounted for 25% and 10%, respectively, of our total revenues for the three months ended June 30, 2024. The City of New York and the City of Chicago accounted for 25% and 9%, respectively, of our total revenues for the three months ended June 30, 2023.

We generated revenues of \$52.4 million and \$42.7 million for the six months ended June 30, 2024 and 2023, respectively, representing an increase of 23%. For the six months ended June 30, 2024 and 2023 revenues from ShotSpotter represented approximately 69% and 72% of total revenues, respectively. Our two current largest customers, the City of New York and the City of Chicago, accounted for 26% and 10%, respectively, of our total revenues for the six months ended June 30, 2024. The City of New York and the City of Chicago accounted for 26% and 10%, respectively, of our total revenues for the six months ended June 30, 2023.

For the three months ended June 30, 2024 and 2023, revenues generated within the United States (including Puerto Rico and the U.S. Virgin Islands) accounted for \$26.3 million and \$21.6 million, respectively, or 98% of total revenues for both periods. For the six months ended June 30, 2024 and 2023, revenues generated within the United States (including Puerto Rico and the U.S. Virgin Islands) accounted for \$51.1 million and \$41.8 million, respectively, or 98% of total revenues for both periods.

We had a net loss of \$0.8 million and \$2.7 million for the three months ended June 30, 2024 and 2023, respectively. We had a net loss of \$3.7 million and \$4.5 million for the six months ended June 30, 2024 and 2023, respectively. Our accumulated deficit was \$98.8 million and \$95.1 million at June 30, 2024 and December 31, 2023, respectively.

We have focused on rapidly growing our business and believe that our future growth is dependent on many factors, including our ability to increase our customer base, expand the coverage of our solutions among our existing customers, expand our international presence, increase sales of our other solutions and retain our customers. Our future growth will primarily depend on the market acceptance for outdoor gunshot detection solutions. Challenges we face in this regard include our target customers not having access to adequate funding sources, the fact that contracting with government entities can be complex, expensive and time-consuming, the fact that our typical sales cycle is often very long and difficult to estimate accurately, and the fact that negative publicity about our company can and has caused current and potential future customers to evaluate the sales of our solutions more than in the past. We expect international sales cycles to be even longer than our domestic sales cycles. To combat these challenges, we are increasing awareness of our solutions, investing in new sales and marketing campaigns, often in different languages for international sales, hiring additional sales representatives to drive sales to continue to maintain our position as a market leader, and investing in research and development. In addition, we believe that entering into strategic partnerships with other service providers to cities and municipalities offers another potential avenue for expansion.

We will also focus on expanding our business by introducing new products and services to existing customers, such as ResourceRouter, CrimeTracer and, as a result of our acquisition in August 2023 of SafePointe, an AI-driven weapon detection system, and acquiring intellectual property assets. We believe that developing and acquiring products for law enforcement in adjacent categories is a path for additional growth. We believe our large and growing installed base of police departments who trust SoundThinking's products, support, and way of doing business provide revenue growth opportunities. The ability to cross-sell new products provides an opportunity to grow revenues per customer and lifetime value. We continue to see robust cross-selling momentum, with Newport News adding our CrimeTracer and CaseBuilder solutions to complement our ShotSpotter and ResourceRouter solutions that they have already implemented. Challenges we face in this area include ensuring our new products are reliable, integrated well with other SoundThinking solutions, and priced and serviced appropriately. In some cases, we will need to bring in new skill sets to properly develop, market, sell or service these new products depending on the categories they represent.

With respect to international sales, we believe that we have the potential to expand our coverage within existing areas, and to pursue opportunities in Latin America and other regions of the world. By adding additional sales resources in strategic locations, we believe we will be better positioned to reach these markets. However, we recognize that we have limited international operational experience and currently operate in a limited number of regions outside of the United States. Operating successfully in international markets will require significant resources and management attention and will subject us to additional regulatory, economic, and political risks. We may face additional challenges that may delay contract execution related to negotiating with governments in transition, the use of third-party integrations and consultants. Moreover, we anticipate that different political and regulatory considerations that vary across different jurisdictions could extend or make more difficult to predict the length of what is already a lengthy sales cycle.

Net New "Go-Live" Cities and Universities

Net new "go-live" cities and universities represent the number of cities and universities covered by deployments of our gunshot detection ShotSpotter solution that were formally approved by customers during the period, both from initial and expanded customer deployments, net of cities and universities that ceased to be "live" during the period due to customer cancellations. New cities and universities include deployed coverage areas that may have been sold, or booked, in a prior period. We focus on net new "go-live" cities and universities as a key business metric to measure our operational performance and market penetration. Our net new "go-live" cities and universities in the three and six months ended June 30, 2024 and 2023 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net new “go-live” cities and universities	2	8	11	14

Components of Results of Operations

Presentation of Financial Statements

Our condensed consolidated financial statements include the accounts of our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Revenues

We generate annual subscription revenues from the deployment of ShotSpotter on a per-square-mile basis and generate annual subscription revenues from the deployment of SafePointe on a per-lane basis, a lane being the detection area of an entryway. Our security solutions, ShotSpotter for Highways, ShotSpotter for Campus, ShotSpotter for Corporate as well as CaseBuilder are typically sold on a subscription basis, each with a customized deployment plan. ResourceRouter and CrimeTracer are also sold on a subscription basis generally customized based on the number of sworn officers in a particular city.

We derive the majority of our revenues from subscription services. We recognize subscription fees ratably, on a straight-line basis, over the term of the subscription, which for new customers is typically one to three years in length. Customer contracts may include one-time fees for the set-up of our sensors in the customer’s coverage areas, training, and third-party integration licenses. If the set-up fees are deemed to be a material right, they are recognized ratably over three to five years depending on the contract term. Training and third-party integration license fees are recognized upon delivery.

We also generate revenues through sales to two customers through sales channel intermediaries that include enhanced services. One sales channel intermediary contract through our Technologic Solutions subsidiary includes (i) a single on-premise software license for our proprietary software technology and related maintenance and support services and (ii) professional software development services, such as for software development and testing for product feature enhancements, by executing supplementary work orders. The second sales channel intermediary contract includes an enterprise CaseBuilder solution with supplemental professional services to integrate CaseBuilder with the customer’s existing systems that will remain in place.

For ShotSpotter sales to cities, we generally invoice customers for 50% of the total contract value when the contract is fully executed and for the remaining 50% when the subscription service is operational and ready to go live – that is, when the customer has acknowledged the completion of all the deliverables in the signed customer acceptance form. For SafePointe, we generally invoice the first year’s subscription price when the contract is fully executed. For ShotSpotter for Highways, ShotSpotter for Campus, ShotSpotter for Corporate and CrimeTracer, we generally invoice customers 100% of the total contract value when the subscription service is operational, which is often soon after contract execution. All fees billed in advance of services being delivered are recorded as deferred revenue. The timing of when new miles go live can be uncertain and, as a result, can have a significant impact on the levels of revenues and deferred revenue from quarter to quarter.

We may also offer discounts or other incentives in conjunction with all ShotSpotter sales in an effort to introduce the product, accelerate sales or extend renewals for a longer contract term. As a result of our process for invoicing contracts and renewals upon execution, our cash flow from operations and accounts receivable can fluctuate due to timing of contract execution and timing of deployment.

We generally invoice subscription service renewals for 100% of the total contract value when the renewal contract is executed. Renewal fees are recognized ratably over the term of the renewal, which is typically one year. While most of our customers elect to renew their agreements, in some cases, they may not be able to obtain the proper approvals or funding to complete the renewal prior to expiration. For these customers, we stop recognizing subscription revenues at the end of the current contract term, even though we may continue to provide services for a period of time until the renewal process is completed. Once the renewal is complete, we then recognize subscription revenues for the period between the expiration of the original term of the agreement and the completion of the renewal process in the month in which the renewal is executed. If a customer declines to renew its subscription prior to the end of the contract term, remaining setup fees, if any, are immediately recognized.

We also provide access to CrimeTracer to an intermediary to either be resold or combined with their own materials, software and/or services, to create an integrated solution that is provided to their end-user customers. We recognize this revenue net of margins paid to the intermediary.

It is likely that international deployments may have different payment and billing terms due to their local laws, restrictions or other customary terms and conditions.

SoundThinking Labs projects may or may not be revenue-producing. When they are revenue-producing, they are generally sold on a cost-plus basis.

We anticipate that, due to rising costs of inflation, our customers may experience increased expenditures resulting in budget shortfalls and changes in their business cycle, which may cause delays in their ability to approve proposals for contracts.

Costs

Costs include the cost of revenues and impairment of property and equipment. Cost of revenues for ShotSpotter solutions primarily includes depreciation expense associated with capitalized customer acoustic sensor networks, communication expenses, costs related to hosting our service applications, costs related to operating our IRC, providing remote and on-site customer support and maintenance and forensic services, providing customer training and onboarding services, certain personnel and related costs of operations, stock-based compensation and allocated overheads that include information technology, facility and equipment depreciation costs. Cost of revenues for our SafePointe solution are similar except that depreciation of the capitalized customer equipment is smaller due to the lower costs of SafePointe customer equipment.

Impairment of property and equipment is primarily attributable to our write-off of the remaining book value of sensor networks related to customers lost.

In the near term, we expect our cost of revenues to increase in absolute dollars as our installed base increases, although certain of our costs of revenues are fixed and do not need to increase commensurate with increases in revenues. In addition, depreciation expense associated with deployed equipment for ShotSpotter and SafePointe is recognized over the first five and three years from the go live date, respectively. We also expect cost of revenues to increase in absolute dollars as we continue to invest in our customer success capabilities to drive growth and value for our customers.

For revenues generated through the sale of a proprietary software license and related maintenance and support services and professional software development services, cost of revenues generally includes employee compensation costs that are relatively fixed, third-party contractor costs, allocated facility costs and overhead, and the costs of billable expenses such as travel and lodging. The unpredictability of the timing of entering into significant professional services agreements may cause significant fluctuations in our costs which, in turn, may impact our quarterly financial results.

The cost of revenues for CrimeTracer, ResourceRouter and CaseBuilder is generally related to employee compensation costs and data center hosting services, both of which are relatively fixed.

Operating Expenses

Operating expenses consist of sales and marketing, research and development, and general and administrative expenses. Consultants, salaries, bonuses, stock-based compensation expense and other personnel costs are the most significant components of each of these expense categories. We include stock-based compensation expense incurred in connection with the grant of stock options and restricted stock units to the applicable operating expense category based on the equity award recipient's functional area.

We are focused on executing on our growth strategy. As a result, in the near term we expect our total operating expenses to increase in absolute dollars as we incur additional expenses due to growth. Although our operating expenses will fluctuate, we expect that over time, they will generally decrease as a percentage of revenues.

Sales and Marketing

Sales and marketing expenses primarily consist of personnel-related costs attributable to our sales and marketing personnel, commissions, marketing expenses for trade shows and lead generation programs, consulting fees, travel and facility-related costs and allocated overhead.

We expect sales and marketing expenses will increase in the near-term in absolute dollars as we continue to grow our organization and may fluctuate from quarter to quarter based on the timing of commission expense, marketing campaigns and tradeshow.

Research and Development

Research and development expenses primarily consist of personnel-related costs attributable to our research and development personnel, consulting fees and allocated overhead. We have devoted our product development efforts primarily to develop new lower-cost sensor hardware, develop new features, improve functionality of our solutions and adapt to new technologies or changes to existing technologies.

We are investing in engineering resources to support further development of ResourceRouter, CrimeTracer, CaseBuilder and SafePoint. The focus of this effort will be in the areas of data science modeling, user experience, core application functionality and backend infrastructure improvements, including integration of ShotSpotter gunshot data to enhance forecasting of gun violence.

We are also investing in research and development resources in conjunction with our SoundThinking Labs projects and initiatives. The initial focus of these efforts is to develop innovative sensor applications as well as to test and expand the functionality of our outdoor sensors in challenging environmental conditions.

In the near term, we expect our research and development expenses to increase in absolute dollars and as a percentage of revenues as we increase our research and development headcount to further strengthen our software and invest in the development of our services.

We will continue to invest in research and development to leverage our large and growing database of acoustic events, which includes those from both gunfire and non-gunfire. We also intend to leverage third-party artificial intelligence and our own evolving cognitive and analytical applications to improve the efficiency of our solutions. Certain of these applications and outputs may expand the platform of services that we will be able to offer our customers.

General and Administrative

General and administrative expenses primarily consist of personnel-related costs attributable to our executive, finance, and administrative personnel, legal, litigation, strategic communications, accounting and other professional services fees, and other corporate expenses and allocated overhead.

In the near term, we expect our general and administrative expenses to increase in both absolute dollars and as a percentage of revenues as we grow our business.

Change in Fair Value of Contingent Consideration

Change in fair value of contingent consideration primarily consists of increases or decreases in our contingent consideration liabilities recorded for potential earnouts from certain acquisitions. The changes result from revenue actuals and revised revenue estimates utilized in the fair value methodology to estimate the contingent liability for the earnouts.

Other Income (Expense), Net

Other income (expense), net, consists primarily of interest income, interest expense and local and franchise tax expenses.

Income Taxes

Our income taxes are based on the amount of our income (loss) before tax and enacted federal, state and foreign tax rates, adjusted for allowable credits and deductions, as applicable.

We continually monitor all positive and negative evidence regarding the realization of our deferred tax assets and may record assets when it becomes more likely than not that they will be realized, which may impact the expense or benefit from income taxes.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. We regularly assess the likelihood that the deferred tax assets will be recovered from future taxable income. We consider projected future taxable income and ongoing tax planning strategies, then record a valuation allowance to reduce the carrying value of the net deferred taxes to an amount that is more likely than not able to be realized. Based upon our assessment of all available evidence, including the previous three years of income before tax after permanent items, estimates of future profitability, and our overall prospects of future business, we have determined that it is more likely than not that we will not be able to realize a portion of the deferred tax assets in the future. We will continue to assess the potential realization of deferred tax assets on an annual basis, or an interim basis if circumstances warrant. If our actual results and updated projections vary significantly from the projections used as a basis for this determination, we may need to change the valuation allowance against the gross deferred tax assets.

Results of Operations

Comparison of Three Months Ended June 30, 2024 and 2023

The following table sets forth selected condensed consolidated statements of operations data for the three months ended June 30, 2024 and 2023 (in thousands):

	2024	As a % of Revenues	2023	As a % of Revenues	Change	
	\$		\$		\$	%
Revenues	26,960	100 %	22,075	100 %	4,885	22 %
Costs						
Cost of revenues	10,781	40 %	9,413	43 %	1,368	15 %
Impairment of property and equipment	106	0 %	—	—	106	—
Total costs	10,887	40 %	9,413	43 %	1,474	16 %
Gross profit	16,073	60 %	12,662	57 %	3,411	27 %
Operating expenses:						
Sales and marketing	7,322	27 %	7,443	34 %	(121)	(2 %)
Research and development	3,468	13 %	3,057	14 %	411	13 %
General and administrative	5,880	22 %	5,513	25 %	367	7 %
Change in fair value of contingent consideration	(554)	(2 %)	(999)	(5 %)	445	(45 %)
Total operating expenses	16,116	60 %	15,014	68 %	1,102	7 %
Operating loss	(43)	(0 %)	(2,352)	(11 %)	2,309	(98 %)
Other income (expense), net	(475)	(2 %)	(1)	—	(474)	—
Provision for income taxes	234	1 %	344	(2 %)	(110)	(32 %)
Net loss	<u>\$ (752)</u>	<u>(3 %)</u>	<u>\$ (2,697)</u>	<u>(12 %)</u>	<u>\$ 1,945</u>	<u>(72 %)</u>

Revenues

The increase in revenues of \$4.9 million was primarily attributable to a \$3.5 million increase in revenues from new customers, expansion of existing customer coverage areas, additional cross-selling revenue, including from Newport News, which added our CrimeTracer and CaseBuilder solutions to complement already implemented ShotSpotter and ResourceRouter solutions, and additional revenues from SafePointe that we acquired in the third quarter of 2023, and an increase of \$1.4 million in professional services revenue due to higher and earlier achievement of professional services revenue from our Technologic Solutions group. ShotSpotter went “live” in three new cities and expanded with four current cities, two commercial customers and one university during the three months ended June 30, 2024.

Costs of Revenues

The increase in cost of revenues of \$1.4 million was due primarily to an increase of approximately \$1.0 million in product costs due to the increase in our customer base. The increase also reflects an increase of approximately \$0.4 million in personnel costs due to our SafePointe acquisition in the third quarter of 2023.

Sales and Marketing Expense

Sales and marketing expense decreased by \$0.1 million. This was primarily due to a \$0.8 million one time write off of the Forensic Logic tradename in the second quarter of 2023, partially offset by an increase of \$0.7 million in salaries,

commissions and other personnel costs, as a result of increased headcount and increased revenue in the second quarter of 2024.

Research and Development Expense

Research and development expense increased by \$0.4 million, primarily due to increased headcount as a result of our SafePointe acquisition in the third quarter of fiscal 2023.

General and Administrative Expense

General and administrative expense increased by \$0.4 million and was due primarily to increased personnel-related costs, and increases in insurance and other costs.

Change in Fair Value of Contingent Consideration

The fair value of the SafePointe contingent consideration liability decreased by \$0.6 million during the three months ended June 30, 2024, based upon revised 2024 and 2025 revenue estimates utilized in the fair value methodology to estimate the contingent liability for the earnouts.

Other Income (Expense), Net

The increase of \$0.5 million in other expense, net was primarily due to a one-time restructuring expense of \$0.3 million, comprised of workforce reduction severance and other employee separation-related costs and restructuring costs related to a lease termination for a location that was no longer in use. The increase was also due to interest expense related to the line of credit of \$0.1 million in the three months ended June 30, 2024. The line of credit was primarily used to fund our acquisition of SafePointe.

