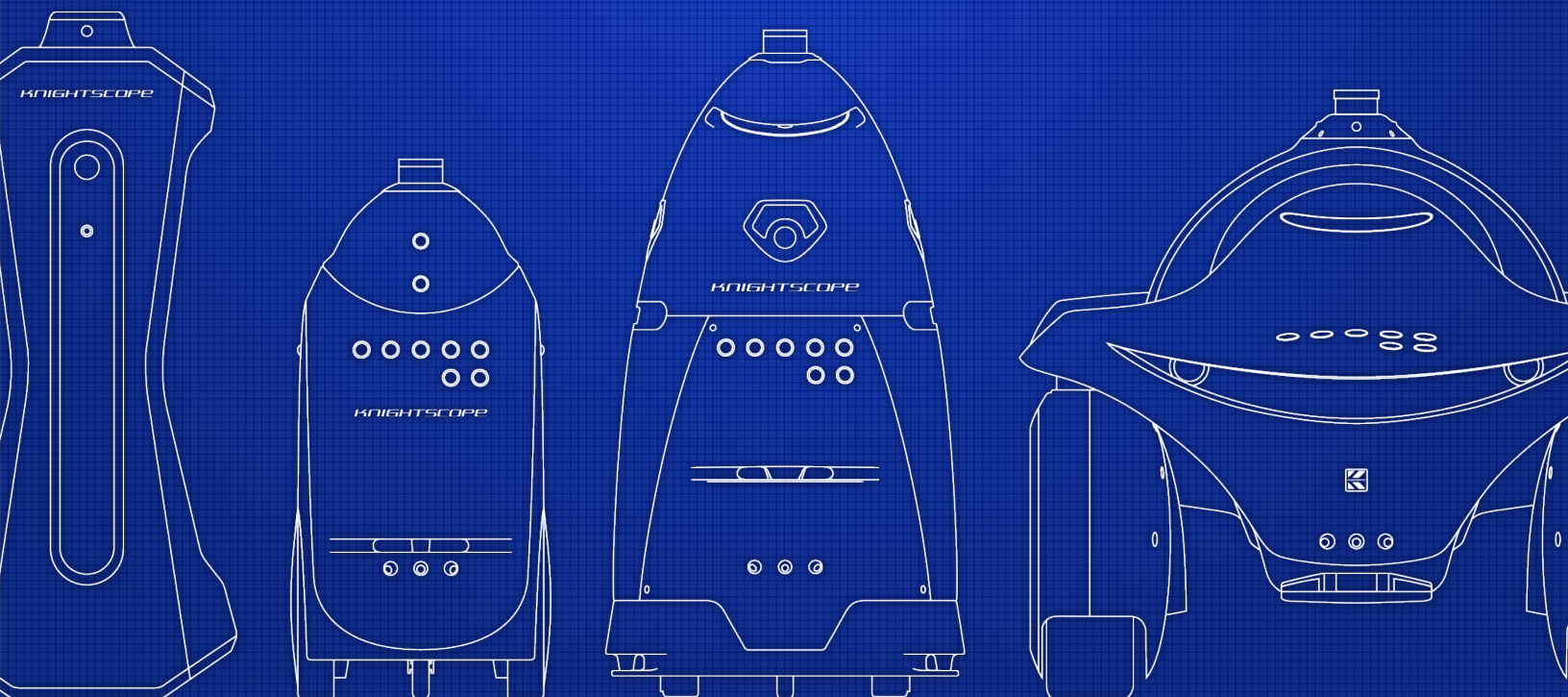


2017

KNIGHTSCOPE INVESTOR UPDATE January 2018



Dear Knightscope Investors,

We began in 2013 starting with literally nothing in our hands except a desire to change the world, a hope that others would believe in our dreams, and a relentless drive to make it all happen. Fast forward to what was a tremendous 2017 for us. We began offering our technology nationwide, had clients renewing contracts and/or expanding operations, and successfully completed our fourth round of financing. And most importantly have had our first set of actual crime fighting wins.



