

REFINITIV

DELTA REPORT

10-Q

LAW - CS DISCO, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 2900

■ CHANGES	223
■ DELETIONS	955
■ ADDITIONS	1722

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

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

For the quarterly period ended **September 30, 2023** **March 31, 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: 001-40624

CS Disco, Inc.

(Exact name of registrant as specified in its charter)

Delaware

7372

46-4254444

(State or other jurisdiction of
incorporation or organization)

(Primary standard industrial classification code number)

(I.R.S. Employer
Identification No.)

111 Congress Ave.
Suite 900
Austin, Texas 78701

(Address of Principal Executive Offices) (Zip Code)

(833) 653-4726

Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.005	LAW	New York Stock Exchange

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 and post such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" 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 Act). Yes No

As of **October 31, 2023** **April 30, 2024**, the registrant had **60,627,445** **59,976,004** shares of common stock, \$0.005 par value per share, outstanding.

TABLE OF CONTENTS

	Page
Part I - Financial Information	
4	
<u>Item 1. Financial Statements (Unaudited)</u>	4
<u>Condensed Consolidated Balance Sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023</u>	4
<u>Condensed Consolidated Statements of Operations and Comprehensive Loss for the Three and Nine Months Ended September 30, March 31, 2024 and 2023 and 2022</u>	5
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three and Nine Months Ended September 30, March 31, 2024 and 2023 and 2022</u>	6
<u>Condensed Consolidated Statements of Cash Flows for the Nine Three Months Ended September 30, March 31, 2024 and 2023 and 2022</u>	87
<u>Notes to the Condensed Consolidated Financial Statements (Unaudited)</u>	98
<u>Item 2. Management's Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	2423
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	3734
<u>Item 4. Controls and Procedures</u>	3735
Part II - Other Information	
39	
<u>Item 1. Legal Proceedings</u>	3936
<u>Item 1A. Risk Factors</u>	3936
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	7269
<u>Item 3. Defaults Upon Senior Securities</u>	7270
<u>Item 4. Mine Safety Disclosures</u>	7270
<u>Item 5. Other Information</u>	7270
<u>Item 6. Exhibits and Financial Statement Schedules</u>	7371
<u>Signatures</u>	7472

1

Table of Contents

Special Note Regarding Forward-Looking Statements SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains express or implied forward-looking statements that are based on our management's belief and assumptions and on information currently available to our management. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations or financial condition, business strategy and plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will," or "would" or the negative of these words or other similar terms or expressions.

These forward-looking statements include, but are not limited to, statements concerning the following:

- our expectations regarding our revenue, expenses and other operating results;
- the impact of fluctuations in customer usage based on the timing of and activity driven by legal matters for which our solution is product offerings are used;
- our ability to acquire new customers and successfully retain existing customers;
- our ability to increase usage of our solution; product offerings;
- our ability to effectively manage our growth;
- our ability to achieve or sustain profitability;
- future investments in our business, our anticipated capital expenditures and our estimates regarding our capital requirements;
- the costs and success of our sales and marketing efforts and our ability to promote our brand;
- our growth strategies for our solution; product offerings;
- the estimated addressable market opportunity for our solution; product offerings;

- our reliance on key personnel and our ability to identify, recruit and retain skilled personnel;
- our ability to effectively manage our growth, including any international expansion;
- our ability to maintain, protect and enforce our intellectual property rights and any costs associated therewith;
- the impact of fluctuations in general macroeconomic conditions, including conditions resulting from inflation, rising such as the current inflationary environment and fluctuating interest rates and disruptions in access to bank deposits or lending commitments due to bank failures; rates;
- the effects of global events, such as the COVID-19 pandemic, including variants of COVID-19, or other public health crises, the Russia-Ukraine war and the Israel-Hamas war wars, on our business and the global economy;
- our ability to compete effectively with existing competitors and new market entrants; and
- the growth rates of the markets in which we compete.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe that such information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on

2

[Table of Contents](#)

which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

Unless the context otherwise requires, the terms "DISCO," "the Company," "we," "our," "us" or similar references in this Quarterly Report on Form 10-Q refer to CS Disco, Inc. and its subsidiaries.

3

[Table of Contents](#)

Part I - Financial Information

Item 1. Financial Statements

CS DISCO, INC.