Income Taxes

Our income taxes are based on the amount of our taxable income and enacted federal, state and foreign tax rates, adjusted for allowable credits, deductions and the valuations allowance against deferred tax assets, as applicable. A \$0.2 million provision for income taxes was recorded in the three months ended June 30, 2024. A \$0.3 million provision for income taxes was recorded in the three months ended June 30, 2023.

Comparison of Six Months Ended June 30, 2024 and 2023

The following table sets forth selected condensed consolidated statements of operations data for the six months ended June 30, 2024 and 2023 (in thousands):

	2024	As a % of Revenues	2023	As a % of Revenues	Change	
	\$	100 %	\$	100 %	\$	%
Revenues	\$ 52,370	100 %	\$ 42,695	100 %	\$ 9,675	23 %
Costs						
Cost of revenues	21,052	40 %	18,656	44 %	2,396	13 %
Impairment of property and equipment	358	1 %	72	0 %	286	397 %
Total costs	21,410	41 %	18,728	44 %	2,682	14 %
Gross profit	30,960	59 %	23,967	56 %	6,993	29 %
Operating expenses:						
Sales and marketing	14,434	28 %	13,291	31 %	1,143	9 %
Research and development	7,028	13 %	5,710	13 %	1,318	23 %
General and administrative	12,710	24 %	10,129	24 %	2,581	25 %
Change in fair value of contingent consideration	(554)	(1 %)	(1,005)	(2 %)	451	(45 %)
Total operating expenses	33,618	64 %	28,125	66 %	5,493	20 %
Operating loss	(2,658)	(5 %)	(4,158)	(10 %)	1,500	(36 %)
Other income (expense), net	(655)	(1 %)	15	0 %	(670)	—
Provision for income taxes	348	1 %	344	(1 %)	4	1 %
Net loss	\$ (3,661)	(7 %)	\$ (4,487)	(11 %)	\$ 826	(18 %)

Revenues

The increase in revenues of \$9.7 million was primarily attributable to a \$7.1 million increase in revenues from new customers, expansion of existing customer coverage areas, contributions from the SafePointe acquisition in the third quarter of 2023 and an increase of \$2.6 million in professional services revenue. We went live in 13 new ShotSpotter cities and one university and expanded in six current cities, two commercial customers and one university during the six months ended June 30, 2024.

Costs of Revenues

The increase in cost of revenues of \$2.4 million was due primarily to an increase in product costs due to the increase in our customer base and an increase in personnel costs due to our SafePointe acquisition in the third quarter of 2023.

Sales and Marketing Expense

Sales and marketing expense increased by \$1.1 million, primarily due to salaries, commissions and other personnel costs as a result of increased headcount and increased revenue. This includes \$0.4 million in additional expense as a result of our SafePointe acquisition in the third quarter of fiscal 2023.

Research and Development Expense

Research and development expense increased by \$1.3 million, primarily due to increased headcount, of which \$0.7 million is attributable to our SafePointe acquisition.

General and Administrative Expense

General and administrative expense increased by \$2.6 million and was due primarily to increased personnel-related costs, and increases in travel costs, insurance and other costs.

Change in Fair Value of Contingent Consideration

The fair value of the SafePointe contingent consideration liability decreased by \$0.6 million during the six months ended June 30, 2024, based upon revised 2024 and 2025 revenue estimates utilized in the fair value methodology to estimate the contingent liability for the earnouts.

Other Income (Expense), Net

The increase in other expense, net was primarily due to a one-time restructuring expense of \$0.3 million comprised of workforce reduction severance and other employee separation-related costs and restructuring costs related to a lease termination for a location that was no longer in use. The increase was also due to interest expense related to the line of credit of \$0.3 million in the six months ended June 30, 2024. The line of credit was primarily used to fund our acquisition of SafePointe.

Income Taxes

Our income taxes are based on the amount of our taxable income and enacted federal, state and foreign tax rates, adjusted for allowable credits, deductions and the valuations allowance against deferred tax assets, as applicable. A \$0.3 million provision for income taxes was recorded in both the six months ended June 30, 2024 and 2023.

Liquidity and Capital Resources

Sources of Funds

Our operations have been financed primarily through net proceeds from the sale of equity, debt financing arrangements and cash from operating activities. Our principal source of liquidity is cash and cash equivalents totaling \$9.8 million and accounts receivable of \$35.7 million as of June 30, 2024. On June 30, 2024, our available credit facility was approximately \$18.0 million and we had \$7.0 million outstanding on our line of credit, which was primarily used to fund our acquisition of SafePointe. On August 1, 2024, we repaid \$3.0 million on our line of credit. Following this payment, we have an outstanding balance of \$4.0 million on our line of credit.

We believe our existing cash and cash equivalents, our available credit facility and cash flow from operations will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months. We believe that the costs to perform the short-term deferred revenue is relatively low compared to the balance of \$43.0 million. However, should additional working capital be needed, we can utilize our unused credit facility. We believe that we will

meet longer term expected future working capital and capital expenditure requirements through a combination of cash flows from operating activities, available cash balances and our available credit facility. Our future capital requirements may vary materially from those currently planned and will depend on many factors, including our rate of revenue growth, the timing and extent of spending on sales and marketing, the expansion of sales and marketing activities, the timing of new product introductions, market acceptance of our products and overall economic conditions. We may also seek additional capital to fund our operations, including through the sale of equity or debt financings. To the extent that we raise additional capital through the future sale of equity, the ownership interest of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our existing common stockholders. The incurrence of debt financing would result in debt service obligations and the instruments governing such debt could provide for operating and financing covenants that would restrict our operations. Additionally, there is no guarantee debt or equity financing will be available to us on terms that are favorable to us, or at all.

Use of Funds

Our historical uses of cash have primarily consisted of cash used for operating activities, such as expansion of our sales and marketing operations, research and development activities and other working capital needs, and cash used in investing activities, such as property and equipment expenditures to install infrastructure in customer cities in order to deliver our solutions and acquisitions. Our expected material cash requirements are similar to our historical uses of cash as well as in connection with contingent earnouts, our stock repurchase program and repayment of any outstanding debt obligations under our credit facility, each as described below.

On November 24, 2020, we completed the acquisition of Technologic for a purchase consideration of \$21.6 million in cash, subject to working capital adjustments, and the issuance of 63,901 shares of our common stock that were valued at \$2.0 million at the time of acquisition. The purchase consideration also included a contingent earnout payable based on revenues generated during the years ended December 31, 2021 and 2022. The \$1.5 million contingent earnout for 2022 was earned and paid in March 2023.

Stock Repurchase Program

In November 2022, we announced that our board of directors had approved a stock repurchase program (the "2022 Repurchase Program") for up to \$25.0 million of our common stock. The shares could be repurchased from time to time in open market transactions, in privately negotiated transactions or by other methods in accordance with federal securities laws. The actual timing, number and value of shares repurchased under the program will be determined by management in its discretion and will depend on a number of factors, including the market price of our common stock, general market and economic conditions and applicable legal requirements. The stock repurchase program does not obligate us to purchase any particular amount of common stock and may be suspended or discontinued at any time.

During the six months ended June 30, 2024, we repurchased 134,150 shares of our common stock at an average price of \$14.86 per share for approximately \$2.0 million, under the 2022 Repurchase Program. The repurchases were made in open market transactions using cash on hand, and all of the shares repurchased were retired. As of June 30, 2024, \$17.4 million remains available under the 2022 Repurchase Program.

Credit Facility

In September 2018, we entered into our Umpqua Credit Agreement, initially providing for borrowing capacity of \$10.0 million. The agreement was amended in November 2022 to increase the size of our available credit facility to \$25.0 million with an expiration date of October 15, 2024. An additional amendment occurred in February 2024 to extend the expiration date to October 15, 2025. The revolving loan facility is for general working capital purposes. Our available credit facility as of June 30, 2024 was \$18.0 million. On June 30, 2024 and December 31, 2023, there was \$7.0 million outstanding on our line of credit. On August 1, 2024, we repaid \$3.0 million on our line of credit. Following this payment, we have an outstanding balance of \$4.0 million on our line of credit. The Umpqua Credit Agreement subjects us to certain restrictive and financial covenants, see the risk entitled "The incurrence of debt may impact our financial position and subject us to additional financial and operating restrictions" in Part II, Item 1A, *Risk Factors*, included in this Quarterly Report on Form 10-Q. We are in compliance with all covenants under the Umpqua Credit Agreement as of June 30, 2024.

Cash Flows

Comparison of Six Months Ended June 30, 2024 and 2023

The following table presents a summary of our cash flows for the six months ended June 30, 2024 and 2023 (in thousands):

	Six Months Ended June 30,	
	2024	2023
Net cash provided by (used in):		
Operating activities	\$ 9,391	\$ 1,305
Investing activities	(3,748)	(3,266)
Financing activities	(1,550)	(4,521)
Net change in cash and cash equivalents	<u>\$ 4,093</u>	<u>\$ (6,482)</u>

Operating Activities

Our net loss and cash flows provided by operating activities are significantly influenced by our increase in headcount to support our growth, increase in legal expenses, outside services fees, and sales and marketing expenses, and our ability to bill and collect in a timely manner.

Net cash provided by operating activities increased by \$8.1 million during the six months ended June 30, 2024 compared to the same period in 2023. This was primarily due to increased deferred revenue of \$12.1 million, an increase in accrued liabilities and other liabilities of \$1.2 million, a decrease in prepaid expenses of \$0.8 million, an increase in cash flows from operations adjusted for non-cash operating expenses of \$2.2 million, offset by increased accounts receivables of \$8.2 million.

Investing Activities

Our investing activities consist of business acquisition expenditures, capital expenditures to install our solutions in customer coverage areas and purchases of property and equipment.

Investing activities used \$3.8 million in the six months ended June 30, 2024. This was primarily driven by investments in property and equipment installed for our solutions in customer coverage areas. Investing activities used \$3.3 million in the six months ended June 30, 2023, primarily for investments in installed property and equipment.

Financing Activities

Financing activities includes net proceeds from the exercise of stock options, proceeds from the employee stock purchase plan purchases and proceeds from our line of credit, offset by payments for repurchases of our common stock and contingent consideration liabilities earned and repayments on our line of credit.

Financing activities used \$1.6 million in the six months ended June 30, 2024, and reflect common stock repurchases of approximately \$2.0 million, offset by \$0.4 million in proceeds from our employee purchase plan. Financing activities used \$4.5 million in the six months ended June 30, 2023. This was driven by \$3.6 million in payments for repurchases of our common stock and the payout of \$1.5 million for the Technologic contingent consideration offset by \$0.5 million in proceeds from our employee stock plan purchase and \$0.1 million in proceeds from the exercise of stock options.

Critical Accounting Estimates

Our condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America. The preparation of our condensed consolidated financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of revenues, assets, liabilities, costs and expenses. We base our estimates and assumptions on historical experience and other factors that we believe to be reasonable under the circumstances and evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates.

Our critical accounting estimates are described under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates” in our 2023 Annual Report on Form 10-K and the notes to the audited consolidated financial statements appearing in our 2023 Annual Report on Form 10-K, filed with the SEC on April 1, 2024. As of June 30, 2024, there have been no material changes to our critical accounting policies and estimates from those disclosed in our 2023 Annual Report on Form 10-K.

Recently Issued Accounting Pronouncements

See Note 2, *Summary of Significant Accounting Policies*, in the notes to our condensed, consolidated financial statements included in this Quarterly Report on Form 10-Q.

Item 3. Qualitative and Quantitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign exchange rates and inflation.

There were no material changes in our market risk during the six months ended June 30, 2024, compared to the market risk disclosed in the Qualitative and Quantitative Disclosures About Market Risk section of our 2023 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13-a-15(e) and 15d-15(e)) under the Exchange Act as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of June 30, 2024, our disclosure controls and procedures were effective to provide reasonable assurance that the information we are required to file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The information contained under the heading “Commitments and Contingencies” in Note 15 to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q is incorporated by reference into this Item.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this report, including our consolidated financial statements and related notes, before deciding whether to purchase shares of our common stock. If any of the following risks is realized, our business, operating results, financial condition and prospects could be materially and adversely affected. In that event, the price of our common stock could decline, and you could lose part or all of your investment. Moreover, the risks described below are not the only ones that we face. Additional risks not presently known to us or that we currently deem immaterial may also affect our business, operating results, prospects or financial condition. You should carefully consider these risk factors, together with all of the other information included in this Quarterly Report on Form 10-Q as well as our other publicly available filings with the SEC.

Summary of Risk Factors

Investing in our common stock involves risks, including those discussed in this section. These risks include, among others:

- If our business does not grow as we expect, or if we fail to manage our growth effectively, our operating results and business prospects would suffer.
- Any interruptions or delays in service from our third-party providers could impair our ability to make our solutions available to our customers, resulting in customer dissatisfaction, damage to our reputation, loss of customers, limited growth and reduction in revenue.
- If we are unable to sell our solutions into new markets, our revenues may not grow.
- Our success depends on maintaining and increasing our sales, which depends on factors we cannot control, including the availability of funding to our customers.
- Our quarterly results of operations may fluctuate significantly due to a wide range of factors, which makes our future results difficult to predict.
- Because we generally recognize our subscription revenues ratably over the term of our contract with a customer, fluctuations in sales will not be fully reflected in our operating results until future periods.
- We have not been profitable in the past and may not achieve or maintain profitability in the future.
- We may require additional capital to fund our business and support our growth, and our inability to generate and obtain such capital on acceptable terms, or at all, could harm our business, operating results, financial condition and prospects.
- Contracting with government entities can be complex, expensive, and time-consuming.
- If we are unable to further penetrate the public safety market, our revenues may not grow.
- Our sales cycle can be lengthy, time-consuming and costly, and our inability to successfully complete sales could harm our business.
- Changes in the availability of federal funding to support local law enforcement efforts could impact our business.
- The failure of our solutions to meet our customers’ expectations could harm our reputation, which may have a material adverse effect on our business, operating results and financial condition.

- Real or perceived false positive gunshot alerts or failure or perceived failure to generate alerts for actual gunfire could adversely affect our customers and their operations, damage our brand and reputation and adversely affect our growth prospects and results of operations.
- The nature of our business may result in undesirable press coverage or other negative publicity, which could adversely affect our growth prospects and results of operations.
- Economic uncertainties or downturns, or political changes, could limit the availability of funds available to our existing and potential customers, which could materially and adversely affect our business.
- The nature of our business exposes us to inherent liability risks.
- As a result of our use of outdoor acoustic sensors, we are subject to governmental regulation and other legal obligations, particularly related to data privacy, data protection and information security, and our actual or perceived failure to comply with such obligations could harm our business. Compliance with such laws could impair our efforts to maintain and expand our customer base, and thereby decrease our revenues.
- Failure to protect our intellectual property rights could adversely affect our business.
- Systems and Organizations Controls 2 (“SOC2”) and Criminal Justice Information Services (“CJIS”) requirements could potentially cause obligations that we are not able to completely perform which could adversely affect our reputation and sales, as well as the availability of our solutions in certain markets.
- Cyber-attacks, malicious internet-based activity, online and offline fraud, and other similar activities threaten the confidentiality, integrity, and availability of our sensitive information and information technology systems, and those of the third parties upon which we rely. These attacks could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our products and services.
- Ongoing social unrest may have a material adverse effect on our business, the future magnitude or duration of which we cannot predict with accuracy.

Risks Related to Our Growth

If our business does not grow as we expect, or if we fail to manage our growth effectively, our operating results and business prospects would suffer.

Our ability to successfully grow our business depends on a number of factors including our ability to:

- accelerate our acquisition of new customers;
- further sell expansions of coverage areas to our existing customers;
- expand our international footprint;
- expand into new vertical markets, such as precision policing, and security solutions;
- increase awareness of the benefits that our solutions offer;
- maintain our competitive and technology leadership position; and
- manage our business successfully through macroeconomic pressures, such as inflation, rising interest rates, and past and potential future disruptions in access to bank deposits and lending commitments due to bank failures, and any resulting impact on economic conditions, including conditions impacting the availability of funding for our public safety solution.

As usage of our solutions grows, we will need to continue to make investments to develop and implement new or updated solutions, technologies, security features and cloud-based infrastructure operations. In addition, we will need to appropriately scale our internal business systems and our services organization, including the suppliers of our detection equipment and customer support services, to serve our growing customer base. Any failure of, or delay in, these efforts could impair the performance of our solutions and reduce customer satisfaction.

Further, our growth could increase quickly and place a strain on our managerial, operational, financial and other resources, and our future operating results depend to a large extent on our ability to successfully manage our anticipated expansion and growth. To manage our growth successfully, we will need to continue to invest in sales and marketing, research and development, and general and administrative functions and other areas. We are likely to recognize the costs

associated with these investments earlier than receiving some of the anticipated benefits, and the return on these investments may be lower, or may develop more slowly, than we expect, which could adversely affect our operating results.

If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities or develop new solutions or upgrades to our existing solutions, satisfy customer requirements, maintain the quality and security of our solutions or execute on our business plan, any of which could have a material adverse effect on our business, operating results and financial condition.

Our quarterly results of operations may fluctuate significantly due to a wide range of factors, which makes our future results difficult to predict.

Our revenues and results of operations could vary significantly from quarter to quarter as a result of various factors, many of which are outside of our control, including:

- the expansion or contraction of our customer base;
- the renewal or non-renewal of subscription agreements with, and expansion of coverage areas by, existing customers, or cross selling of other products or services to existing customers;
- the size, timing, terms and deployment schedules of our sales to both existing and new customers;
- the introduction of products or services that may compete with us for the limited funds available to our customers, and changes in the cost of such products or services;
- changes in our customers' and potential customers' budgets;
- our ability to control costs, including our operating expenses;
- our ability to hire, train and maintain our direct sales force;
- the timing of satisfying revenues recognition criteria in connection with initial deployment and renewals;
- fluctuations in our effective tax rate;
- the concentration of our revenue in a small number of large contracts with the potential for fluctuations and delays; and
- general economic factors, such as inflation, rising interest rates, past and potential future disruptions in access to bank deposits and lending commitments due to bank failures, and political conditions, both domestically and internationally.