ABOVE The New K7 Multi-Terrain Autonomous Data Machine prototype

We have a massive amount of workload ahead for us, but we have a stellar team, a growing client base and a laser focus on the long-term mission. Our overly ambitious goal is to help make the United States of America the safest country in the world, changing everything for everyone. And our story has just begun!

This update is a qualitative look back through 2017 which may be read in concert with our bi-annual regulatory filings with U.S. Securities and Exchange Commission (SEC). The latest filings may be found on our corporate website here at www.knightscope.com/investors inclusive of recent press releases.

Additionally, we will take a look at our 2018 plans, citing the challenges and inclusive of our communications plan with you, our prized investors, whose unwavering support we are forever grateful in having by our side. We hope that you will find this update informative.

CLIENTS


We hold contracts for approximately 3 dozen clients across 14 states in 3 different time zones and we are in the process of building our 72nd machine. These cover a wide ranging set of sectors across both outdoor and indoor applications. Our primary initial clients have been malls and corporate campuses. However, we have now seen growth in hospitals, manufacturing, logistics, pharmaceuticals, financial

services, residential, apartment complexes, casinos and have now signed our first major airport. The good news is that we are seeing our first set of contract renewals, which has been a great indicator of product-market fit, the dedication of a team working 24/7 to keep the machines-in-network operating 24/7, and a reflection that the technology can indeed help solve some difficult problems for clients.

On that note, to the surprise of the management team this early in the development of the technology, we have had numerous crime-fighting successes in the marketplace. Thus far there have been over a dozen incidents of which we are aware where Knightscope's technologies were able to help a security professional, a law enforcement officer and/or a client with vehicle break-ins, trespassing, car theft, vandals, stolen bikes and forensics.


Out of respect for our clients, we often generalize matters, but in cases where there is an opportunity to name the state or the client we do so. Some of these can be found on our social media presence, or feel free to check out our Gallery here at www.knightscope.com/gallery

Now that we have gained a great deal of sales and field experience, we are revising our Machine-as-a-Service (MaaS) Subscription Pricing. Below you'll find the 2018 pricing sheet reflecting a healthy base configuration with optional use-case based package options (i.e., similar to buying a car). We are contemplating putting this all online to potentially help streamline the sales process.

Deter. Detect. Report.

Autonomously.


2018 Machine-as-a-Service Subscription Pricing

K1 Stationary




\$4,500/mo

K3 Indoor



\$6,500/mo

K5 Outdoor




\$6,500/mo


Standard Features

- Autonomous Operation
- Patrol Scheduler
- Autonomous Charging
- Charging Station
- Custom Decals & Markings
- Standard Monitoring Area Signage
- 360 Degree On Demand Live Video
- 720p Recorded 360 Degree Video
- 24 Hours Data Storage
- 100GB Cellular Data Plan
- KSOC User Interface License
- 24/7 Network Monitoring & Support
- On-Site Maintenance & Support
- Forensics Support
- Unlimited Software & Firmware Upgrades
- Eligible Hardware Upgrades
- Nationwide Shipping
- Two-Week Deployment Setup & Configuration


Additional Package Options

- 


Ultra HD Video Package
 +\$300/mo

4K Ultra HD Recorded 360 Degree Video
 30 Days Data Storage
 Unlimited Live Streaming (requires WiFi)
- 

Parking Monitor Package
 +\$400/mo

Quad Automatic License Plate Recognition
 Parking Enforcement Analytics
 Strobe Light Effect
- 

Interactions Package
 +\$500/mo

Custom Broadcast Messaging
 Two-Way Live Intercom
 Live Audio
- 

After Hours Package
 +\$600/mo

People Detection
 Automatic Signal Detection
 Thermal Scanning
 RFID Badge Reader

Notes:

1. Prices assume 3-year contract paid annually at signing. 2. Monthly payment plans available at 10% premium with first and last month subscription fees due at signing.
 3. Custom deployment requirements inclusive of oversized or highly complex areas are billed at \$150 per hour. 4. Cellular overages are billed as a pass through cost.
 5. Parking Monitor Package not available on K3. 6. Autonomous operation, charging and patrol scheduler not available on K1.
 7. Unlimited live streaming feature requires client installed high-speed, high-quality WiFi throughout entire patrol area.