Condensed Consolidated Balance Sheets
(in thousands, except par value amounts)
(unaudited)

	September 30, 2023	December 31, 2022
	March 31, 2024	

		March 31, 2024	March 31, 2024
Assets			
Assets			
Assets	Assets		
Current assets:	Current assets:		
Current assets:			
Current assets:			
Cash and cash equivalents			
Cash and cash equivalents			
Cash and cash equivalents	Cash and cash equivalents	\$ 157,652	\$ 203,244
Accounts receivable, net	Accounts receivable, net	27,103	22,720
Other current assets		6,292	5,576
Accounts receivable, net			
Accounts receivable, net			
Prepaid expenses and other current assets			
Prepaid expenses and other current assets			
Prepaid expenses and other current assets			
Total current assets			
Total current assets			
Total current assets	Total current assets	191,047	231,540
Property and equipment, net	Property and equipment, net	9,182	7,507
Property and equipment, net			
Property and equipment, net			
Operating lease right-of-use assets			
Operating lease right-of-use assets			
Operating lease right-of-use assets	Operating lease right-of-use assets	8,637	9,824
Primary law intangible asset, net	Primary law intangible asset, net	14,000	—
Primary law intangible asset, net			
Primary law intangible asset, net			
Other intangible assets, net			
Other intangible assets, net			
Other intangible assets, net	Other intangible assets, net	751	962
Goodwill	Goodwill	5,898	5,898
Goodwill			
Goodwill			
Other assets			
Other assets			
Other assets	Other assets	730	591
Total assets	Total assets	\$ 230,245	\$ 256,322
Total assets			
Total assets			
Liabilities and stockholders' equity			
Liabilities and stockholders' equity			
Liabilities and stockholders' equity	Liabilities and stockholders' equity		
Current liabilities:	Current liabilities:		

Current liabilities:					
Current liabilities:					
Accounts payable					
Accounts payable					
Accrued expenses	Accounts payable	\$	6,485	\$	8,485
Accrued expenses	Accrued expenses		4,161		4,705
Accrued expenses					
Accrued expenses					
Accrued salary and benefits					
Accrued salary and benefits					
Accrued salary and benefits	Accrued salary and benefits		5,526		3,536
Deferred revenue	Deferred revenue		2,966		4,100
Deferred revenue					
Deferred revenue					
Operating leases					
Operating leases					
Operating leases	Operating leases		1,905		1,902
Finance leases	Finance leases		40		39
Finance leases					
Finance leases					
Total current liabilities					
Total current liabilities					
Total current liabilities	Total current liabilities		21,083		22,767
Operating leases, non-current	Operating leases, non-current		7,560		8,770
Operating leases, non-current					
Operating leases, non-current					
Finance leases, non-current					
Finance leases, non-current					
Finance leases, non-current	Finance leases, non-current		169		199
Other liabilities	Other liabilities		389		950
Other liabilities					
Other liabilities					
Total liabilities	Total liabilities		29,201		32,686
Commitments and contingencies (Note 7)					
Total liabilities					
Total liabilities					
Commitments and contingencies (Note 6)					
Commitments and contingencies (Note 6)					
Commitments and contingencies (Note 6)					
Stockholders' equity					
Preferred stock \$0.005 par value, 100,000 shares authorized and no shares issued and outstanding as of September 30, 2023 and December 31, 2022					
Common stock \$0.005 par value, 1,000,000 shares authorized as of September 30, 2023 and December 31, 2022; 60,619 and 59,190 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively					
			304		296
Stockholders' equity					
Stockholders' equity					

Preferred stock \$0.005 par value, 100,000 shares authorized and no shares issued and outstanding as of March 31, 2024 and December 31, 2023			
Preferred stock \$0.005 par value, 100,000 shares authorized and no shares issued and outstanding as of March 31, 2024 and December 31, 2023			
Preferred stock \$0.005 par value, 100,000 shares authorized and no shares issued and outstanding as of March 31, 2024 and December 31, 2023			
Common stock \$0.005 par value, 1,000,000 shares authorized as of March 31, 2024 and December 31, 2023; 61,101 and 61,010 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively			
Common stock \$0.005 par value, 1,000,000 shares authorized as of March 31, 2024 and December 31, 2023; 61,101 and 61,010 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively			
Common stock \$0.005 par value, 1,000,000 shares authorized as of March 31, 2024 and December 31, 2023; 61,101 and 61,010 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively			
Additional paid-in capital			
Additional paid-in capital			
Additional paid-in capital	Additional paid-in capital	435,279	421,569
Accumulated deficit	Accumulated deficit	(234,539)	(198,229)
Accumulated deficit			
Accumulated deficit			
Total stockholders' equity			
Total stockholders' equity			
Total stockholders' equity	Total stockholders' equity	201,044	223,636
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 230,245	\$ 256,322
Total liabilities and stockholders' equity			
Total liabilities and stockholders' equity			