For example, with regard to the concentration of our revenue, for the six months ended June 30, 2024, the City of New York and the City of Chicago, as our two largest customers accounted for 26% and 10% of the Company's total revenues, respectively. We have extended our contract with the City of Chicago through November 2024, but there is no guarantee we will receive another extension. Additionally, we are experiencing a delay in our ShotSpotter renewal with Puerto Rico, see the risk entitled "Our success depends on maintaining and increasing our sales, which depends on factors we cannot control, including the availability of funding to our customers." Any delays in renewal of our contracts or any of the other factors above or other factors discussed elsewhere in this report may result in fluctuations in our revenues and operating results, meaning that quarter-to-quarter comparisons of our revenues, results of operations and cash flows may not necessarily be indicative of our future performance.

Because of the fluctuations described above, our ability to forecast revenues is limited and we may not be able to accurately predict our future revenues or results of operations. In addition, we base our current and future expense levels on our operating plans and sales forecasts, and our operating expenses are expected to increase in the short term. Accordingly, we may not be able to reduce our costs sufficiently to compensate for an unexpected shortfall in revenues, and even a small shortfall in revenues could disproportionately and adversely affect our financial results for that quarter. The variability and unpredictability of these and other factors could result in our failing to meet or exceed financial expectations for a given period.

Because we generally recognize our subscription revenues ratably over the term of our contract with a customer, fluctuations in sales will not be fully reflected in our operating results until future periods.

Our revenues are primarily generated from subscriptions to our solutions. With the exception of a small number of legacy customers, our customers do not have the right to take possession of our equipment or software platform. Revenues from subscriptions to our software platform are recognized ratably over the subscription period beginning on the date that the subscription is made available to the customer, which we refer to as the “go-live” date. Our agreements with our customers typically range from one to three years. As a result, much of the revenues that we report in each quarter are attributable to agreements entered into during previous quarters. Consequently, a decline in sales, customer renewals or market acceptance of our solutions in any one quarter would not necessarily be fully reflected in the revenues in that quarter and would negatively affect our revenues and profitability in future quarters. This ratable revenue recognition also makes it difficult for us to rapidly increase our revenues through additional sales in any period, as revenues from new customers generally are recognized over the applicable agreement term. Our subscription-based approach may result in uneven recognition of revenues.

We recognize subscription revenues over the term of a subscription agreement. Once we enter into a ShotSpotter contract with a customer, there is a delay until we begin recognizing revenues while we survey the coverage areas, obtain any required consents for installation, and install our sensors, which together can take up to several months or more. We begin recognizing revenues from a ShotSpotter sale only when all of these steps are complete and the solution is live.

While most of our customers elect to renew their subscription agreements following the expiration of a term, in some cases, they may not be able to obtain the proper approvals or funding to complete the renewal prior to such expiration. For these customers, we stop recognizing subscription revenues at the end of the current term, even though we may continue to provide services for a period of time while the renewal process is completed. Once the renewal is complete, we then recognize subscription revenues for the period between the expiration of the term of the agreement and the completion of the renewal process.

The variation in the timeline for deploying our solutions and completing renewals may result in fluctuations in our revenues, which could cause our results to differ from projections. Additionally, while we generally invoice for 50% of the contract cost upon a customer’s go-live date, our cash flows may be volatile and will not match our revenue recognition.

We have not been profitable in the past and may not achieve or maintain profitability in the future.

We had a net loss of \$3.7 million for the six months ended June 30, 2024 and as of June 30, 2024, we had an accumulated deficit of \$98.8 million. Although we posted net income in 2019, 2020 and 2022, we had a net loss in 2023 and 2021 and we had net losses prior to 2019. We are not certain whether we will be able to maintain enough revenues from sales of our solutions to sustain or increase our growth or maintain profitability in the future. We also expect our costs to increase in future periods, which could negatively affect our future operating results if our revenues do not increase. In particular, we expect to continue to expend substantial financial and other resources on:

- higher costs to procure the sensors required for our solutions due to inflationary pressures;
- sales and marketing, including a significant expansion of our sales organization, both domestically and internationally;
- research and development related to our solutions, including investments in our engineering and technical teams;
- acquisition of complementary technologies or businesses, such as our acquisition of Technologic in November 2020, our acquisition of Forensic Logic in January 2022 and our acquisition of SafePointe in August 2023;
- continued international expansion of our business; and
- general and administrative expenses.

These investments may not result in increased revenues or growth in our business. If we are unable to increase our revenues at a rate sufficient to offset the expected increase in our costs, our business, operating results and financial position may be harmed, and we may not be able to maintain profitability over the long term. Rising inflation rates have resulted in decreased demand for our products and services and have increased our operating costs. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays and other unknown factors that may result in losses in future periods. If our revenue growth does not meet our expectations in future periods, our financial performance may be harmed, and we may not maintain profitability in the future.

We may require additional capital to fund our business and support our growth, and our inability to generate and obtain such capital on acceptable terms, or at all, could harm our business, operating results, financial condition and prospects.

We intend to continue to make substantial investments to fund our business and support our growth. In addition, we may require additional funds to respond to business challenges, including the need to develop new features or enhance our solutions, improve our operating infrastructure or acquire or develop complementary businesses and technologies. As a result, in addition to the revenues we generate from our business and our existing cash balances, we may need to engage in additional equity or debt financings to provide the funds required for these and other business endeavors. If we raise additional funds through future issuances of equity or convertible debt securities, 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 common stock. Any debt financing that we may secure in the future could involve 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, including potential acquisitions. We may not be able to obtain such additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be adversely affected. In addition, our inability to generate or obtain the financial resources needed may require us to delay, scale back, or eliminate some or all of our operations, which may have a material adverse effect on our business, operating results, financial condition and prospects.

Risks Related to Our Public Safety Business

Our success depends on maintaining and increasing our sales, which depends on factors we cannot control, including the availability of funding to our customers.

To date, substantially all of our revenues have been derived from contracts with local governments and their agencies, in particular the police departments of major cities in the United States. To a lesser extent, we also generate revenues from federal agencies, foreign governments and higher education institutions. We believe that the success and growth of our business will continue to depend on our ability to add new police departments and other government agencies, domestically and internationally, as customers of our public safety solution and new universities, corporate campuses and key infrastructure and transportation centers as customers of our security solutions. Many of our target customers have restricted budgets, such that we are forced to compete with programs or solutions that offer an alternative use of the same funds. A number of factors could cause current and/or potential customers to delay or refrain from purchasing our solutions, prevent expansion of, or reduce coverage areas and/or terminate use of our solutions, including:

- decreases or changes in available funding, including tax revenues, budgetary allocations, government grants and other government funding programs;
- potential delays or changes in appropriations or other funding authorization processes;
- changes in fiscal or contracting policies;
- macro- and/or local economic changes, such as inflation, rising interest rates, and past and potential future disruptions in access to bank deposits and lending commitments due to bank failures, that may affect customer funding;
- changes in elected or appointed officials;
- changes in public perception of the accuracy of our solutions and the appropriate use of our solutions by law enforcement, including as a result of negative publicity; and
- changes in laws or public sentiment regarding privacy or surveillance.

For example, our existing contract with the City of Chicago remains in effect until November 2024 and we may not be able to renew or extend our contract on reasonable terms, if at all. The City of Chicago is one of our largest customers and represented 10% of our total revenues for the six months ended June 30, 2024 and 9% of our total revenues for the year ended December 31, 2023. Additionally, our interim contract with Puerto Rico expired on January 31, 2024 and we are working on the delayed renewal with Puerto Rico, which represented 0.4% of our total revenues for the six months ended June 30, 2024 and 1.6% of our total revenues for the year ended December 31, 2023. If we are unable to renew our contracts with the City of Chicago or Puerto Rico, this could have a material adverse effect on our operating results.

The past and potential future disruptions in access to bank deposits and lending commitments due to bank failures, geopolitical developments such as the conflicts between Ukraine and Russia and in the Middle East, and other macroeconomic pressures in the United States and the global economy such as rising inflation and interest rates, supply chain constraints, labor market shortages, energy prices and recession fears, and any associated impact on economic conditions, could also cause or exacerbate any of the foregoing. The occurrence of any of the foregoing would impede or delay our ability to maintain or increase the amount of revenues derived from these customers, which could have a material adverse effect on our business, operating results and financial condition.

Contracting with government entities can be complex, expensive, and time-consuming.

The procurement process for government entities is in many ways more challenging than contracting in the private sector. We must comply with laws and regulations relating to the formation, administration, performance and pricing of contracts with government entities, including U.S. federal, state and local governmental bodies. These laws and regulations may impose added costs on our business or prolong or complicate our sales efforts, and failure to comply with these laws and regulations or other applicable requirements could lead to claims for damages from our customers, penalties, termination of contracts and other adverse consequences. Any such damages, penalties, disruptions or limitations in our ability to do business with government entities could have a material adverse effect on our business, operating results and financial condition.

Government entities often require highly specialized contract terms that may differ from our standard arrangements. For example, if the federal government provides grants to certain state and local governments for our solutions, and such governments do not continue to receive these grants, then these customers have the ability to terminate their contracts with us without penalty. Government entities often impose compliance requirements that are complicated, require preferential pricing or “most favored nation” terms and conditions, or are otherwise time-consuming and expensive to satisfy. Compliance with these special standards or satisfaction of such requirements could complicate our efforts to obtain business or increase the cost of doing so. Even if we do meet these special standards or requirements, the increased costs associated with providing our solutions to government customers could harm our margins. Additionally, even once we have secured a government contract, the renewal process can be lengthy and as time-consuming as the initial sale, and we may be providing our service for months past the contract expiration date without certainty if the renewal agreement will be signed or not. During periods of economic uncertainty resulting from the past and potential future disruptions in access to bank deposits and lending commitments due to bank failures, geopolitical developments such as the conflicts between Ukraine and Russia and in the Middle East, and other macroeconomic pressures in the United States and the global economy such as rising inflation and interest rates, supply chain constraints, labor market shortages, energy prices and recession fears, and any associated impact on economic conditions, these risks are more pronounced than usual, as government entities struggle with reduced levels of resources related to implications of such global events.

Changes in the underlying regulatory conditions, political landscape or required procurement procedures that affect these types of customers could be introduced prior to the completion of our sales cycle, making it more difficult or costly to finalize a contract with a new customer or expand or renew an existing customer relationship. For example, customers may require a competitive bidding process with extended response deadlines, review or appeal periods, or customer attention may be diverted to other government matters, postponing the consideration of the purchase of our products. Such delays could harm our ability to provide our solutions efficiently and to grow or maintain our customer base.

If we are unable to further penetrate the public safety market, our revenues may not grow.

Our ability to increase revenues will depend in large part on our ability to sell our current and future public safety solutions. For example, our ability to have our ShotSpotter customers renew their annual subscriptions and expand their mileage coverage or purchase and implement our other products, such as CaseBuilder and ResourceRouter, drives our ability to increase our revenues. Most of our ShotSpotter customers begin using our solution in a limited coverage area. Our experience has been, and we expect will continue to be, that after the initial implementation of our solutions, our new customers typically renew their annual subscriptions, and many also choose to expand their coverage area. However, some customers may choose to not renew or reduce their coverage. If existing customers do not choose to renew or expand their coverage areas, or choose to reduce their coverage, our revenues will not grow as we anticipate, or may even decline. During periods of economic uncertainty resulting from past and potential future disruptions in access to bank deposits and lending commitments due to bank failures, geopolitical developments such as the conflicts between Ukraine and Russia and in the Middle East, and other macroeconomic pressures in the United States and the global economy, such as rising inflation and interest rates, supply chain constraints, labor market shortages, energy prices and recession fears, and any associated impact on economic conditions, this risk is more pronounced than usual, as our customers’ priorities may change or they may have greater uncertainty regarding the availability of funding for our solutions as a result.

Our ability to further penetrate the market for our public safety solutions depends on several factors, including: maintaining a high level of customer satisfaction and a strong reputation among law enforcement; increasing the awareness of our SoundThinking solutions and their benefits; the effectiveness of our marketing programs; the availability of funding to our customers; geopolitical developments and other macroeconomic pressures as described above; our ability to expand our solutions; and the costs of our solutions. Some potential public safety customers may be reluctant or unwilling to use our solution for a number of reasons, including concerns about additional costs, unwillingness to expose or lack of concern regarding the extent of gun violence in their community, uncertainty regarding the reliability and security of cloud-based offerings or lack of awareness of the benefits of our public safety solutions. If we are unsuccessful in expanding the coverage of SoundThinking solutions by existing public safety customers or adding new customers, our revenues and growth prospects would suffer.

Our sales cycle can be lengthy, time-consuming and costly, and our inability to successfully complete sales could harm our business.

Our sales process involves educating prospective customers and existing customers about the use, technical capabilities and benefits of our solutions. Prospective customers, especially government agencies, often undertake a prolonged evaluation process that may last up to nine months or more and that typically involves comparing the benefits of our solutions to alternative uses of funds. We may spend substantial time, effort and money on our sales and marketing efforts without any assurance that our efforts will produce any sales.

In addition, in 2011 the Federal Bureau of Investigation's (the "FBI") Criminal Justice Information Services Division (the "CJIS") issued the CJIS Security Policy, a set of standards for organizations that access criminal justice information ("CJI"). CJIS developed this policy to better protect the data it delivers to federal, state and local law enforcement agencies, from services like the National Crime Information Center, the Integrated Automated Fingerprint Identification System and the National Incident Based Reporting System. The policy is also designed to protect CJI that comes from sources other than the FBI. As part of the process of implementing CaseBuilder for a customer, we will have to complete a rigorous application process to become an approved CJIS compliant vendor. While this CJIS compliant vendor approval process is based upon the FBI's CJIS Security Policy, a separate process will have to be completed in each state where CaseBuilder will be implemented.

We are continually improving our security, compliance, and processes. Our general processes are based on the NIST-800-53 standard with some aspects also being controlled by CJIS. In the fourth quarter of 2022, an audit of our processes under a SOC2 Type 2 audit was completed. These initiatives require fiscal and time investments. Failure to obtain a SOC2 Type 2 audit report or to be compliant with the CJIS standard could adversely affect our reputation and sales, as well as the availability of our solutions in certain markets.

Additionally, events affecting our customers' budgets or missions may occur during the sales cycle that could negatively impact the size or timing of a purchase after we have invested substantial time, effort and resources into a potential sale, contributing to more unpredictability in the growth of our business. If we are unable to succeed in closing sales with new and existing customers, our business, operating results and financial condition will be harmed. During periods of economic uncertainty resulting from the past and potential future disruptions in access to bank capital and lending commitments due to bank failures, geopolitical developments such as the conflicts between Ukraine and Russia and in the Middle East, and other macroeconomic pressures in the United States and the global economy, such as rising inflation and interest rates, supply chain constraints, labor market shortages, energy prices and recession fears, and any associated impact on economic conditions, this risk is more pronounced than usual, as our customers' priorities may change or they may have greater uncertainty regarding the availability of funding for our solutions as a result.

Changes in the availability of federal funding to support local law enforcement efforts could impact our business.

Many of our customers rely to some extent on funds from the U.S. federal government in order to purchase and pay for our solutions. Any reduction in federal funding for local law enforcement efforts could result in our customers having less access to funds required to continue, renew, expand or pay for our solutions. Social unrest, protests against racial inequality, protests against police brutality and movements such as "Defund the Police" have increased in past years. In addition, recently four members of Congress requested the Inspector General of the Department of Homeland Security to investigate the appropriateness of the use of federal funds to purchase our ShotSpotter solution. Furthermore, the New York Comptroller recently issued a report with certain conclusions questioning the accuracy and value of our ShotSpotter solution that we refuted in a formal reply on the basis that they were misinformed and did not give adequate weight to the New York Police Department's views. These events may directly or indirectly affect municipal and police agency budgets, including federal funding available to current and potential customers. If federal funding is reduced or eliminated and our customers cannot find alternative sources of funding to purchase our solutions, our business will be harmed.

We do not know whether additional stimulus funding will be made available to our existing or potential customers, and many state and local governments anticipate budget shortfalls without additional funding. Further, the allocation and prioritization of stimulus funds or earnings is uncertain and may change. There is no guarantee that additional funding will be made available to fund our solutions.

Real or perceived false positive gunshot alerts or false positive security threat detection, or failure or perceived failure to generate alerts for actual gunfire could adversely affect our customers and their operations, damage our brand and reputation and adversely affect our growth prospects and results of operations.

A false positive alert, in which a non-gunfire incident is reported as gunfire or detection of items that do not actually represent security threats, could result in an unnecessary rapid deployment of police officers and first responders, which may raise unnecessary fear among the occupants of a community or facility, and may be deemed a waste of police and first responder resources. A failure to alert law enforcement or security personnel of actual gunfire or security threats (false negative) could result in a less rapid or no response by police officers and first responders, increasing the probability of injury or loss of life. Both false positive alerts and the failure to generate alerts of actual gunfire or security threats (false negative) may result in customer dissatisfaction, potential loss of confidence in our solutions, and potential liabilities to customers or other third parties, any of which could harm our reputation and adversely impact our business and operating results. Additionally, third parties may misunderstand or misrepresent what constitutes a false positive or false negative and generate negative publicity regarding our solutions. For example, a May 2021 report by the MacArthur Center for Justice appears to argue that any incident that does not result in a police report is a false positive. The perception of a false positive alert or of a failure to generate an alert, even where our customers understand that our solutions were utilized correctly, could lead to negative publicity or harm the public perception of our solutions, which could harm our reputation and adversely impact our business and operating results.