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ABOVE A snapshot of the 2018 Machine-as-a-Service Pricing Sheet

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TECHNOLOGY

In order to fulfill our long-term mission, KnightScope will need to build a wide-ranging portfolio of technologies to help security and law enforcement professionals combat crime and better secure our homeland.

K1 Stationary - we unveiled the prototype of the K1 machine at #ASIS2017 in Dallas, Texas and will begin production of the first units during 1Q 2018 as previously scheduled. We are hard at work on development and testing of the Concealed Weapon Detection (CWD) capability, which we hope to be a future option on this machine. CWD is a bit of a 'science project', which we typically don't take on, but our clients are in great need of it. We are hopeful to begin initial testing in the field during the first half of 2018 and continue to work through technical/regulatory matters.

K3 Indoors - our primary focus has been to develop the artificial intelligence driven Concierge feature, which will allow a two-way dialogue between the human and the machine itself. We have been doing some field testing of it and now working to get the feature into production, which will take some time. However, applications in retail, in corporate environments as well as ingress/egress use cases at manufacturing facilities appear viable.

K5 Outdoors - our primary focus has been generally two-fold. First, improve the detection capabilities of the K5 utilizing a new software architecture leveraging machine learning as well as improving our navigation stack. For example, we now have the capability to patrol, autonomously, a multi-level parking structure. Second, is a focus on operations - primarily reducing costs and improving quality.

K7 Multi-Terrain - we unveiled the concept prototype of the K7 machine also at #ASIS2017 to a great deal of interest. Although this particular machine builds on a great deal of our technology stack, it is an extremely complicated platform and will take time to get into full-scale production. We are hopeful to have one patrolling in beta test format during 2018.

BELOW Knightscope featured full-size at NASDAQ in New York City



KSOC - our Knightscope Security Operations Center user interface has seen some new features added, including a patrol scheduler, a chat feature for our clients to interact with the team on day-to-day operational matters, new signal detection capabilities, improved video experience, and a custom text-to-speech broadcast feature.

KNOC - now that we are running a network of machines in the field nationwide, we have had to build a custom set of tools for us to manage and monitor the network which we call the Knightscope Network Operations Center (KNOC). These tools allow the team to monitor the health of the machines down to the millisecond with dozens of alerts related to charging, software, navigation, temperatures, etc. We can also execute over-the-air software upgrades, patches and other related items.

TEAM

The team is now 40+ strong and as we like to say, doing the work of 150 (!). We added more resources in primarily three areas. First, numerous Client Development Directors were hired to increase our sales and service processes. Second, additional engineers were on-boarded to assist with deployment of the technology in the field. And third, we now have a fully-staffed KNOC run by four NOC Specialists operating 24/7 supporting our clients and the health of the machines-in-network.

FINANCE

We not only successfully completed our Reg A+ “mini-IPO” of \$20 million, we ended up significantly oversubscribed. We were able to accept additional investments in private placement transactions following the completion of the Reg A+ offering to accommodate the oversubscription and raised an additional \$5+ million. Our cash on hand is \$12+ million as of this writing. Additionally, we were able to triple our revenue from 2016 to 2017, which was encouraging. But we still have a lot of work to do on increasing revenues and reducing costs to get to our plan to achieve positive cash flow. On the sales side, now that the all-consuming fundraising efforts are over, we can focus our efforts more clearly on client development and client success.