[Table of Contents](#)

CS DISCO, INC.			
Condensed Consolidated Statements of Operations and Comprehensive Loss			
(in thousands, except per share amounts)			
(unaudited)			
	Three Months Ended September 30,		Nine Months Ended September 30,
	2023	2022	2023
Three Months Ended			
March 31,			
Three Months Ended			
March 31,			
Three Months Ended			
March 31,			
2024			
Revenue			
Revenue			
Revenue	Revenue	\$ 34,943	\$ 102,348
Cost of revenue	Cost of revenue	8,939	26,255
Cost of revenue			

Cost of revenue						
Gross profit						
Gross profit						
Gross profit	Gross profit	26,004	25,841	76,093	76,561	
Operating expenses:	Operating expenses:					
Operating expenses:						
Operating expenses:						
Research and development						
Research and development						
Research and development	Research and development	12,065	15,694	41,095	43,193	
Sales and marketing	Sales and marketing	16,708	19,311	53,821	54,661	
Sales and marketing						
Sales and marketing						
General and administrative	General and administrative	128	10,906	23,345	30,490	
General and administrative						
General and administrative						
Total operating expenses						
Total operating expenses						
Total operating expenses	Total operating expenses	28,901	45,911	118,261	128,344	
Loss from operations	Loss from operations	(2,897)	(20,070)	(42,168)	(51,783)	
Loss from operations						
Loss from operations						
Other income (expense)						
Other income (expense)						
Other income (expense)	Other income (expense)					
Interest and other income	Interest and other income	2,191	364	6,267	423	
Interest and other income						
Interest and other income						
Interest and other expense						
Interest and other expense						
Interest and other expense	Interest and other expense	(260)	(314)	(248)	(607)	
Interest and other expense						
Loss from operations before income taxes	Loss from operations before income taxes	(966)	(20,020)	(36,149)	(51,967)	
Loss from operations before income taxes						
Income tax provision						
Income tax provision						
Income tax provision	Income tax provision	(64)	(38)	(161)	(110)	
Net loss attributable to common stockholders	Net loss attributable to common stockholders	\$ (1,030)	\$ (20,058)	\$ (36,310)	\$ (52,077)	
Net loss attributable to common stockholders						
Net loss attributable to common stockholders						
Net loss per share attributable to common stockholders, basic and diluted	Net loss per share attributable to common stockholders, basic and diluted	\$ (0.02)	\$ (0.34)	\$ (0.61)	\$ (0.89)	
Net loss per share attributable to common stockholders, basic and diluted						

Weighted average shares used in computing net loss per share attributable to common stockholders, basic and diluted	60,350	58,641	59,896	58,322
Net loss per share attributable to common stockholders, basic and diluted				
Net loss per share attributable to common stockholders, basic and diluted				
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted				
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted				
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted				

[Table of Contents](#)

CS DISCO, INC.

Condensed Consolidated Statements of Changes in Stockholders' Equity
(in thousands)
(unaudited)

	Common stock		Additional paid-in capital		Accumulated deficit	Total
	Shares	Amount				
Balance at December 31, 2022	59,190	\$ 296	\$421,569	\$ (198,229)	\$223,636	
Common stock						
Shares						
Balance at December 31, 2023						
Common stock						
Shares						
Balance at December 31, 2023						
Exercise of stock options	Exercise of stock options	220	1	259	—	260
Repurchase of common stock related to net share settlement	Repurchase of common stock related to net share settlement	(2)	—	(15)	—	(15)
Vesting of restricted stock units	Vesting of restricted stock units	112	1	(1)	—	—
Issuance of common stock under the Employee Stock Purchase Plan		132	1	931	—	932
RSAs cancelled		(13)	—	—	—	—
Issuance of common stock under Employee Stock Purchase Plan						

Stock compensation expense	Stock compensation expense	—	—	7,350	—	7,350
Common stock repurchases under share repurchase program						
Net loss	Net loss	—	—	—	(20,365)	(20,365)
Balance at March 31, 2023		59,639	\$ 299	\$430,093	\$(218,594)	\$211,798
Exercise of stock options	17	—	23	—	23	
Repurchase of common stock related to net share settlement	(3)	—	(23)	—	(23)	
Vesting of restricted stock units	403	2	(2)	—	—	
Stock compensation expense	—	—	6,996	—	6,996	
Net loss	—	—	—	(14,915)	(14,915)	
Balance at June 30, 2023		60,056	\$ 301	\$437,087	\$(233,509)	\$203,879
Exercise of stock options	44	—	231	—	231	
Repurchase of common stock related to net share settlement	(3)	—	(26)	—	(26)	
Vesting of restricted stock units	450	2	(2)	—	—	
Issuance of common stock under the Employee Stock Purchase Plan	72	1	526	—	527	
Stock compensation expense	—	—	(2,537)	—	(2,537)	
Net loss	—	—	—	(1,030)	(1,030)	
Balance at September 30, 2023		60,619	\$ 304	\$435,279	\$(234,539)	\$201,044
Balance at March 31, 2024						