The nature of our business may result in undesirable press coverage or other negative publicity, which could adversely affect our growth prospects and results of operations.

Our solutions are used to assist law enforcement and first responders in the event that gunfire is detected. Even when our solutions work as intended, the incidents detected by our solutions could lead to injury, loss of life and other negative outcomes, and such events are likely to receive negative publicity. If we fail to detect an incident, or if we detect an incident, such as a terrorist attack or active-shooter event, but the response time of law enforcement or first responders is not sufficiently quick to prevent injury, loss of life, property damage or other adverse outcomes, we may receive negative media attention. At times, our data or information concerning our techniques and processes may become a matter of public record due to legal or other obligations (for example, as a result of public-records requests or subpoenas to provide information or to testify in court), and we may receive negative media attention as a result.

Our reputation and our business may be harmed by inaccurate reporting, which could have an adverse impact on new sales or renewals or expansions of coverage areas by existing customers, which would adversely impact our financial results and future prospects. For example, in July 2021, VICE Media, LLC (“VICE”) falsely accused us of illegal behavior, which has had a material adverse effect on our business. We initiated a defamation lawsuit against VICE that has since been dismissed.

The role of our solutions and our personnel in criminal prosecutions or other court proceedings may result in unfavorable judicial rulings that generate negative publicity or otherwise adversely impact new sales or renewals or expansions of coverage areas by existing customers, which would adversely impact our financial results and future prospects. For instance, a court ruling limiting or excluding evidence related to information gathered through our systems or to the operation of our systems in a judicial proceeding could harm public perceptions of our business and solutions.

Economic uncertainties or downturns, or political changes, could limit the availability of funds available to our existing and potential customers, which could materially and adversely affect our business.

Economic uncertainties or downturns could adversely affect our business and operating results. Negative conditions in the general economy both in the United States and abroad, including past and potential future disruptions in access to bank deposits and lending commitments due to bank failures, conditions resulting from changes in gross domestic product growth, labor market shortages, inflation, interest rates, financial and credit market fluctuations, political deadlock, natural catastrophes, warfare, geopolitical tensions, such as the ongoing conflicts between Russia and Ukraine and in the Middle East, terrorist attacks, climate change and global pandemics, could cause a decrease in funds available to our existing and potential customers and negatively affect the rate of growth of our business.

These economic conditions may make it extremely difficult for our customers and us to forecast and plan future budgetary decisions or business activities accurately, and they could cause our customers to reevaluate their decisions to purchase our solutions, which could delay and lengthen our sales cycles or result in cancellations of planned purchases.

Furthermore, during challenging economic times or as a result of political changes, our customers may tighten their budgets and face constraints in gaining timely access to sufficient funding or other credit, which could result in an impairment of their ability to make timely payments to us. In turn, we may be required to increase our allowance for credit losses, which would adversely affect our financial results.

We cannot predict the timing, strength or duration of any economic slowdown, instability or recovery, generally or within any particular industry, or the impact of political changes. If the economic conditions of the general economy or industries in which we operate worsen from present levels, or if past political changes result in less funding being available to purchase our solutions, our business, operating results, financial condition and cash flows could be adversely affected.

New competitors may enter the market for our public safety solution.

If cities and other government entities increase their efforts to reduce gun violence or our solutions gain visibility in the market, companies could decide to enter into the public safety solution market and thereby increase the competition we face. In addition to other gunshot detection products, we also compete with other technologies and solutions targeting our public safety customers' resources for law enforcement and crime prevention. Our competitors could benefit from the disclosure of our data or information concerning our techniques and processes due to legal or other obligations (for example, as a result of public-records requests or subpoenas to provide information or to testify in court). Because there are several possible uses for these limited budgetary resources, if we are not able to compete successfully for these limited resources, our business may not grow as we expect, which could adversely impact our revenues and operating results.

Concerns regarding privacy and government-sponsored surveillance may deter customers from purchasing our solutions.

Governmental agencies and private citizens have become increasingly sensitive to real or perceived government or third-party surveillance and may wrongly believe that our outdoor sensors allow customers to listen to private conversations and monitor private citizen activity. Our sensors are not designed for "live listening" and are triggered only by loud impulsive sounds that may likely be gunfire. However, perceived privacy concerns may result in negative media coverage and efforts by private citizens to persuade municipalities, educational institutions or other potential customers not to purchase our precision policing solutions for their communities, campuses or facilities. In addition, laws may exist or be enacted to address such concerns that could impact our ability to deploy our solutions. For example, the City of Toronto, Canada decided against using SoundThinking solutions because the Ministry of the Attorney General of Ontario indicated that it may compromise Section 8 of Canada's Charter of Rights and Freedoms, which relates to unreasonable search and seizure. If customers choose not to purchase our solutions due to privacy or surveillance concerns, then the market for our solutions may develop more slowly than we expect, or it may not achieve the growth potential we expect, any of which would adversely affect our business and financial results.

Ongoing social unrest may have a material adverse effect on our business, the future magnitude or duration of which we cannot predict with accuracy.

We may be adversely affected by ongoing social unrest, protests against racial inequality, protests against police brutality and movements such as "Defund the Police" or increases in such unrest that may occur in the future, and such unrest may be exacerbated by inaccurate information or negative publicity regarding our solutions. These events may directly or indirectly affect police agency budgets and funding available to current and potential customers. Participants in these events may also attempt to create the perception that our solutions are contributing to the "problem" which may adversely affect us, our business and results of operations, including our revenues, earnings and cash flows from operations.

Strategic and Operational Risks

If we are unable to sell our solutions into new markets, or cross-sell our other solutions to our existing customers, our revenues may not grow.

Part of our growth strategy depends on our ability to increase sales of our security and public safety solutions in markets outside of the United States and to increase sales of our other solutions to our existing ShotSpotter customers. We are focused on expanding the sales of these solutions into new markets, but customers in these new markets may not be receptive or sales may be delayed beyond our expectations, causing our revenue growth and growth prospects to suffer. We are also trying to increase our cross-selling efforts targeted at our existing customers, for example by encouraging our existing ShotSpotter customers to implement our other solutions such as CaseBuilder and ResourceRouter but there is no assurance that our existing customers will be receptive to our other solutions. During periods of economic uncertainty resulting from the past and potential future disruptions in access to bank deposits and lending commitments due to bank failures, geopolitical developments such as the conflicts between Ukraine and Russia and in the Middle East, and other

macroeconomic pressures in the United States and the global economy such as rising inflation and interest rates, supply chain constraints, labor market shortages, energy prices and recession fears, and any associated impact on economic conditions, this risk is more pronounced than usual.

Our ability to successfully face these challenges depends on several factors, including increasing the awareness of our solutions and their benefits; the effectiveness of our marketing programs; the costs of our solutions; our ability to attract, retain and effectively train sales and marketing personnel; and our ability to develop relationships with communication carriers and other partners. If we are unsuccessful in developing and marketing our solutions into new markets, or growing our revenues from our existing customers through cross-selling, new markets for our solutions might not develop or might develop more slowly than we expect, or we may not be able to expand our relationships with our existing customers, all of which would harm our revenues and growth prospects.

The failure of our solutions to meet our customers' expectations or of our solutions generally could, in some cases, result in injury or loss of life, and could harm our reputation, which may have a material adverse effect on our business, operating results and financial condition.

Promoting and demonstrating the utility of our solutions as useful, reliable and important tools for law enforcement and security personnel is critical to the success of our business. Our ability to secure customer renewals, expand existing customer coverage areas, and enter into new customer contracts is dependent on our reputation and our ability to deliver our solutions effectively. We believe that our reputation among police departments using SoundThinking solutions is particularly important to our success. Our ability to meet customer expectations will depend on a wide range of factors, including:

- our ability to continue to offer high-quality, innovative and accurate precision policing solutions;
- our ability to maintain continuous gunshot detection monitoring during high outdoor-noise activity periods such as New Year's Day, the Fourth of July and Cinco de Mayo, and Carnival for international deployments;
- our ability to maintain high customer satisfaction, including meeting our service level agreements standards;
- the perceived value and quality of our solutions;
- differences in opinion regarding the metrics that measure the success of our solutions;
- our ability to successfully communicate the unique value proposition of our solutions;
- our ability to provide high-quality customer support;
- any misuse or perceived misuse of our solutions;
- interruptions, delays or attacks on our platform;
- litigation- or regulation-related developments; and
- damage to or degradation of our sensors or sensor network by third parties.

In some cases, if our solutions fail to detect threats such as a firearm or other potential weapon or explosive device, or if our products contain undetected errors or defects, these failures or errors could result in injury or loss of life, which could harm our brand and reputation, subject us to litigation and potential claims against us, and have an adverse effect on our business, operating results and financial condition. There is no guarantee that our solutions will detect and prevent all attacks, especially in light of the rapidly changing security landscape to which it must respond, as well as unique factors that may be present in our customers' operating environments. If our products fail to detect security threats for any reason, including failures due to customer personnel or security processes, it may also result in significant costs, the attention of our key personnel could be diverted, our customers may delay or withhold payment to us or elect not to renew or cause other significant customer relations problems to arise.

Interruptions or performance problems associated with our technology and infrastructure may adversely affect our business and results of operations.

We have in the past experienced, and may in the future experience, performance issues due to a variety of factors, including infrastructure changes, human or software errors, intentional or accidental damage to our technology (including sensors), website or third-party hosting disruptions or capacity constraints due to a number of potential causes including technical failures, natural disasters or security attacks. If our security is compromised, our platform is unavailable or our users are unable to receive our alerts or otherwise communicate with our IRC reviewers, within a reasonable amount of

time or at all, our business could be negatively affected. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time.

In addition, our IRC department personnel operate either remotely or out of our offices. Any interruption or delay in service from our IRC, such as from a communications or power outage, could limit our ability to deliver our solutions. In addition, it may become increasingly difficult to maintain and improve the performance of our solutions, especially during peak usage times as the capacity of our IRC operations reaches its limits. If there is an interruption or delay in service from our IRC operations and a gunshot is detected but not reviewed in the allotted time, our software will flag the incident for off-line review. This may result in delayed notifications to our customers and as a result, we could experience a decline in customer satisfaction with our solutions and our reputation and growth prospects could be harmed.

We expect to continue to make significant investments to maintain and improve the performance of our solutions. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology to accommodate actual and anticipated changes in technology, our business, operating results and financial condition may be adversely affected.

We rely on wireless carriers to provide access to wireless networks through which our acoustic sensors communicate with our cloud-based backend and with which we provide our notification services to customers, and any interruption of such access would impair our business.

We rely on wireless carriers, mainly AT&T and Verizon, to provide access to wireless networks for machine-to-machine data transmissions, which are an integral part of our services. Our wireless carriers may suspend wireless service to expand, maintain or improve their networks. These wireless carriers perform routine maintenance and periodic software and firmware updates that may damage our sensors or make them inoperable. Any suspension or other interruption of services would adversely affect our ability to provide our services to our customers and may adversely affect our reputation. In addition, the terms of our agreements with these wireless carriers provide that either party can cancel or terminate the agreement for convenience. If one of our wireless carriers were to terminate its agreement with us, we would need to source a different wireless carrier and/or modify our equipment during the notice period in order to minimize disruption in the performance of our solutions. Price increases or termination by our wireless carriers or changes to existing contract terms could have a material adverse effect on our business, operating results and financial condition.

Furthermore, our reliance on wireless carriers may require updates to our technology and making such updates could also result in interruptions in our service or increase our costs of operations. We may not be able to successfully implement new technologies or adapt existing technologies to changing market demands. If we are unable to adapt timely to changing technologies, market conditions or customer preferences, our business, operating results and financial condition could be materially and adversely affected.

Natural disasters, infectious disease outbreaks, power outages or other events impacting us or our customers could harm our operating results and financial condition.

We recognize revenue on a subscription basis as our solutions are provided to our customers over time. If our services are disrupted due to natural disasters, infectious disease outbreaks, power outages or other events that we cannot control, we may not be able to continue providing our solutions as expected.

When we stop providing coverage, we also stop recognizing revenues as a result of the affected subscription agreement. If we are forced to discontinue our services due to natural disasters, power outages and other events outside of our control, our revenues may decline, which would negatively impact our results of operations and financial condition. In addition, we may face liability for damages caused by our sensors in the event of heavy weather, hurricanes or other natural disasters. We may also incur additional costs to repair or replace installed sensor networks damaged by heavy weather, hurricanes or other natural disasters.

Any of our facilities or operations may be harmed or rendered inoperable by natural or man-made disasters, including earthquakes, tornadoes, hurricanes, wildfires, floods, nuclear disasters, acts of terrorism or other criminal activities, global pandemics, and power outages, which may render it difficult or impossible for us to operate our business for some period of time or decrease productivity. For example, our primary IRC and a data center that hosts some of our customer services are located in the San Francisco Bay Area, a region known for seismic activity. Our facilities would likely be costly to repair or replace, and any such efforts would likely require substantial time. In addition, like many companies, at the beginning of the COVID-19 pandemic, we implemented a work from home policy. We expect to work in a hybrid work model for the foreseeable future. This policy may negatively impact productivity of our employees.

Any disruptions in our operations could negatively impact our business and operating results and harm our reputation. In addition, we may not carry business insurance or may not carry sufficient business insurance to compensate

for losses that may occur. Any such losses or damages could have a material adverse effect on our business, operating results and financial condition. In addition, the facilities of significant vendors, including the manufacturer of our proprietary acoustic sensor, may be harmed or rendered inoperable by such natural or man-made disasters, which may cause disruptions, difficulties or material adverse effects on our business.

The incurrence of debt may impact our financial position and subject us to additional financial and operating restrictions.

On September 27, 2018, we entered into a senior secured revolving credit facility with Umpqua Bank (the “Umpqua Credit Agreement”) and in November 2022, we amended the Umpqua Credit Agreement to, among other things, extend the maturity date from November 27, 2022 to October 15, 2024, increase the revolving credit commitment from \$20.0 million to \$25.0 million and increase the letter of credit sub-facility from \$6.0 million to \$7.5 million. In February 2024, we amended the Umpqua Credit Agreement to extend the maturity date from October 15, 2024 to October 15, 2025. As of June 30, 2024, there was \$7.0 million outstanding on our line of credit.

Under the Umpqua Credit Agreement, we are subject to various negative covenants that limit, subject to certain exclusions, our ability to incur indebtedness, make loans, invest in or secure the obligations of other parties, pay or declare dividends, make distributions with respect to our securities, redeem outstanding shares of our stock, create subsidiaries, materially change the nature of our business, enter into related party transactions, engage in mergers and business combinations, the acquisition or transfer of our assets outside of the ordinary course of business, grant liens or enter into collateral relationships involving company assets or reincorporate, reorganize or dissolve the company. These covenants could adversely affect our financial health and business and future operations by, among other things:

- making it more difficult to satisfy our obligations, including under the terms of the Umpqua Credit Agreement;
- limiting our ability to refinance our debt on terms acceptable to us or at all;
- limiting our flexibility to plan for and adjust to changing business and market conditions and increasing our vulnerability;
- limiting our ability to use our available cash flow to fund future acquisitions, working capital, business activities, and other general corporate requirements; and
- limiting our ability to obtain additional financing for working capital to fund growth or for general corporate purposes, even when necessary to maintain adequate liquidity.

We are also required to maintain certain financial covenants tied to our leverage, interest charges and profitability. Our ability to meet such covenants (those negative covenants discussed in the preceding paragraph) or other restrictions can be affected by events beyond our control, and our failure to comply with the financial and other covenants would be an event of default under the Umpqua Credit Agreement. If an event of default under the Umpqua Credit Agreement, has occurred and is continuing, the outstanding borrowings thereunder could become immediately due and payable, and we would then be required to cash collateralize any letters of credit then outstanding, and the lender could refuse to permit additional borrowings under the facility. We have in the past obtained waivers for the financial covenant tied to our profitability, the acquisition and investment covenants related to our acquisition of SafePointe and name change covenant for failure to provide notice of our corporate name change and of the name change of LEEDS, LLC to Technologic Solutions, LLC. We cannot assure you that we would have sufficient assets to repay those borrowings and, if we are unable to repay those amounts, the lender could proceed against the collateral granted to them to secure such indebtedness. We have pledged substantially all of our assets as collateral, and an event of default would likely have a material adverse effect on our business.

The competitive landscape for our security solutions is evolving.

The market for security solutions for university campuses, corporate campuses and transportation and key infrastructure centers includes a number of available options, such as video surveillance and increased human security presence. Because there are several possible uses of funds for security needs, we may face increased challenges in demonstrating or distinguishing the benefits of ShotSpotter for Highways, ShotSpotter for Campus and ShotSpotter for Corporate. In particular, while we have seen growing interest in our security solutions, interest in the indoor gunshot detection offering was limited, and as a result, in June 2018, we made the strategic decision to cease indoor coverage as part of our service offering. If we experience declining interest in any of our offerings, we may cease offering such impacted solution in the future.

Failure to effectively develop and expand our sales and marketing capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our solutions.

To increase total customers and customer coverage areas and to achieve broader market acceptance of our solutions, we will need to expand our sales and marketing organization and increase our business development resources, including the vertical and geographic distribution of our sales force and our teams of account executives focused on new accounts and responsible for renewal and growth of existing accounts.

Our business requires that our sales personnel have particular expertise and experience in working with law enforcement agencies, other government organizations and higher education institutions. We may not achieve revenue growth from expanding our sales force if we are unable to hire, develop and retain talented sales personnel with appropriate experience, if our new sales personnel are unable to achieve desired productivity levels in a reasonable period of time or if our sales and marketing programs are not effective.

Our strategy includes pursuing acquisitions, and our inability to successfully integrate newly acquired technologies, assets or businesses, or our becoming subject to certain liabilities assumed or incurred with our acquisitions, may harm our financial results. Future acquisitions of technologies, assets or businesses, which are paid for partially or entirely through the issuance of stock or stock rights, could dilute the ownership of our existing stockholders.