BELOW Knightscope K5 Checking Out NYC Times Square



On the cost side of things, our big focus is to continue to keep the team as small and nimble as possible while reducing our service / maintenance costs on the machines themselves and taking a significant reduction on our LTE cellular costs. These efforts include re-designing components, seeking new vendors, making larger order sizes as well as adjusting pricing assumptions, re-negotiating all telecom contracts, and making several technical changes. We have been making some good progress on these items.

Lastly, we have opted to not pursue the typical Silicon Valley startup growth approach of continuing to burn cash in pursuit of growth - with, in our opinion, the flawed assumption that there will always be another equity fundraising opportunity. We instead are laser focused on getting to positive cash flow. So in the case the bears are right and/or the significant level of geopolitical tension yields an extremely difficult environment, the company would hope to be in good shape to weather the storm. In the case the bulls are right, the company would target to be in good shape to take advantage of a strong market.

BELOW Knightscope VP Marketing & Sales, Stacy Dean Stephens, walks prospective clients through the KSOC user interface



PUBLIC AFFAIRS

A moment on the well publicized 'incidents' that Knightscope has had to endure is in order, which you may have seen in the news. Accidents, mistakes, incidents, encounters will always occur. I am a former automotive executive - an industry that is over a century old. So how many accidents occur daily in that extremely mature sector? Try over 15,000 per day. Things will always happen - how we handle incidents is much more important. We were responsive to the client, active on social media, resolved any technical issues that we could immediately, had engineers on the ground and put on our roadmap additional improvements.

What we found to be extremely gratifying is that in the case of each incident, the massive amount of media exposure ended up having a net positive effect of driving a significant number of new inbound sales leads.



ABOVE Knightscope CEO, William Santana Li, live from the floor of the NYSE

GOVERNANCE

The recruiting process for a set of independent directors has commenced. But in order of sequence, we seek to first stabilize and begin to scale the business (this year), second recruit a CFO (this year), third increase the D&O insurance policy - then we would have a strong foundation to recruit the right long-term value-added independent board that would be suitable to be the same board after a potential IPO with the right skill mix (avoiding the typical pre-IPO musical chairs of board seats).

We have 40+ employees, which at Ford Motor Company, my former employer where I was an executive, is a tiny department. I put in a board there when we hit 600 employees at a subsidiary that I built there from scratch. That said, we take governance very seriously, and will do it properly at the right time, in the right order. We have refrained from allowing investors to “buy board seats” with large checks which is standard practice with startups, but in our opinion, not in the best interests of the company or its stockholders long-term.

MAJOR ISSUES

Bluntly, there are 3 major issues. First, what Knightscope is doing is extremely, extremely difficult. These are basically self-driving cars operating 24/7 in the field with real contracts, with real clients in real outdoor and indoor environments nationwide (not a huge R&D project with no actual customers). No one else in the world can claim that level of scale in autonomous technology including the likes of Google, Uber, any of the automakers, or even the 1/2 dozen potential security robot competitors that have been attempting

to enter the market for the last 2 - 10 years and have failed to deliver a commercially viable product (validating the market opportunity but reflecting the level of difficulty).

Second, the costs to build the machines have remained in line with what we had originally planned but the costs of operating the machines 24/7 (service/repairs/maintenance) as well as the data communications costs have been extraordinarily high. There is much to be done here as we continue to scale our operations.

Third, the sales process for this brand-new technology requires significant streamlining and improvements. The sales pipeline continues to grow and is strong, but leads into two not so great items. First, similar to any B2B (business-to-business) transaction, enterprise sales is extremely lengthy and time consuming. Although we have executed contracts in less than 30 days, notionally these can typically range from 6 - 12 months taking into account the budget, finance, legal, cyber security, human resources, facilities, etc. reviews. This is one of the reasons that we are behind our planned schedule. The second issue is we have lost some accounts and can ascribe those issues to a few factors, including a poor use of the technology (bad use case), a commercially unreasonable client (demand changing our entire technology stack to adopt a portion of theirs), poor sales process (over sold on capabilities), or a key feature is missing (but planned for in the future). We believe in some cases with a change in product and/or process we will be able to win back some of the clients; and in other cases we have instituted a strict and lengthy pre-deployment process to vet the client and deployment location - and have empowered the client development team to decline business that may not be long-term viable.