	Common stock		Additional paid-in capital		Accumulated deficit		Total
	Shares	Amount					
Balance at December 31, 2022	59,190	\$ 296	\$ 421,569	\$ (198,229)	\$ 223,636		
Exercise of stock options	220	1	259	—	—	260	
Repurchase of common stock related to net share settlement	(2)	—	(15)	—	—	(15)	
Vesting of restricted stock units	112	1	(1)	—	—	—	
Cancellation of restricted stock awards	(13)	—	—	—	—	—	
Issuance of common stock under Employee Stock Purchase Plan	132	1	931	—	—	932	
Stock compensation expense	—	—	7,350	—	—	7,350	
Net loss	—	—	—	(20,365)	(20,365)		
Balance at March 31, 2023	59,639	\$ 299	\$ 430,093	\$ (218,594)	\$ 211,798		

[Table of Contents](#)

CS DISCO, INC.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(in thousands)
(unaudited)

	Common stock		Additional paid-in capital	Accumulated deficit		Total
	Shares	Amount				
Balance at December 31, 2021	58,010	\$ 291	\$ 395,850	\$ (127,464)	\$	268,677
Exercise of stock options	409	2	969	—	—	971
Repurchase of common stock related to net share settlement	(6)	—	(233)	—	—	(233)
Vesting of restricted stock units	14	—	—	—	—	—
Stock compensation expense	—	—	3,265	—	—	3,265
Net loss	—	—	—	(11,849)	—	(11,849)
Balance at March 31, 2022	58,427	\$ 293	\$ 399,851	\$ (139,313)	\$	260,831
Exercise of stock options	175	1	1,685	—	—	1,686
Repurchase of common stock related to net share settlement	(1)	—	(31)	—	—	(31)
Vesting of restricted stock units	61	—	—	—	—	—
Stock compensation expense	—	—	5,523	—	—	5,523
Net loss	—	—	—	(20,171)	—	(20,171)
Balance at June 30, 2022	58,662	\$ 294	\$ 407,028	\$ (159,484)	\$	247,838
Exercise of stock options	265	1	1,266	—	—	1,267
Vesting of restricted stock units	87	1	(1)	—	—	—
Stock compensation expense	—	—	5,735	—	—	5,735
Net loss	—	—	—	(20,058)	—	(20,058)
Balance at September 30, 2022	59,014	\$ 296	\$ 414,028	\$ (179,542)	\$	234,782

[Table of Contents](#)

CS DISCO, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

Three Months Ended

March 31,

Three Months Ended

March 31,

Three Months Ended

March 31,

2024

Cash flow from operating activities:

Cash flow from operating activities:

Cash flow from operating activities:

Net loss

Net loss

Net loss

Adjustments to reconcile net loss to cash used in operations:

Adjustments to reconcile net loss to cash used in operations:

Adjustments to reconcile
net loss to cash used in
operations:

Depreciation and
amortization

Depreciation and
amortization

Depreciation and
amortization

Stock-based
compensation

Stock-based
compensation

Stock-based
compensation

Charge to allowance
for credit losses

Charge to allowance
for credit losses

Charge to allowance
for credit losses

Non-cash operating
lease costs

Non-cash operating
lease costs

Non-cash operating
lease costs

Changes in operating
assets and liabilities:

Changes in operating
assets and liabilities:

Changes in operating
assets and liabilities:

Accounts
receivable

Accounts
receivable

Accounts
receivable

Prepaid
expenses and
other current
assets

Prepaid
expenses and
other current
assets

Prepaid
expenses and
other current
assets

Other long-term
assets

Other long-term
assets

Other long-term assets	
Accounts payable	
Accounts payable	
Accounts payable	
Accrued expenses and other	
Accrued expenses and other	
Deferred revenue	
Deferred revenue	
Deferred revenue	
Operating lease liabilities	
Operating lease liabilities	
Operating lease liabilities	
Other liabilities	
Other liabilities	
Other liabilities	
Net cash used in operating activities	
Net cash used in operating activities	
Net cash used in operating activities	
Cash flow from investing activities:	
Cash flow from investing activities:	
Cash flow from investing activities:	
Purchases of property, equipment and capitalized software development costs	