We acquired Technologic in November 2020, Forensic Logic in January 2022 and SafePointe and intellectual property assets in August 2023 in order to enhance our SafetySmart platform. We will continue to evaluate and consider potential strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, products and other assets in the future. We also may enter into relationships with other businesses to expand our platform and applications, which could involve preferred or exclusive licenses, additional channels of distribution, discount pricing or investments in other companies.

We believe that part of our continued growth will be driven by acquisitions of other companies or their technologies, assets, businesses and teams. Acquisitions in the future that we complete will give rise to risks, including:

- incurring higher than anticipated capital expenditures and operating expenses;
- failing to assimilate the operations and personnel or failing to retain the key personnel of the acquired company or business;
- failing to integrate the acquired technologies, or incurring significant expense to integrate acquired technologies, into our platform and applications;
- disrupting our ongoing business;
- diverting our management's attention and other company resources;
- failing to maintain uniform standards, controls and policies;
- incurring significant accounting charges;
- impairing relationships with our customers and employees;
- finding that the acquired technology, asset or business does not further our business strategy, that we overpaid for the technology, asset or business or that we may be required to write off acquired assets or investments partially or entirely;
- failing to realize the expected synergies of the transaction;
- being exposed to unforeseen liabilities and contingencies that were not identified prior to acquiring the company; and
- being unable to generate sufficient revenues and profits from acquisitions to offset the associated acquisition costs.

Fully integrating an acquired technology, asset or business into our operations may take a significant amount of time. We may not be successful in overcoming these risks or any other problems encountered with the acquisition of and integration of Technologic, Forensic Logic and SafePointe, intellectual property assets acquired or any future acquisitions. To the extent that we do not successfully avoid or overcome the risks or problems related to any such acquisitions, our results of operations and financial condition could be harmed. Acquisitions also could impact our financial position and capital requirements or could cause fluctuations in our quarterly and annual results of operations. Acquisitions could

include significant goodwill and intangible assets, which may result in future impairment charges that would reduce our stated earnings. We may incur significant costs in our efforts to engage in strategic transactions and these expenditures may not result in successful acquisitions.

Additionally, there may be liabilities that we fail to discover while conducting due diligence for acquisitions, that we inadequately assess or that are not properly disclosed to us. In particular, to the extent that any acquired company failed to comply with or otherwise violated applicable laws or regulations, failed to fulfill contractual obligations to counterparties or incurred material liabilities or obligations to other parties that are not identified during the diligence process, we, as the successor owner, may be financially responsible for these violations, failures and liabilities and may suffer financial or reputational harm or otherwise be adversely affected. We also may be subject to litigation or other claims in connection with an acquired company. Any material liabilities we incur that are associated with our acquisitions could harm our business, operating results and financial condition.

We expect that the consideration we might pay for any future acquisitions of technologies, assets, businesses or teams could include stock, rights to purchase stock, cash or some combination of the foregoing. If we issue stock or rights to purchase stock in connection with future acquisitions, net income per share and then-existing holders of our common stock may experience dilution.

The nature of our business exposes us to inherent liability risks.

Our gunshot detection solutions are designed to communicate real-time alerts of gunfire incidents to police officers and first responders. Similarly, our weapons detection solution obtained from our SafePointe acquisition is designed to identify potential threats and alert security personnel. Due to the nature of such applications, we are potentially exposed to greater risks of liability for employee acts or omissions or system failures than may be inherent in other businesses. Although substantially all of our customer agreements contain provisions limiting our liability to our customers, we cannot be certain that these limitations will be enforced or that the costs of any litigation related to actual or alleged omissions or failures would not have a material adverse effect on us even if we prevail. Further, certain of our insurance policies and the laws of some states may limit or prohibit insurance coverage for punitive or certain other types of damages or liability arising from gross negligence, or other issues, such as damages caused due to installation of our sensors on buildings owned by third parties, and we cannot assure you that we are adequately insured against the risks that we face.

Real or perceived errors, failures, vulnerabilities, or bugs in our software could adversely affect our operating results and growth prospects.

Because our software is complex, undetected errors, failures or bugs may occur. Our software is often installed and used with different operating systems, system management software, and equipment and networking configurations, which may cause errors or failures of our software or other aspects of the computing environment into which it is deployed. In addition, deployment of our software into computing environments may expose undetected errors, compatibility issues, failures or bugs in our software. Despite our testing, errors, failures, vulnerabilities, or bugs may not be found in our software until it is released to our customers. Moreover, our customers could incorrectly implement or inadvertently misuse our software, which could result in customer dissatisfaction and adversely impact the perceived utility of our products as well as our brand. Any of these real or perceived errors, compatibility issues, failures or bugs in our software could result in negative publicity, reputational harm, loss of or delay in market acceptance of our software, loss of competitive position or claims by customers for losses sustained by them. In any such event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to correct the problem. Alleviating any of these problems could require significant expenditures of our capital and other resources and could cause interruptions or delays in the use of our solutions, which could cause us to lose existing or potential customers and could adversely affect our operating results and growth prospects.

Any interruptions or delays in service from our third-party providers could impair our ability to make our solutions available to our customers, resulting in customer dissatisfaction, damage to our reputation, loss of customers, limited growth and reduction in revenue.

We currently use third-party data center hosting facilities to host certain components of our solutions. Our operations depend, in part, on our third-party providers' abilities to protect these facilities against damage or interruption from natural disasters, power or communications failures, cyber incidents, criminal acts and similar events. In the event that any of our third-party facility arrangements is terminated, or if there is a lapse of service or damage to a facility, we could experience service interruptions in our solutions as well as delays and additional expenses in arranging new facilities and services. People continuing to work remotely may increase the likelihood of service interruptions or cyber incidents at these data center hosting facilities. Any changes in third-party service levels at our data centers or any errors, defects, disruptions, cyber incidents or other performance problems with our solutions could harm our reputation.

Any damage to, or failure of, the systems of the communications providers with whom our data center provider contracts could result in interruptions to our solutions. The occurrence of spikes in usage volume, natural disasters, cyber incidents, acts of terrorism, vandalism or sabotage, closure of a facility without adequate notice or other unanticipated problems could result in lengthy interruptions in the availability of our services. Problems faced by these network providers, or with the systems by which they allocate capacity among their customers, including us, could adversely affect the experience of our customers. People continuing to work remotely may increase the likelihood of these problems with such network providers and their capacity allocation systems. Interruptions in our services might cause us to issue refunds to customers and subject us to potential liability.

Further, our insurance policies may not adequately compensate us for any losses that we may incur in the event of damage or interruption, and therefore the occurrence of any of the foregoing could subject us to liability, cause us to issue credits to customers or cause customers not to renew their subscriptions for our applications, any of which could materially and adversely affect our business.

If our information technology systems or data, or those of third parties upon which we rely, are or were compromised, our solutions may be perceived as not being secure, our customers may be harmed and we could experience adverse consequences, including but not limited to regulatory investigations or actions; litigation or mass arbitration demands; fines and penalties; disruptions of our business operations; reputation harm; loss of revenue or profits; loss of customers or sales; and other adverse consequences.

Our operations involve the collection, receipt, storage, storage processing, generation, use, transfer, disclosure, protection, disposal of, transmission, and sharing (collectively, “processing”) of proprietary, confidential, and sensitive data, including personal information, intellectual property, trade secrets and other sensitive information such as gunfire incident data, including date, time, address and GPS coordinates, occurring in our customer’s coverage area (collectively, “sensitive information”). Additionally, our systems read, write, store and transfer information from third parties including criminal justice information.

Cyber-attacks, malicious internet-based activity, online and offline fraud, and other similar activities threaten the confidentiality, integrity, and availability of our sensitive information and information technology systems, and those of the third parties upon which we rely. Such threats are prevalent and continue to increase generally, and are increasingly difficult to detect, and come from a variety of sources, including traditional computer “hackers,” threat actors, “hacktivists,” organized criminal threat actors, personnel (such as through theft or misuse), sophisticated nation states, and nation-state-supported actors. Some actors now engage and are expected to continue to engage in cyber-attacks, including without limitation nation-state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. During times of war and other major conflicts, we, the third parties upon which we rely, and our customers may be vulnerable to a heightened risk of these attacks, including retaliatory cyber-attacks, that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our products and services.

We and the third parties upon which we rely may be subject to a variety of evolving threats, including but not limited to social-engineering attacks (including through deep fakes, which may be increasingly more difficult to identify as fake, phishing attacks), malicious code (such as viruses and worms), malware (including as a result of advanced persistent threat intrusions), denial-of-service attacks, credential stuffing, credential harvesting, personnel misconduct or error, and supply-chain attacks, software bugs, server malfunctions, software or hardware failures, loss of data or other information technology assets, attacks enhanced or facilitated by artificial intelligence (“AI”), telecommunications failures, earthquakes, fires, floods, and other similar threats. For example, in November 2023, we discovered that a recently terminated employee logged on to an employee resource, obtained our confidential information, and began posting some of the information publicly on social media. We took steps to remove the information and prevent the former employee from posting the information again, but we are uncertain to what extent this will reoccur and the postings will affect our business or operations. In particular, ransomware attacks are becoming increasingly prevalent and severe and can lead to significant interruptions in our operations, ability to provide our products or services, loss of data and income, reputational harm, and diversion of funds. Extortion payments may alleviate the negative impact of a ransomware attack, but we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments.

Remote work has become more common and has increased risks to our information technology systems and data, as more of our employees utilize network connections, computers and devices outside our premises or network, including working at home, while in transit and in public locations. We may be unable to anticipate or prevent techniques used to obtain unauthorized access or to sabotage systems because such techniques change frequently and often are not detected until after an incident has occurred. As we increase our customer base and our brand becomes more widely known and recognized, third parties may increasingly seek to compromise our security controls or gain unauthorized access to

customer data or other sensitive information. Further, because of the nature of the services that we provide to our customers, we may be a unique target for attacks.

Future or past business transactions (such as acquisitions or integrations, including of Forensic Logic, LLC and SafePointe, LLC) expose us to additional cybersecurity risks and vulnerabilities, as we and our systems are negatively affected by vulnerabilities and weaker security controls present in acquired or integrated entities' systems, products, processes and technologies. Furthermore, we may not have adequate visibility into security issues of such acquired or integrated entities, may discover security issues that were not found during due diligence of such entities, and it may be difficult to integrate companies and their products into our information technology environment and security program.

We rely on third-party service providers and technologies to operate critical business systems to process sensitive information in a variety of contexts, including, without limitation, cloud-based infrastructure, data center facilities, encryption and authentication technology, employee email, content delivery to customers, and other functions. We also rely on third-party service providers to provide other products, services, parts, or otherwise to operate our business. Our ability to monitor these third parties' information security practices is limited, and these third parties may not have adequate information security measures in place. If our third-party service providers experience a security incident or other interruption, we could experience adverse consequences. If third parties with whom we work, such as vendors or developers, violate applicable laws or our security policies, such violations may also put our systems and data at risk and could in turn have an adverse effect on our business. In addition, such a violation could expose sensitive data including; criminal justice information, and other data we are contractually obliged to keep confidential. While we may be entitled to damages if our third-party service providers fail to satisfy their privacy or security-related obligations to us, any award may be insufficient to cover our damages, or we may be unable to recover such award.

While we have implemented security measures designed to protect against security incidents, there can be no assurance that these measures will be effective. We take steps to detect and remediate vulnerabilities, but we may not be able to detect and remediate all vulnerabilities because the threats and techniques used to exploit the vulnerability change frequently and are often sophisticated in nature. Therefore, such vulnerabilities could be exploited but may not be detected until after a security incident has occurred. Unremediated high risk or critical vulnerabilities pose material risks to our business. Further, we may experience delays in developing and deploying remedial measures designed to address any such identified vulnerabilities.

Any of the previously identified or similar threats could cause a security incident or other interruption that could result in unauthorized, unlawful, or accidental acquisition, modification, destruction, loss, alteration, encryption, disclosure of, or access to our sensitive information or our information technology systems, or those of the third parties upon whom we rely. A security incident or other interruption could disrupt our ability (and that of third parties upon whom we rely) to provide our solutions.

We may expend significant resources or modify our business activities to try to protect against security incidents. Certain data privacy and security obligations may require us to implement and maintain specific security measures or industry-standard or reasonable security measures to protect our information technology systems and sensitive information.

Applicable data privacy and security obligations may require us to notify relevant stakeholders of security incidents. Such disclosures are costly, and the disclosure or the failure to comply with such requirements could lead to adverse consequences. For example, many governments have enacted laws requiring companies to notify individuals of data security incidents or unauthorized transfers involving certain types of personal information. In addition, some of our customers contractually require notification of any data security incident.

If we (or a third party upon whom we rely) experience a security incident or are perceived to have experienced a security incident, we may experience adverse consequences, such as government enforcement actions (for example, investigations, fines, penalties, audits, and inspections); additional reporting requirements and/or oversight; restrictions on processing sensitive information (including personal information); litigation (including class claims); indemnification obligations; negative publicity; reputational harm; monetary fund diversions; interruptions in our operations (including availability of data); financial loss; and other similar harms. Security incidents and attendant consequences may prevent or cause customers to stop using our solutions, deter new customers from using our solutions, and negatively impact our ability to grow and operate our business. Furthermore, security incidents experienced by our competitors, by our customers or by us may lead to public disclosures, which may lead to widespread negative publicity and significant costs. Any security compromise, whether actual or perceived, could harm our reputation, erode customer confidence in the effectiveness of our security measures, negatively impact our ability to attract new customers, cause existing customers to elect not to renew their subscriptions or subject us to third-party lawsuits, regulatory fines or other action or liability, which could materially and adversely affect our business and operating results. Our contracts may not contain limitations

of liability, and even where they do, there can be no assurance that limitations of liability in our contracts are sufficient to protect us from liabilities, damages, or claims related to our data privacy and security incidents.

While we maintain general liability insurance coverage and coverage for errors or omissions, we cannot assure you that such coverage would be adequate or would otherwise protect us from liabilities or damages with respect to claims alleging compromise or loss of data, or that such coverage will continue to be available on acceptable terms or at all, or that such coverage will pay future claims.

In addition to experiencing a security incident, third parties may gather, collect, or infer sensitive information about us from public sources, data brokers, or other means that reveals competitively sensitive details about our organization and could be used to undermine our competitive advantage or market position. Additionally, sensitive information of the Company or our customers could be leaked, disclosed, or revealed as a result of or in connection with our employee's, personnel's, or vendor's use of generative AI technologies.

We rely on the cooperation of customers and third parties to permit us to install our ShotSpotter sensors and SafePointe bollards on their facilities, and failure to obtain these rights could increase our costs or limit the effectiveness of our ShotSpotter and SafePointe solutions.

Our ShotSpotter solution requires us to deploy ShotSpotter sensors in our customer coverage areas, which typically entails the installation of approximately 15 to 25 sensors per square mile. The ShotSpotter sensors are mounted on city facilities and third-party buildings, and occasionally on city or utility-owned light poles, and installing the sensors requires the consent of the property owners, which can be time-consuming to obtain and can delay deployment. Generally, we do not pay a site license fee in order to install our sensors, and our contractual agreements with these facility owners provide them the right to revoke permission to use their facility with notice of generally 60 days. Our SafePointe solution requires us to install sensors, cameras, and networking equipment on our customer's property. SafePointe does not pay a site license fee to install our sensors, cameras, and networking equipment and is typically paid by the customer to complete the installation. In almost all cases, the property is owned by the customer, and no additional approvals or consents are required.

To the extent that required consents delay our ability to deploy our solutions or facility owners do not grant permission to use their facilities, revoke previously granted permissions, or require us to pay a site license fee in order to install our sensors or bollards, our business may be harmed. If we were required to pay a site license fee in order to install sensors or bollards, our deployment expenses would increase, which would impact our gross margins. If we cannot obtain a sufficient number of sensor or bollard mounting locations that are appropriately dispersed in a coverage area, the effectiveness of our ShotSpotter and SafePointe solutions would be limited, and we may need to reduce the coverage area of the solution.

If we lose our ability to share a significant agency's dataset in our CrimeTracer platform, our ability to sell that product may be adversely affected.

Agencies typically share their private CJIS data sets with us through subscription agreements. If we lose access to their data sets because of a technical problem, such as a ransomware attack, or other issues that arise through no fault of our own that makes that data set inaccessible, this may result in the loss of a customer to a competitor, subscriptions not being renewed and may make it more difficult to sell CrimeTracer in that geographic region and to the federal market.

If we fail to offer high-quality customer support, our business and reputation may suffer.

We offer customer support 24 hours a day, seven days a week, as well as training on best practices, forensic expertise and expert witness services. Providing these services requires that our personnel have specific experience, knowledge and expertise, making it more difficult for us to hire qualified personnel and to scale up our support operations. The importance of high-quality customer support will increase as we expand our business and pursue new customers. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services or scale our services if our business grows. Increased customer demand for these services, without corresponding revenues, could increase our costs and harm our operating results. If we do not help our customers use applications within our solutions and provide effective ongoing support, our ability to sell additional applications to, or to retain, existing customers may suffer and our reputation with existing or potential customers may be harmed.

We rely on a limited number of suppliers and contract manufacturers, and our proprietary ShotSpotter sensors are manufactured by a single contract manufacturer.