Our countermeasures for the above are simple and straightforward. First, institute an 'no new features' approach in the short-term so we can exclusively focus on execution. Second, build in new tools and monitoring of the outlier costs with detailed plans to reduce them. Lastly, be significantly more selective in qualifying clients before engaging in earnest and dedicating resources.

BELOW our VP Design, Aaron Lehnhardt, utilizing Virtual Reality technology to develop future Knightscope products



INVESTOR RELATIONS

As you know, Knightscope is now a 'semi-public' company requiring bi-annual filing with the U.S. Securities and Exchange Commission (SEC), yet remains effectively a private company. So we are in a bit of uncharted territory when it comes to investor relations and investor updates. After much consideration, we came up with the following balanced approach:

- **January** - you will receive this letter to the stockholders, which will be much more qualitative in nature, leaving the detailed financial matters to the SEC filings.
- **May** - you will receive a link to our SEC Form 1-K filing, which is the annual report for the prior year, inclusive of audited financials.
- **July** - we will hold an Investor Conference Call scheduled for 11:00am Tuesday July 24, 2018, with an interim update via webinar and time for Q&A. Mark your calendars!
- **October** - you will receive a link to our SEC Form 1-SA filing, which is the semi-annual report that covers the first half of the current year, with unaudited financial statements included.
- **Ongoing** - we typically post items and updates on social media weekly (LinkedIn, Facebook, Twitter, etc.) and if it something important, you can always write to invest@knightscope.com and either I or my staff will respond directly to you.

***BELOW** ABIE award-winning Knightscope VP Software Engineering, Mercedes Soria, delivers keynote address at the Grace Hopper Awards in front of 18,000+ female technologists in Orlando, Florida*



INVESTOR PERKS

Our Series m Preferred investors are entitled to a variety of investor perks. Now that we have finally completed all the transactions, the team has been hard at work designing the items, setting up the logistics, etc. You'll be receiving a separate communication in the coming weeks to confirm shipping addresses, sizes of shirts, etc. Stay tuned!

HOW YOU CAN HELP

Many of you, so kindly, have reached out to offer to help Knightscope grow. One awesome effect of our recent financing is having gained 5,000+ new supporters from all walks of life offering guidance, introductions, and insights. Here's how you can help if you are so inclined:

1. **Clients** - if you have a viable potential client for us anywhere in the U.S., please have them request a demo at www.knightscope.com and we'll take it from there! We monitor the demo requests hourly/daily and an executive will certainly respond to a credible request.
2. **Recruits** - the latest open job positions can always be found at the bottom of our home page at www.knightscope.com; just click the Careers section. Please direct any stellar candidates there to apply!