We rely on a limited number of suppliers and contract manufacturers. In particular, we use a single manufacturer, with which we have no long-term contract and from which we purchase on a purchase-order basis, to produce our

proprietary ShotSpotter sensors. Our reliance on a sole contract manufacturer increases our risks since we do not currently have any alternative or replacement manufacturers, and we do not maintain a high volume of inventory. In the event of an interruption in our supply from our sole contract manufacturer, we may not be able to develop alternate or secondary sources without incurring material additional costs and substantial delays. Furthermore, these risks could materially and adversely affect our business if one of our contract manufacturers is impacted by a natural disaster or other interruption at a particular location because each of our contract manufacturers produces our products from a single location. Although each of our contract manufacturers has alternative manufacturing locations, transferring manufacturing to another location may result in significant delays in the availability of our sensors. Also, many standardized components used broadly in our sensors are manufactured in significant quantities in concentrated geographic regions, particularly in Greater China. As a result, protracted regional crises, or issues with manufacturing facilities could lead to eventual shortages of necessary components. It could be difficult, costly and time consuming to obtain alternative sources for these components, or to change product designs to make use of alternative components. In addition, difficulties in transitioning from an existing supplier to a new supplier could create delays in component availability that would have a significant impact on our ability to fulfill orders for our products.

Many of the key components used to manufacture our proprietary ShotSpotter sensors also come from limited or sole sources of supply. In addition, the lead times associated with certain components are lengthy and preclude rapid changes in quantities and delivery schedules. Developing alternate sources of supply for these components may be time-consuming, difficult, and costly, and we or our suppliers may not be able to source these components on terms that are acceptable to us, or at all, which may undermine our ability to fill our orders in a timely manner.

For example, for our ShotSpotter sensors, it may take a significant amount of time to identify a contract manufacturer that has the capability and resources to build the sensors to our specifications. Identifying suitable suppliers and contract manufacturers is an extensive process that requires us to become satisfied with their quality control, technical capabilities, responsiveness and service, financial stability, regulatory compliance, and labor and other ethical practices. Accordingly, the loss of any key supplier or contract manufacturer could adversely impact our business, operating results and financial condition.

Our solutions use third-party software and services that may be difficult to replace or cause errors or failures of our solutions that could lead to a loss of customers or harm to our reputation and our operating results.

We license third-party software and depend on services from various third parties for use in our solutions. In the future, such software or services may not be available to us on commercially reasonable terms, or at all. Any loss of the right to use any of the software or services could result in decreased functionality of our solutions until equivalent technology is either developed by us or, if available from another provider, is identified, obtained and integrated, which could harm our business. In addition, any errors or defects in or failures of the third-party software or services could result in errors or defects in our solutions or cause our solutions to fail, which could harm our business and be costly to correct. Many of these providers attempt to impose limitations on their liability for such errors, defects or failures, and if enforceable, we may have additional liability to our customers or third-party providers that could harm our reputation and increase our operating costs.

We will need to maintain our relationships with third-party software and service providers, and obtain from such providers software and services that do not contain any errors or defects. Any failure to do so could adversely impact our ability to deliver effective products to our customers and could harm our operating results.

We use artificial intelligence in our products and services which may result in operational challenges, legal liability, reputational concerns and competitive risks.

We currently use and intend to leverage generative AI processes and algorithms and our own evolving cognitive and analytical applications into our daily operations, including by deploying generative AI into our products and services, which may result in adverse effects to our financial condition, results or reputation. Generative AI products and services leverage existing and widely available technologies, such as Chat GPT-4 and its successors, or alternative large language models or other processes. The use of generative AI processes at scale is relatively new, and may lead to challenges, concerns and risks that are significant or that we may not be able to predict, especially if our use of these technologies in our products and services becomes more important to our operations over time.

Use of generative AI in our products and services may be difficult to deploy successfully due to operational issues inherent to the nature of such technologies, and our customers may not adopt or integrate our new services as intended. For example, AI algorithms use machine learning and predictive analytics which may lead to flawed, biased, and inaccurate results, which could lead to customer rejection or skepticism of such products. Emerging ethical issues surround the use of AI, and if our deployment or use of AI becomes controversial, we may be subject to reputational risk. Further,

unauthorized use or misuse of AI by our employees or others may result in disclosure of confidential company and customer data, reputational harm, privacy law violations and legal liability. Our use of AI may also lead to novel and urgent cybersecurity risks, including the misuse of personal information, which may adversely affect our operations and reputation.

As a result, we may not be able to successfully integrate AI into our products, services and operations despite expending significant time and monetary resources to attempt to do so. Our investments in deploying such technologies may be substantial and may be more expensive than anticipated. If we fail to deploy AI as intended, our competitors may incorporate AI technology into their products or services more successfully than we do, which may impair our ability to effectively compete in the market.

Uncertainty in the legal regulatory regime relating to AI may require significant resources to modify and maintain business practices to comply with U.S. and non-U.S. laws, the nature of which cannot be determined at this time. Several jurisdictions around the globe, including Europe and certain U.S. states, have already proposed or enacted laws governing AI. For example, European regulators have proposed a stringent AI regulation, and we expect other jurisdictions will adopt similar laws. Other jurisdictions may decide to adopt similar or more restrictive legislation that may render the use of such technologies challenging.

If we do not or cannot maintain the compatibility of our platform with applications that our customers use, our business could suffer.

Some of our customers choose to integrate our solutions with certain other systems used by our customers, such as real-time Technologic, Forensic Logic or SafePointe platforms or computer-aided dispatch systems. The functionality and popularity of our solutions depend, in part, on our ability to integrate our solutions into these systems. Providers of these systems may change the features of their technologies, restrict our access to their applications or alter the terms governing use of their applications in an adverse manner. Such changes could functionally limit or terminate our ability to use these technologies in conjunction with our solutions, which could negatively impact our customer service and harm our business. If we fail to integrate our solutions with applications that our customers use, we may not be able to offer the functionality that our customers need, and our customers may not renew their agreements, which would negatively impact our ability to generate revenues and adversely impact our business.

We are in the process of expanding our international operations, which exposes us to significant risks.

We currently operate in limited number of locations outside the United States. A key component to our business strategy is to expand our international operations to increase our revenues from customers outside of the United States as part of our growth strategy. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks in addition to those we already face in the United States. In addition, we will need to invest time and resources in understanding the regulatory framework and political environments of our potential customers overseas in order to focus our sales efforts. Because such regulatory and political considerations are likely to vary across jurisdictions, this effort will require additional time and attention from our sales team and could lead to a sales cycle that is longer than our typical process for sales in the United States. We also may need to hire additional employees and otherwise invest in our international operations in order to reach new customers. Because of our limited experience with international operations as well as developing and managing sales in international markets, our international expansion efforts may be delayed or may not be successful.

In addition, we face and will continue to face risks in doing business internationally that could adversely affect our business, including:

- the potential impact of currency exchange fluctuations;
- the need to comply with local data residency requirements;
- the availability and reliability of local data centers and internet bandwidth providers;
- the difficulty of staffing and managing international operations and the increased operations, travel, shipping and compliance costs associated with having customers in numerous international locations;
- potentially greater difficulty collecting accounts receivable and longer payment cycles;
- the availability and cost of coverage by wireless carriers in international markets;
- higher or more variable costs associated with wireless carriers and other service providers;
- the need to offer customer support in various languages;

- challenges in understanding and complying with local laws, regulations and customs in foreign jurisdictions, including laws regarding privacy and government surveillance;
- export controls and economic sanctions administered by the Department of Commerce Bureau of Industry and Security and the Treasury Department’s Office of Foreign Assets Control;
- compliance with various anti-bribery and anti-corruption laws such as the Foreign Corrupt Practices Act and United Kingdom Bribery Act of 2010;
- tariffs and other non-tariff barriers, such as quotas and local content rules;
- more limited protection for our intellectual property in some countries;
- adverse or uncertain tax consequences as a result of international operations;
- currency control regulations, which might restrict or prohibit our conversion of other currencies into U.S. dollars;
- restrictions on the transfer of funds;
- deterioration of political relations between the United States and other countries; and
- political or social unrest, global pandemics, or economic instability in a specific country or region in which we operate, which could have an adverse impact on our operations in that location.

Also, we expect that due to costs related to our international expansion efforts and the increased cost of doing business internationally, we will incur higher costs to secure sales to international customers than the comparable costs for domestic customers. As a result, our financial results may fluctuate as we expand our operations and customer base worldwide.

Our failure to manage any of these risks successfully could harm our international operations, and adversely affect our business, operating results and financial condition.

We are dependent on the continued services and performance of our senior management and other key personnel, the loss of any of whom could adversely affect our business.

Our future success depends in large part on the continued contributions of our senior management and other key personnel. In particular, the leadership of key management personnel is critical to the successful management of our company, the development of our products, and our strategic direction. We also depend on the contributions of key technical personnel.

We do not maintain “key person” insurance for any member of our senior management team or any of our other key employees. Our senior management and key personnel are all employed on an at-will basis, which means that they could terminate their employment with us at any time, for any reason and without notice. The loss of any of our key management personnel could significantly delay or prevent the achievement of our development and strategic objectives and adversely affect our business.

If we are unable to attract, integrate and retain additional qualified personnel, including top technical talent, our business could be adversely affected.

Our future success depends in part on our ability to identify, attract, integrate and retain highly skilled technical, managerial, sales and other personnel. We face intense competition for qualified individuals from numerous other companies, including other software and technology companies, many of whom have greater financial and other resources than we do. Some of these characteristics may be more appealing to high-quality candidates than those we have to offer. In addition, new hires often require significant training and, in many cases, take significant time before they achieve full productivity. We may incur significant costs to attract and retain qualified personnel, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and we may lose new employees to our competitors or other companies before we realize the benefit of our investment in recruiting and training them. Moreover, new employees, especially those who work remotely, may not be or become as productive as we expect, as we may face challenges in adequately or appropriately integrating them into our workforce and culture. If we are unable to attract, integrate and retain suitably qualified individuals who are capable of meeting our growing technical, operational and managerial requirements, on a timely basis or at all, our business will be adversely affected.

Volatility or lack of positive performance in our stock price may also affect our ability to attract and retain our key employees. Many of our senior management personnel and other key employees have become, or will soon become,

vested in a substantial amount of stock or stock options. Employees may be more likely to leave us if the shares they own or the shares underlying their vested options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the options, or, conversely, if the exercise prices of the options that they hold are significantly above the market price of our common stock. If we are unable to appropriately incentivize and retain our employees through equity compensation, or if we need to increase our compensation expenses in order to appropriately incentivize and retain our employees, our business, operating results and financial condition would be adversely affected.

Legal and Regulatory Risks

We are subject to stringent and evolving laws, governmental regulation contractual obligations, policies and other legal obligations, particularly related to data privacy and security. Our actual or perceived failure to comply with such obligations could lead to regulatory investigations or actions; litigation (including class claims) and mass arbitration; fines and penalties; disruptions of our business operations; reputation harm; loss of revenue or profits; loss of customers or sales; and other adverse business consequences. Compliance with such laws could impair our efforts to maintain and expand our customer base, and thereby decrease our revenues.

In the ordinary course of business, we process confidential, proprietary, and/or sensitive information, including data collected by our sensors, personal information business data, trade secrets, and intellectual property. Accordingly, our data processing activities are subject to a variety of data privacy and security obligations, such as various laws, regulations, guidance, industry standards, external and internal privacy and security policies, contractual requirements, and other obligations relating to data privacy and security and restrictions on audio monitoring and the collection, use, storage and disclosure of personal information. In the United States, federal, state, and local governments have enacted numerous data privacy and security laws, including data breach notification laws, privacy laws, consumer protection laws (e.g., Section 5 of the Federal Trade Commission Act), and other similar laws (e.g., wiretapping laws).

Various U.S. states—including California, Virginia, Colorado, Connecticut, and Utah—have adopted and others are considering proposals for comprehensive data privacy and security laws and regulations. that impose certain obligations on covered businesses, including providing specific disclosures in privacy notices and affording residents with certain rights concerning their personal information. As applicable, such rights may include the right to access, correct and delete certain personal information, and to opt-out of certain data processing activities, such as targeted advertising, profiling, and automated decision-making. The exercise of these rights may impact our business and ability to provide our products and services. These state laws also allow for statutory fines for noncompliance.

For example the California Consumer Privacy Act (“CCPA”), applies to personal information of consumers, business representatives, and employees who are California residents, and requires businesses to provide specific disclosures in privacy notices and honor requests of California residents to exercise certain privacy rights, such as those noted below. The CCPA provides for fines of up to \$7,500 per intentional violation and allows private litigants affected by certain data breaches to recover significant statutory damages. Other similar laws are being considered in several other states, as well as at the federal and local levels. These developments further complicate compliance efforts, and increase legal risk and compliance costs for us, and the third parties upon whom we rely.

Outside the United States, an increasing number of laws, regulations, and industry standards govern data privacy and security. For example, the European Union’s General Data Protection Regulation (“EU GDPR”), the United Kingdom’s GDPR (“UK GDPR”), Brazil’s General Data Protection Law (Lei Geral de Proteção de Dados Pessoais, or “LGPD”) (Law No. 13,709/2018), and China’s Personal Information Protection Law (“PIPL”) impose strict requirements for processing personal information. For example, under the EU GDPR and UK GDPR, companies may face temporary or definitive bans on data processing and other corrective actions; fines of up to 20 million Euros under the EU GDPR, 17.5 million pounds sterling under the UK GDPR or, in each case, 4% of annual global revenue, whichever is greater; or private litigation related to processing of personal information brought by classes of data subjects or consumer protection organizations authorized at law to represent their interests.

Additionally, we may be required, under various data privacy and security laws and other obligations, to obtain certain consents to process personal information. Our inability or failure to do so could result in adverse consequences. For example, some of our data processing practices may be challenged under wiretapping laws, if we obtain consumer information from third parties through various methods, including chatbot and session replay providers, or via third-party marketing pixels. These practices may be subject to increased challenges by class action plaintiffs. Our inability or failure to obtain consent for these practices could result in adverse consequences, including class action litigation and mass arbitration demands.

Regulators are increasingly scrutinizing the activities of data suppliers, and laws in the United States (including the CCPA and California’s Delete Act) and other jurisdictions are likewise regulating such activity. These laws, which may

apply to us and our partners, pose additional, material compliance risks to data suppliers, and suppliers may not be able to provide personal information in compliance with these laws.

For example, some data suppliers are required to register as data brokers under California and Vermont law and file reports with regulators, which exposes them to increased scrutiny. Additionally, California's Delete Act requires a regulatory agency to establish by January 1, 2026 a mechanism to allow California consumers to submit a single, verifiable request to delete all of their personal information held by all registered data brokers and their service providers. Moreover, data suppliers have recently been subject to increased litigation under various claims of violating certain state privacy laws. These laws and related challenges may make it so difficult for us or our suppliers to provide the data that the costs associated with the data materially increase or may materially decrease the availability of data that data suppliers can provide.

In addition, we may face compliance risks and limitations on our ability to use certain data provided by our data suppliers if those suppliers have not complied with applicable privacy laws, provided appropriate notice to data subjects, obtained necessary consents, or established a legal basis for the transfer and processing of the data by us.

Our employees and personnel use generative AI technologies to perform their work, and the disclosure and use of personal information in generative AI technologies is subject to various data privacy and security laws and other obligations. Governments have passed and are likely to pass additional laws regulating generative AI. Our use of this technology could result in additional compliance costs, regulatory investigations and actions, and consumer lawsuits. If we are unable to use generative AI, it could make our business less efficient and result in competitive disadvantages. We use AI/ML to assist us in making certain decisions, which is regulated by certain data privacy and security laws. Due to inaccuracies or flaws in the inputs, outputs, or logic of the AI/ML, the model could be biased and could lead us to make decisions that could bias certain individuals (or classes of individuals), and adversely impact their rights, employment, and ability to obtain certain pricing, products, services, or benefits.

We are also bound by contractual obligations related to data privacy and security, and our efforts to comply with such obligations may not be successful. For example, certain data privacy and security laws, such as the GDPR and the CCPA, require our customers to impose specific contractual restrictions on their service providers. We publish privacy policies, marketing materials and other statements, such as compliance with certain certifications or self-regulatory principles, regarding data privacy and security. If these policies, materials or statements are found to be deficient, lacking in transparency, deceptive, unfair, or misrepresentative of our practices, we may be subject to investigation, enforcement actions by regulators or other adverse consequences.

Obligations related to data privacy and security (and consumers' data privacy and security expectations) are quickly changing, becoming increasingly stringent, and creating uncertainty. Additionally, these obligations may be subject to differing applications and interpretations, which may be inconsistent or conflict among jurisdictions. Preparing for and complying with these obligations requires us to devote significant resources, which may necessitate changes to our services, information technologies, systems, and practices and to those of any third parties that process personal information on our behalf. In addition, these obligations may require us to change our business model. We may at times fail (or be perceived to have failed) in our efforts to comply with our data privacy and security obligations. Moreover, despite our efforts, our personnel or third parties on whom we rely may fail to comply with such obligations, which could negatively impact our business operations.

If we or the third parties on which we rely fail, or are perceived to have failed, to address or comply with applicable data privacy and security obligations, we could face significant consequences, including but not limited to: government enforcement actions (e.g., investigations, fines, penalties, audits, inspections, and similar); litigation (including class-action claims and mass arbitration demands); additional reporting requirements and/or oversight; bans on processing personal information; orders to destroy or not use personal information; and imprisonment of company officials. In particular, plaintiffs have become increasingly more active in bringing data privacy-related claims against companies, including class claims and mass arbitration demands. Some of these claims allow for the recovery of statutory damages on a per violation basis, and, if viable, carry the potential for monumental statutory damages, depending on the volume of data and the number of violations. Any of these events could have a material adverse effect on our reputation, business, or financial condition, including but not limited to: loss of customers; interruptions or stoppages in our business operations; inability to process personal information or to operate in certain jurisdictions; limited ability to develop or commercialize our products; expenditure of time and resources to defend any claim or inquiry; adverse publicity; or substantial changes to our business model or operations.

We may be subject to additional obligations to collect and remit certain taxes, and we may be subject to tax liability for past activities, which could harm our business.