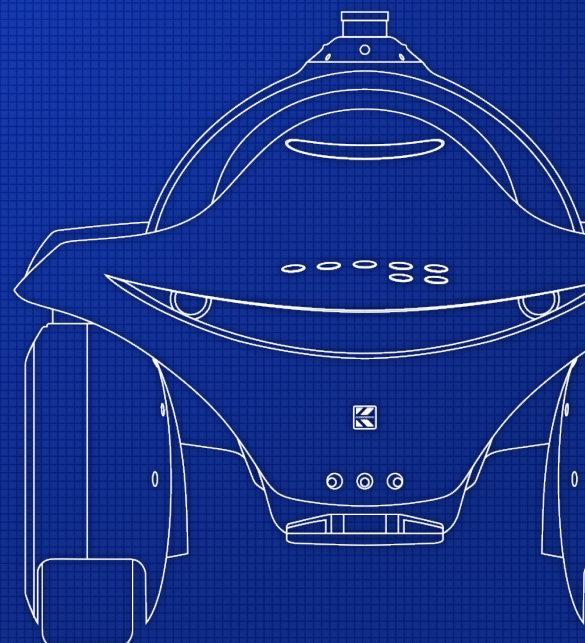
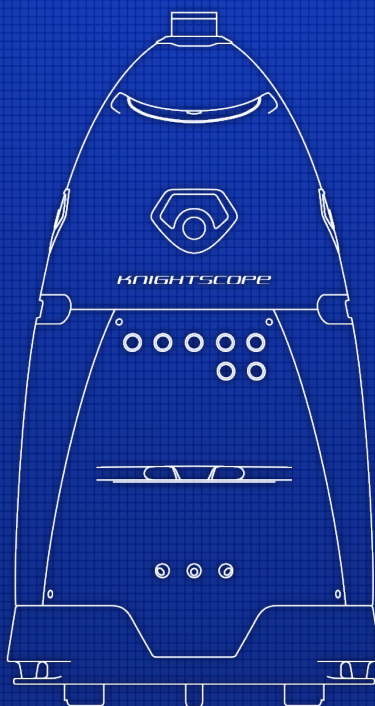
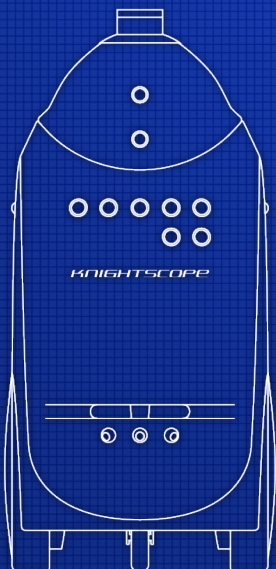
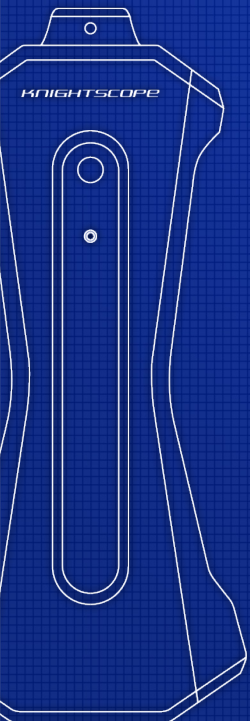
Lastly, I just want to personally say 'thank you'. We certainly appreciate not only your investment in us and the vote of confidence, but the ongoing support - it means a lot to us all here, who are sometimes working as long hours as our own 24/7 robots. We have come a long way, and without your gracious support, we couldn't do what we are doing in making our dreams from just a few years ago, a reality. Please know that every startup is risky and things will always go wrong and things will always go right. But we have a unique set of technologies, a large market to capture, and a team that we are honored that you put your trust in to deliver the mission. We are in it for the long-haul and again, are grateful for the outpouring of support!

Autonomously,

William Santana Li, Chairman and CEO



We Build the Ultimate in
Security Guards.



FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements regarding projected business performance, operating results, financial condition and other aspects of the company, expressed by such language as “expected,” “anticipated,” “projected” and “forecasted.” These statements also include estimates of the pace of customer adoption of the Company’s products, engineering developments and prototype capabilities. Please be advised that such statements are estimates only and there is no assurance that the results stated or implied by forward-looking statements will actually be realized by the company. Forward-looking statements may be based on management assumptions that prove to be wrong. The Company’s predictions may not be realized for a variety of reasons, including due to competition, customer sales cycles, and engineering or technical issues, among others. In addition, transitioning from proof of concept to working prototypes and then to production involves an inherent amount of uncertainty, and there is no guarantee that the Company will be able to successfully make these transitions for any of its developing technologies. The Company and its business are subject to substantial risks and potential events beyond its control that would cause material differences between predicted results and actual results, including the company incurring operating losses and experiencing unexpected material adverse events.