State, local and foreign jurisdictions have differing rules and regulations governing sales, use, value added and other taxes, and these rules and regulations are subject to varying interpretations that may change over time, particularly with respect to software-as-a-service products like our solutions. Further, these jurisdictions' rules regarding tax nexus are complex and vary significantly. If one or more jurisdictions were to assert that we have failed to collect taxes for sales of our solutions, we could face the possibility of tax assessments and audits. A successful assertion that we should be collecting additional sales, use, value added or other taxes in those jurisdictions where we have not historically done so and do not accrue for such taxes could result in substantial tax liabilities and related penalties for past sales or otherwise harm our business and operating results.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.

As of June 30, 2024, we had federal net operating loss carryforwards ("NOLs") of approximately \$58.1 million, of which \$53.2 million will begin to expire in 2029, if not utilized. The remaining net operating losses of \$4.9 million can be carried forward indefinitely under the Tax Cuts and Jobs Act. As of June 30, 2024, we also had state NOLs of approximately \$42.8 million, which begin expiring in 2024. These federal and state NOLs may be available to reduce future income subject to income taxes. In general, under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its NOLs to offset future taxable income. Past or future changes in our stock ownership, some of which are outside of our control, may have resulted or could result in an ownership change. State NOLs generated in one state cannot be used to offset income generated in another state. In addition, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, such as the 2020 temporary suspension of the ability to use California NOLs and limitation on the use of certain tax credits to offset California income and tax liabilities, which could accelerate or permanently increase state taxes owed.

We may be subject to litigation for a variety of claims or to other legal requests, which could adversely affect our results of operations, harm our reputation or otherwise negatively impact our business.

We may be subject to litigation for a variety of claims arising from our normal business activities. These may include claims, suits, and proceedings involving labor and employment, wage and hour, commercial and other matters. The outcome of any litigation, regardless of its merits, is inherently uncertain. Any claims and lawsuits, and the disposition of such claims and lawsuits, could be time-consuming and expensive to resolve, divert management attention and resources, and lead to attempts on the part of other parties to pursue similar claims. Any adverse determination related to litigation could adversely affect our results of operations, harm our reputation or otherwise negatively impact our business. In addition, depending on the nature and timing of any such dispute, a resolution of a legal matter could materially affect our future operating results, our cash flows or both.

An unfavorable outcome on any litigation matters could require us to pay substantial damages, or, in connection with any intellectual property infringement claims, could require us to pay ongoing royalty payments or could prevent us from selling certain of our products. As a result, a settlement of, or an unfavorable outcome on, any of the matters referenced above or other litigation matters could have a material adverse effect on our business, operating results, financial condition and cash flows.

We, or our customers, may be subject to requests for our data or information concerning our techniques and processes, pursuant to state or federal law (for example, public-records requests or subpoenas to provide information or to testify in court). This data and information, some of which we may deem to be confidential or trade secrets, could therefore become a matter of public record and also become accessible by competitors, which could negatively impact our business.

Changes in financial accounting standards may cause adverse and unexpected revenue fluctuations and impact our reported results of operations.

The accounting rules and regulations that we must comply with are complex and subject to interpretation by the Financial Accounting Standards Board, the Securities and Exchange Commission and various bodies formed to promulgate and interpret appropriate accounting principles. In addition, many companies' accounting disclosures are being subjected to heightened scrutiny by regulators and the public. Further, the accounting rules and regulations are continually changing in ways that could impact our financial statements.

Changes to accounting principles or our accounting policies on our financial statements going forward are difficult to predict, could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of the change. In addition, were we to change our critical accounting estimates, including the timing of recognition of subscription and professional services revenues and other revenues sources, our results of operations could be significantly impacted.

Failure to protect our intellectual property rights could adversely affect our business.

Our success depends, in part, on our ability to protect proprietary methods and technologies that we develop or license under patent and other intellectual property laws of the United States, as well as our brands, so that we can prevent others profiting from them. We rely on a combination of contractual and intellectual property rights, including non-disclosure agreements, patents, trade secrets, copyrights and trademarks, to establish and protect our intellectual property rights in our names, services, innovations, methodologies and related technologies. If we fail to protect our intellectual property rights adequately, our competitors might gain access to our technology and our business might be adversely affected.

As of June 30, 2024, we had 33 issued patents directed to our technologies, 27 in the United States, two in Brazil, one each in Mexico, the United Kingdom, France and Germany. The issued patents expire on various dates from 2025 to 2034. We have patent applications pending for examination in the United States, Europe, Mexico and Brazil, but we cannot guarantee that these patent applications will be granted. We also license one other U.S. patent from one third party. The patents that we own or those that we license from others (including those that may be issued in the future) may not provide us with any competitive advantages or may be challenged by third parties.

The process of obtaining patent protection is expensive and time-consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. Even if issued, there can be no assurance that these patents will adequately protect our intellectual property, as the legal standards relating to the validity, enforceability and scope of protection of patent and other intellectual property rights are uncertain.

Any patents that are issued may subsequently be invalidated or otherwise limited, allowing other companies to develop offerings that compete with ours, which could adversely affect our competitive business position, business prospects and financial condition. In addition, issuance of a patent does not guarantee that we have a right to practice the patented invention. Patent applications in the United States are typically not published until 18 months after their earliest priority date or, in some cases, not at all, and publications of discoveries in industry-related literature lag behind actual discoveries. We cannot be certain that third parties do not have blocking patents that could be used to prevent us from marketing or practicing our software or technology.

Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which our software is available. The laws of some foreign countries may not be as protective of intellectual property rights as those in the United States (in particular, some foreign jurisdictions do not permit patent protection for software), and mechanisms for enforcement of intellectual property rights may be inadequate. Additional uncertainty may result from changes to intellectual property legislation enacted in the United States, including the recent America Invents Act, or to the laws of other countries and from interpretations of the intellectual property laws of the United States and other countries by applicable courts and agencies. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property.

We rely in part on trade secrets, proprietary know-how and other confidential information to maintain our competitive position. Although we endeavor to enter into non-disclosure agreements with our employees, licensees and others who may have access to this information, we cannot assure you that these agreements or other steps we have taken will prevent unauthorized use, disclosure or reverse engineering of our technology. Moreover, third parties may independently develop technologies or products that compete with ours, and we may be unable to prevent this competition. Third parties also may seek access to our trade secrets, proprietary know-how and other confidential information through legal measures (for example, public-records requests or subpoenas to provide information or to testify in court) and it could be expensive to defend against those requests. Disclosure of our trade secrets, proprietary know-how and other confidential information could negatively impact our business.

We might be required to spend significant resources to monitor and protect our intellectual property rights. We may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. We may also engage in litigation in response to public-records requests or subpoenas that seek our intellectual property. Litigation also puts our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing. Additionally, we may provoke third parties to assert counterclaims against us. We may not prevail in any lawsuits that we initiate or other legal proceedings in which we participate, and the damages or other remedies awarded, if any, may not be commercially viable. Any litigation, whether or not resolved in our favor, could result in significant expense to us and divert the efforts of our technical and management personnel, which may adversely affect our business, operating results, financial condition and cash flows.

We may be subject to intellectual property rights claims by third parties, which are extremely costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies.

Companies in the software and technology industries, including some of our current and potential competitors, own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. In addition, many of these companies have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. The litigation may involve patent holding companies or other adverse patent owners that have no relevant product revenues and against which our patents may therefore provide little or no deterrence. We may have previously received, and may in the future receive, notices that claim we have misappropriated, misused, or infringed other parties' intellectual property rights, and, to the extent we gain greater market visibility, we face a higher risk of being the subject of intellectual property infringement claims.

There may be third-party intellectual property rights, including issued or pending patents that cover significant aspects of our technologies or business methods. Any intellectual property claims, with or without merit, could be very time-consuming, could be expensive to settle or litigate and could divert our management's attention and other resources. These claims could also subject us to significant liability for damages, potentially including treble damages if we are found to have willfully infringed patents or copyrights. These claims could also result in our having to stop using technology found to be in violation of a third party's rights. We might be required to seek a license for the intellectual property, which may not be available on a timely basis, on reasonable terms or at all. We also may be required to modify our products, services, internal systems or technologies. Even if a license were available, we could be required to pay significant royalties, which would increase our operating expenses. As a result, we may be required to develop alternative non-infringing technology, which could require significant effort and expense. If we cannot license or develop technology for any infringing aspect of our business, we would be forced to limit or stop sales of our software and may be unable to compete effectively. Any of these results would adversely affect our business, operating results, financial condition and cash flows.

Our use of generative artificial intelligence tools may pose particular risks to our proprietary software and systems and subject us to legal liability.

We use generative AI tools in our business, including to generate code and other materials incorporated with our proprietary software and systems, and expect to use generative AI tools in the future. Generative AI tools producing content which can be indistinguishable from that generated by humans is a relatively novel development, with benefits, risks, and liabilities still unknown. Recent decisions of the U.S. Copyright Office suggest that we would not be able to claim copyright ownership in any source code, text, images, or other materials, which we develop through use of generative AI tools, and the availability of such protections in other countries is unclear. As a result, we could have no remedy if third parties reused those same materials, or similar materials also generated by AI tools.

We also face risks to any confidential or proprietary information of the Company which we may include in any prompts or inputs into any generative AI tools, as the providers of the generative AI tools may use these inputs or prompts to further train the tools. Not all providers offer an option to opt-out of such usage, and, even where we do opt-out, we cannot guarantee that the opt-out will be fully effective. In addition, we have little or no insight into the third-party content and materials used to train these generative AI tools, or the extent of the original works which remain in the outputs. As a result, we may face claims from third parties claiming infringement of their intellectual property rights, or mandatory compliance with open source software or other license terms, with respect to software, or other materials or content we believed to be available for use, and not subject to license terms or other third-party proprietary rights. We could also be subject to claims from the providers of the generative AI tools, if we use any of the generated materials in a manner inconsistent with their terms of use. Any of these claims could result in legal proceedings and could require us to purchase a costly license, comply with the requirement of open source software license terms, or limit or cease using the implicated software, or other materials or content unless and until we can re-engineer such software, materials, or content to avoid infringement or change the use of, or remove, the implicated third-party materials, which could reduce or eliminate the value of our technologies and services. Our use of generative AI tools may also present additional security risks because the generated source code may have been modelled from publicly available code, or otherwise not subject to all of our standard internal controls, which may make it easier for hackers and other third parties to determine how to breach our website and systems that rely on the code. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a material adverse effect on our business, results of operations, financial condition, and future prospects.

Our use of open source software could subject us to possible litigation.

A portion of our technologies incorporates open source software, and we expect to continue to incorporate open source software into our platform in the future. Few of the licenses applicable to open source software have been interpreted by courts, and their application to the open source software integrated into our proprietary technology platform

may be uncertain. If we fail to comply with these licenses, then pursuant to the terms of these licenses, we may be subject to certain requirements, including requirements that we make available the source code for our software that incorporates the open source software. We cannot assure you that we have not incorporated open source software in our software in a manner that is inconsistent with the terms of the applicable licenses or our current policies and procedures. If an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could incur significant legal expenses defending against such allegations. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition or require us to devote additional research and development resources to change our technology platform.

Risks Related to the Ownership of Our Common Stock

Our stock price may be volatile or may decline regardless of our operating performance, resulting in substantial losses for investors.

The market price of our common stock has fluctuated and may continue to fluctuate significantly in response to numerous factors, many of which are beyond our control, including the factors listed below and other factors described in this “Risk Factors” section:

- actual or anticipated fluctuations in our operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- ratings changes by any securities analysts who follow our company;
- changes in the availability of federal funding to support local law enforcement efforts, or local budgets;
- announcements by us of significant technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- changes in operating performance and stock market valuations of other software companies generally;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- changes in our board of directors or management;
- sales of large blocks of our common stock, including sales by our executive officers, directors and significant stockholders;
- lawsuits threatened or filed against us;
- novel and unforeseen market forces and trading strategies, as well as short sales, hedging and other derivative transactions involving our capital stock;
- the impact of past and potential future disruptions in access to bank deposits and lending commitments due to bank failures, and other macroeconomic pressures;
- general economic conditions in the United States and abroad;
- other events or factors, including those resulting from pandemics, protests against racial inequality, protests against police brutality and movements such as “Defund the Police,” war, incidents of terrorism or responses to these events; and
- negative publicity, including false information, regarding our solutions.

In addition, stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many software companies. Stock prices of many software companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may negatively impact the market price of our common stock. In the past, stockholders have instituted securities action litigation following

periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business, operating results, financial condition and cash flows.

Substantial future sales of shares of our common stock could cause the market price of our common stock to decline.

Non-affiliates have the ability to sell shares of our common stock in the open market or through block trades without being subject to volume restrictions under Rule 144 of the Securities Act. In addition, in the future we may issue common stock or other securities if we need to raise additional capital. The number of new shares of our common stock issued in connection with raising additional capital could constitute a material portion of the then outstanding shares of our common stock. In the event a large number of shares of common stock are sold in the public market, such share sales could reduce the trading price of our common stock.

Stock repurchases could increase the volatility of the trading price of our common stock and diminish our cash reserves, and we cannot guarantee that our stock repurchase program will enhance long-term stockholder value.

In November 2022, our board of directors approved a new stock repurchase program for up to \$25.0 million of our common stock, of which \$7.6 million was utilized as of June 30, 2024. Although our board of directors has authorized the stock repurchase program, it does not obligate us to repurchase any specific dollar amount or number of shares, there is no expiration date for the stock repurchase program, and the stock repurchase program may be modified, suspended or terminated at any time and for any reason. The timing and actual number of shares repurchased under the stock repurchase program will depend on a variety of factors, including the acquisition price of the shares, our liquidity position, general market and economic conditions, legal and regulatory requirements and other considerations. Our ability to repurchase shares may also be limited by restrictive covenants in our existing credit agreement or in future borrowing arrangements we may enter into from time to time.

Repurchases of our shares could increase the volatility of the trading price of our stock, which could have a negative impact on the trading price of our stock. Similarly, the future announcement of the termination or suspension of the stock repurchase program, or our decision not to utilize the full authorized repurchase amount under the stock repurchase program, could result in a decrease in the trading price of our stock. In addition, the stock repurchase program could have the impact of diminishing our cash reserves, which may impact our ability to finance our growth, complete acquisitions and execute our strategic plan. There can be no assurance that any share repurchases we do elect to make will enhance stockholder value because the market price of our common stock may decline below the levels at which we repurchased our shares. Although our stock repurchase program is intended to enhance long-term stockholder value, we cannot guarantee that it will do so and short-term stock price fluctuations could reduce the effectiveness of the stock repurchase program.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business, our market and our competitors. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares of common stock or change their opinion of our shares of common stock, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

We incur substantial costs as a result of being a public company.

As a public company, we are incurring significant levels of legal, accounting, insurance and other expenses that we did not incur as a private company. We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of the Nasdaq Capital Market, and other applicable securities rules and regulations. Compliance with these rules and regulations increases our legal and financial compliance costs, makes some activities more difficult, time-consuming or costly and increases demand on our systems and resources as compared to when we operated as a private company. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could adversely affect our business and operating results. Although we have already hired additional corporate employees to comply with these requirements, we may need to hire more corporate employees in the future or engage outside consultants, which would increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

As a result of disclosure of information in this report and in the filings that we are required to make as a public company, our business, operating results and financial condition have become more visible, which has resulted in, and may in the future result in threatened or actual litigation, including by competitors and other third parties. If any such claims are successful, our business, operating results and financial condition could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business, operating results and financial condition.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our certificate of incorporation and bylaws include provisions that:

- establish a classified board of directors so that not all members of our board of directors are elected at one time;
- permit the board of directors to establish the number of directors and fill any vacancies and newly-created directorships;
- provide that directors may only be removed for cause;
- require super-majority voting to amend some provisions in our certificate of incorporation and bylaws;
- authorize the issuance of "blank check" preferred stock that our board of directors could use to implement a stockholder rights plan;
- eliminate the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

In addition, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits stockholders owning 15% or more of our outstanding voting stock from merging or otherwise combining with us for a period of three years following the date on which the stockholder became a 15% stockholder without the consent of our board of directors. These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our

board of directors, which is responsible for appointing the members of our management, and otherwise discourage management takeover attempts.

Our certificate of incorporation contains exclusive forum provisions that could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Pursuant to our certificate of incorporation, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation or our bylaws or (4) any action asserting a claim governed by the internal affairs doctrine. Our certificate of incorporation further provides that any person or entity purchasing or otherwise acquiring any interest in shares of our common stock is deemed to have notice of and consented to the foregoing provision.

Our certificate of incorporation further provides that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. These forum selection clauses in our certificate of incorporation may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us. While the Delaware courts have determined that such choice of forum provisions are facially valid and several state trial courts have enforced such provisions and required that suits asserting Securities Act claims be filed in federal court, there is no guarantee that courts of appeal will affirm the enforceability of such provisions and a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions. If a court were to find either exclusive forum provision in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with litigating Securities Act claims in state court, or both state and federal court, which could seriously harm our business, financial condition, results of operations, and prospects.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities**(a) Unregistered Sales of Equity Securities**

None.

(b) Use of Proceeds

None.

(c) Issuer Purchases of Equity Securities

The following table presents repurchases of our common stock for the indicated period (in thousands):

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Program	Dollar Value of Shares that May Yet Be Purchased Under the Program (in thousands)
April 1, 2024 - April 30, 2024	—	—	—	\$ 19,416
May 1, 2024 - May 31, 2024	47,584	\$ 14.95	47,584	18,705
June 1, 2024 - June 30, 2024	86,566	14.81	86,566	\$ 17,423
Total	<u>134,150</u>	\$ 14.86	<u>134,150</u>	

(1) All repurchases were made as part of the 2022 Stock Repurchase Program. In November 2022, we publicly announced the program, under which we are authorized to repurchase up to \$25 million of our common stock. The 2022 Stock Repurchase Program has no expiration date and may be modified, suspended or discontinued at any time. For further information regarding our 2022 Stock Repurchase Program, see Note 10 - *Stock Repurchase Program*, of the accompanying notes to condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Item 6. Exhibits

Exhibit Index

Exhibit Number	Exhibit Description	Form	Incorporated by Reference		Filing Date	Filed Herewith
			File No.	Exhibit		
3.1	Amended and Restated Certificate of Incorporation	8-K	001-38107	3.1	April 11, 2023	
3.2	Certificate of Change of Registered Agent	10-Q	001-38107	3.2	August 10, 2023	
3.3	Amended and Restated Bylaws	8-K	001-38107	3.1	November 9, 2023	
10.1	Amended and Restated Nonemployee Director Compensation Policy					X
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
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).					X
101.SCH	Inline XBRL Taxonomy Extension Schema with Embedded Linkbase Documents					X
104	Cover Page formatted as Inline XBRL and contained in Exhibit 101					X

* Furnished herewith and not deemed to be "filed" for purposes of Section 18 of the Exchange Act, and shall not be deemed to be incorporated by reference into any filing under the Securities Act, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

SIGNATURES

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

SOUNDTHINKING, INC.

Date: August 14, 2024

By: /s/ Ralph A. Clark
Ralph A. Clark
President and Chief Executive Officer

Date: August 14, 2024

By: /s/ Alan R. Stewart
Alan R. Stewart
Chief Financial Officer

SoundThinking, Inc.

Amended and Restated Nonemployee Director Compensation Policy

Adopted by the Compensation and Human Capital Committee: June 27, 2024

1.General

This SoundThinking, Inc. Amended and Restated Nonemployee Director Compensation Policy (as amended and restated, the “*Policy*”) is designed to provide for the compensation of each member of the board of directors (the “*Board*”) of SoundThinking, Inc. (the “*Company*”) who is not an employee of the Company or any of its subsidiaries (each, a “*Nonemployee Director*”). The Policy is effective as of June 27, 2024 and will continue in effect until its termination by the Board. The Policy replaces and supersedes any and all compensation policies or programs previously established or maintained by the Company with respect to Nonemployee Directors; provided, however, that any options or restricted stock units (“*RSUs*”) outstanding on such effective date shall not be affected by the Policy and shall continue to be governed by the grant notice, agreement and equity incentive plan relating to such options or RSUs.

2.Administration

The Board, or any committee to whom the Board delegates the requisite authority, will administer the Policy. The Board (or such committee) will have the sole discretion and authority to administer, interpret, amend and terminate the Policy, and the decisions of the Board (or such committee) will be final and binding on all persons having an interest in the Policy.

3.Eligibility

Each Nonemployee Director will be eligible to receive the compensation set forth in the Policy in accordance with the terms of the Policy. Such compensation will be paid or granted, as applicable, automatically and without further action of the Board or any Board committee to each Nonemployee Director.

4.Annual Cash Compensation

(a) **Cash Retainers.** Each Nonemployee Director is eligible to receive cash retainers at the applicable rates set forth in the following table for each full year of service as (i) a chairperson and/or member of the Board and (ii) a chairperson of a committee of the Board (“*Committee*”):

	Role	Annual Retainer Rate
Board	Chair	\$65,000
	Member (not Chair)	\$40,000
Audit Committee	Chair	\$20,000
	Member (not Chair)	\$10,000
Compensation and Human Capital Committee	Chair	\$10,000
	Member (not Chair)	\$5,000
Nominating and Corporate Governance Committee	Chair	\$7,500
	Member (not Chair)	\$3,000

Each Nonemployee Director will be eligible to receive each type of retainer set forth in the table above that is applicable to such Nonemployee Director. Retainer payments will be made quarterly in arrears on or before the last business day of each calendar quarter (or such later date as may be provided in a valid Deferral Election (as defined in Section 6 below)) and will be pro-rated for partial quarters of service based on the number of days served in the quarter divided by the number of days in the quarter.

(b) Ability to Take Cash Compensation as RSUs.

(i) Election. Prior to the start of each fiscal year, each Nonemployee Director may elect to receive 100% of the annual cash compensation set forth in Section 4(a) for that next fiscal year as RSUs under the Company's 2017 Equity Incentive Plan or any successor plan (the "**Plan**"). Any RSU grant made pursuant to this clause (i) is referred to herein as an "**Optional RSU Grant**". A Nonemployee Director may only make an election to receive an Optional RSU Grant when, at the time of such election, the Company is not in a quarterly or special blackout period and the Nonemployee Director is not aware of any material non-public information. Any election to receive an Optional RSU Grant must be submitted to the Company's Chief Financial Officer in writing and will be irrevocable for the applicable fiscal year, and will be subject to such rules, conditions and procedures as shall be determined by the Board or the Compensation and Human Capital Committee, in its sole discretion. Each Optional RSU Grant will be subject to the terms of this Section 4(b), the Plan, and the applicable award agreement in the form adopted from time to time by the Board or its Compensation and Human Capital Committee.

(ii) Number of Shares Subject to Optional RSU Grant. The number of shares underlying an Optional RSU Grant for each applicable quarter will be equal to (x) the aggregate cash compensation for such calendar quarter, as applicable (each, a "**Retainer Quarter**"), as determined pursuant to Section 4(a) above divided by (y) the closing price of the Company's common stock on the date that is two trading days following the public dissemination of the Company's financial results for the prior fiscal quarter (the "**Price Determination Date**"), rounded down to the nearest whole share; provided, however, that the number of shares subject to any Optional RSU Grant may be reduced to the extent necessary to ensure that the Company's compensation of Nonemployee Directors does not exceed the limit set forth in Section 3(e) of the Plan. For example, if the Retainer Quarter is the fourth quarter of the Company's fiscal year, the number of shares will be determined based on the closing price of the Company's common stock on the date that is two trading days following the public dissemination of the Company's financial results for the third quarter. "**Trading day**" means a day on which the Nasdaq Stock Market is open for trading.

(iii) Grant Date. The grant date for an Optional RSU Grant will be the Price Determination Date.

(iii) Vesting. Each Optional RSU Grant will vest on the last trading day of the applicable fiscal quarter during which it was granted, provided in each case that the holder remains a Nonemployee Director on such vesting date. In addition, if a Change in Control (as defined in the Plan) occurs prior to the last trading day of the applicable fiscal quarter, the vesting of the Optional RSU Grant will accelerate for the pro-rated portion of the Optional RSU Grant based on the number of days served in the quarter divided by the number of days in the quarter.

(iv) Changes in Cash Compensation Amount. In the event a Nonemployee Director were to become entitled to a greater annual cash compensation amount (either as a result of an increase in the cash compensation amounts approved by the Board or a new Committee membership or role) during a particular Retainer Quarter, such Nonemployee Director will be entitled to receive the difference paid in cash pursuant to the terms above. There would be no effect upon the Optional RSU Grant in the event a Nonemployee Director would have otherwise been entitled to a lesser amount of cash compensation than that which was used to calculate the Optional

RSU Grant as a result of a decrease in the cash compensation amounts approved by the Board or a decreased Committee membership or role.

5.RSU Awards

(a) Initial Awards. Each Nonemployee Director elected to the Board after the Policy is adopted, other than at an annual meeting of stockholders (a “*New Director*”), will be eligible to receive an RSU award (an “*Initial Award*”) based on the dollar amounts set forth in the following table, multiplied by a fraction, the numerator of which is the number of days that will elapse between and including the date of his or her appointment and the first anniversary of the previous annual meeting of stockholders, and the denominator of which is 365:

	Role	Dollar Value of Initial Award
Board	Chair	\$150,000, subject to reduction as provided below
	Member (not Chair)	\$125,000

If a New Director is appointed as the chairperson of the Board and the chairperson of any Committee(s) in connection with his or her initial election to the Board, the dollar value of his or her Initial Award in respect of being chairperson of the Board will be decreased by the cash retainer amount(s) applicable to the chairperson role(s) of such Committee(s) (e.g., if the chairperson of the Board is also the chairperson of the Compensation and Human Capital Committee, the dollar value of the Initial Award for the New Director associated with serving on as the chairperson of the Board will be reduced from \$150,000 to \$140,000). The date of grant of Initial Awards will be the effective date of such New Director’s appointment to the Board or, if such date is within a closed trading window under the Company’s Policy Regarding Stock Trading by Officers, Directors and Other Designated Employees, the next business day on which the trading window is open.

(b) Annual Awards. On the date of each annual meeting of stockholders, each Nonemployee Director in office immediately after such meeting will be eligible to receive an RSU award (an “*Annual Award*”) for service as a Nonemployee Director based on the dollar amounts set forth in the following table:

	Role	Dollar Value of Annual Award
Board	Chair	\$150,000, subject to reduction as provided below
	Member (not Chair)	\$125,000

If, on the date of grant of an Annual Award, any Nonemployee Director is serving as the chairperson of the Board and also the chairperson of any Committee(s), the dollar value of his or her Annual Award in respect of being chairperson of the Board will be decreased by the cash retainer amount(s) applicable to the chairperson role(s) of such Committee(s) (e.g., if the chairperson of the Board is also the chairperson of the Compensation and Human Capital Committee, the dollar value of the Annual Award associated with serving on as the chairperson of the Board will be reduced from \$150,000 to \$140,000). The date of grant of Annual Awards will be the date of the applicable annual meeting of stockholders.

(c) Number of Shares Subject to RSU Awards. The number of shares subject to an Initial Award or Annual Award (either, an “*RSU Award*”) will be equal to (i) the applicable dollar amount determined pursuant to Section 5(a) or 5(b) above, divided by (ii) the average closing price of the Company’s common stock over the 30 calendar days ending on (and including) the trading day prior to the date of grant, rounded down to the nearest whole share; provided, however, that the number of shares subject to any RSU Award may be reduced to the extent

necessary to ensure that the Company's compensation of Nonemployee Directors does not exceed the limit set forth in Section 3(e) of the Plan.

(d) Other Terms of RSU Awards. Each RSU Award will be granted under the Plan and will be subject to the terms of the Plan, the applicable award agreement and the Policy. Each RSU Award will vest on the earlier of (i) the first anniversary of the date of grant and (ii) the date of the next annual meeting of stockholders. In addition, the vesting of all RSU Awards will accelerate in full upon a Change in Control (as defined in the Plan) or immediately prior to the effectiveness of a Nonemployee Director's resignation or removal (and contingent upon the effectiveness of a Change in Control) in the event that the Nonemployee Director is required to resign his or her position as a Nonemployee Director as a condition of the Change in Control or the Nonemployee Director is removed from his or her position as a Nonemployee Director in connection with the Change in Control. Vesting will cease upon the termination of the Nonemployee Director's service as a member of the Board and any RSUs subject to such RSU Award that are unvested on the date of such termination will be automatically forfeited by such Nonemployee Director on such date.

6. Deferral of Director Compensation

Unless and until otherwise determined by the Board or the Compensation or Human Capital Committee, each Nonemployee Director may elect to defer cash compensation payable to such Nonemployee Director pursuant to the Policy or the delivery of shares in settlement of any RSU Award or Optional RSU Grant granted pursuant to the Policy (any such election, a "*Deferral Election*"). For a Deferral Election to be effective, it must be submitted to the Company's Chief Financial Officer (or such other person as the Chief Financial Officer may designate). Each Deferral Election will apply to compensation subject to the Deferral Election earned in all calendar years subsequent to the year in which the Deferral Election is submitted to the Company; provided, however, that if a Deferral Election is submitted within 30 days of a director first becoming subject to the Policy, the Deferral Election will apply to all compensation subject to the Deferral Election earned after the Deferral Election is submitted to the Company, including in the calendar year in which it is submitted. Any Deferral Election will be irrevocable, and will be subject to such rules, conditions and procedures as shall be determined by the Board or the Compensation and Human Capital Committee, in its sole discretion, which rules, conditions and procedures shall at all times comply with the requirements of Section 409A of the Internal Revenue Code of 1986, unless otherwise specifically determined by the Board or the Compensation and Human Capital Committee. Deferral Elections shall be made pursuant to a form of deferral election approved by the Board or the Compensation and Human Capital Committee.

7. Expenses

Each Nonemployee Director will be eligible for reimbursement from the Company for all reasonable out-of-pocket expenses incurred in connection with attending in-person meetings of the Board or any Committee. To the extent that any taxable reimbursements are provided to any Nonemployee Director, they will be provided in accordance with Section 409A of the Internal Revenue Code of 1986, including, but not limited to, the following provisions: (a) the amount of any such expenses eligible for reimbursement during such individual's taxable year may not affect the expenses eligible for reimbursement in any other taxable year; (b) the reimbursement of an eligible expense must be made no later than the last day of such individual's taxable year that immediately follows the taxable year in which the expense was incurred; and (c) the right to any reimbursement may not be subject to liquidation or exchange for another benefit.

SoundThinking, Inc.

NON-EMPLOYEE DIRECTOR COMPENSATION POLICY – DEFERRAL ELECTION

This Deferral Election form is being provided to you pursuant to Section 6 of the SoundThinking, Inc. Amended and Restated Non-Employee Director Compensation Policy, which was adopted by the Compensation and Human Capital Committee of the Board of Directors of SoundThinking, Inc. (the “**Company**”) on June 27, 2024 and as may be amended from time to time (the “**Policy**”). As provided in the Policy, you are able to elect to defer (a) cash compensation and (b) the settlement of shares upon RSU Awards or Optional RSU Grants until a Change in Control or you cease to be in Continuous Service to the Company. Capitalized terms not defined in this Deferral Election form are defined in the Policy.

If you wish to defer any future cash compensation or share settlement, please complete and return this Deferral Election to Alan Stewart at astewart@soundthinking.com and equity@soundthinking.com as soon as possible.

A. DEFERRAL ELECTION

I elect to defer, in accordance with the Policy (check one or both boxes):

- 100% of my cash compensation to be earned under the Policy after the effectiveness of this Deferral Election, to the extent set forth in the Policy (“**Deferred Cash Compensation**”); and
- 100% of the share settlements pursuant to RSU Awards and Optional RSU Grants after the effectiveness of this Deferral Election, to the extent set forth in the Policy (“**Deferred Share Settlements**”),

and elect to have my Deferred Cash Compensation paid, and Deferred Share Settlements occur, upon the earlier to occur of:

1. immediately prior to a Change in Control (as defined in the Company’s 2017 Equity Incentive Plan), provided that, for the avoidance of doubt, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Section 409A of the Internal Revenue Code of 1986 (“**Section 409A**”); and
2. 60 days following the date of my retirement or other separation from service with the Company and all of its Affiliates (as determined in accordance with Section 409A and Treasury regulation section 1.409A-1(h)) (my “**Separation Date**”).

Provided, however, that if a distribution hereunder is triggered because of my Separation Date and I am a “specified employee” within the meaning of Section 409A at the time of my Separation Date, then the distribution that I would otherwise be entitled to receive upon the Separation Date will not be settled until the date that is six months and one day following the Separation Date, unless I die following my Separation Date, in which case, my distribution will commence as soon as practicable following my death.

B. PARTICIPANT ACKNOWLEDGEMENTS

1. I understand this Deferral Election is irrevocable and may not be changed in the future, except in accordance with the requirements of Section 409A and any procedures specified by the Board or the Compensation and Human Capital Committee. Notwithstanding the foregoing, I understand the Board or the Compensation and Human Capital Committee may amend or terminate my Deferral Election at any time and for any reason, with or without notice, provided that such termination or amendment is performed in compliance with Section 409A (as determined by Company legal counsel in its sole and absolute discretion).
2. I understand that the obligation of the Company to pay any Deferred Cash Compensation or effect any Deferred Share Settlements (together “*Deferred Compensation*”) is unfunded and that no assets of any kind have been segregated in a trust or otherwise set aside to satisfy any obligation under this Deferral Election. I also understand that I am only a general, unsecured creditor of the Company.
3. I understand that Deferred Compensation will be taxable as ordinary income in the year paid or settled. I agree and understand that the Company does not guarantee in any way whatsoever the tax treatment of any deferrals or payments made under the Policy or this Deferral Election. I understand that I will be responsible for all taxes and any other costs owed with respect to any compensation pursuant to the Policy.
4. I understand that the Company will be under no obligation to pay or settle any Deferred Compensation until any applicable tax withholding obligations are satisfied.
5. I understand that I may owe taxes to the state where I resided at the time of vesting of RSU Awards or Optional RSU Awards, which taxes may be payable at the time of vesting notwithstanding this Deferral Election.
6. I understand, acknowledge and agree that the Board and the Compensation and Human Capital Committee each have the discretion to make all determinations and decisions regarding any elections set forth on this Deferral Election.
7. I understand that this Deferral Election is intended to comply with the requirements of Section 409A so that none of the Deferred Compensation will be subject to the tax acceleration and additional penalty taxes imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. If applicable, I understand that I am solely responsible for any accelerated income taxes and additional taxes and tax penalties imposed by Section 409A.

C. PARTICIPANT NAME AND SIGNATURE

Participant Name (full legal name):____

Participant Signature:_____

Date:_____

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ralph A. Clark, certify that:

1. I have reviewed this Form 10-Q of SoundThinking, 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 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 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.

August 14, 2024

/s/ Ralph A. Clark

Ralph A. Clark

President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Alan R. Stewart, certify that:

1. I have reviewed this Form 10-Q of SoundThinking, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(c) 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 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 significant role in the registrant's internal control over financial reporting.

August 14, 2024

/s/ Alan R. Stewart

Alan R. Stewart

Chief Financial Officer

(Principal Financial and Accounting 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 the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Ralph A. Clark, President and Chief Executive Officer of SoundThinking, Inc. (the "Company"), and Alan R. Stewart, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

- (1)The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2024 to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
- (2)The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2024

/s/ Ralph A. Clark

Ralph A. Clark
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Alan R. Stewart

Alan R. Stewart
Chief Financial Officer
(Principal Financial and Accounting Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of SoundThinking, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.