Purchases of
property, equipment
and capitalized
software
development costs

Purchases of
property, equipment
and capitalized
software
development costs

Cash paid for
acquisitions

Cash paid for
acquisitions

Cash paid for
acquisitions

Net cash
used in
investing
activities

Net cash
used in
investing
activities

Net cash
used in
investing
activities

Cash flow from financing
activities:

Cash flow from financing
activities:

Cash flow from financing
activities:

Proceeds from
exercise of stock
options

Proceeds from
exercise of stock
options

Proceeds from
exercise of stock
options

Net proceeds from
issuance of common
stock under
Employee Stock
Purchase Plan

Net proceeds from
issuance of common
stock under
Employee Stock
Purchase Plan

Net proceeds from
issuance of common
stock under
Employee Stock
Purchase Plan

Repurchase of
common stock
related to net share
settlement

Repurchase of
common stock
related to net share
settlement

Repurchase of
common stock
related to net share
settlement

Repurchase of
common stock
related to share
repurchase program

Repurchase of
common stock
related to share
repurchase program

Repurchase of
common stock
related to share
repurchase program

Cash Paid for
acquisitions

Cash Paid for
acquisitions

Cash Paid for
acquisitions

Principal payments
on finance lease
obligations

Principal payments
on finance lease
obligations

Principal payments
on finance lease
obligations

Net cash
provided
by (used
in)
financing
activities

Net cash
provided
by (used
in)
financing
activities

Net cash
provided
by (used
in)
financing
activities

Net decrease in cash and cash equivalents:

Net decrease in cash and cash equivalents:

Net decrease in cash and cash equivalents:

Cash and cash equivalents at beginning of period

Cash and cash equivalents at beginning of period

Cash and cash equivalents at beginning of period

Cash and cash equivalents at end of period

Cash and cash equivalents at end of period

Cash and cash equivalents at end of period

Supplemental disclosure:

Supplemental disclosure:

Supplemental disclosure:

Cash paid for taxes

Cash paid for taxes

Cash paid for taxes

Non-cash investing and financing activities:

Non-cash investing and financing activities:

Non-cash investing and financing activities:

Property and equipment included in accounts payable and accrued liabilities

Property and equipment included in accounts payable and accrued liabilities

Property and equipment included in accounts payable and accrued liabilities

Contingent consideration related to acquisition

Contingent consideration related to acquisition

Contingent consideration related to acquisition

	Nine Months Ended September 30,	
	2023	2022
Cash flow from operating activities:		
Net loss	\$ (36,310)	\$(52,077)
Adjustments to reconcile net loss to cash used in operations:		
Depreciation and amortization	3,011	2,079
Stock-based compensation	11,211	14,393
Charge to allowance for credit losses	1,801	853
Loss (Gain) on disposal of long-lived assets	1	(1)
Unoccupied lease charges	—	1,127
Non-cash operating lease costs	1,187	983
Changes in operating assets and liabilities:		
Accounts receivable	(6,184)	(2,317)
Other current assets	(775)	(1,831)
Other long-term assets	(124)	(387)
Accounts payable	(1,928)	2,058
Accrued expenses and other	1,791	(1,474)
Deferred revenue	(1,134)	261
Operating lease liabilities	(1,207)	(469)
Other liabilities	(46)	149
Net cash used in operating activities	(28,706)	(36,653)
Cash flow from investing activities:		
Purchases of property, equipment, and capitalized internal-use software development costs	(3,587)	(3,727)
Purchase of primary law intangible asset	(14,000)	—

Proceeds from disposal of equipment	1	—
Cash paid for acquisitions	(1,180)	(5,310)
Net cash used in investing activities	(18,766)	(9,037)
Cash flow from financing activities:		
Proceeds from public offering, net of underwriting discounts and commissions and other offering costs	—	(284)
Proceeds from exercise of stock options	514	3,923
Net proceeds from issuance of common stock under Employee Stock Purchase Plan	1,459	—
Repurchase of common stock related to net share settlement	(64)	(264)
Principal payments on finance lease obligations	(29)	(40)
Net cash provided by financing activities	1,880	3,335
Net decrease in cash and cash equivalents:	(45,592)	(42,355)
Cash and cash equivalents at beginning of period	203,244	255,477
Cash and cash equivalents at end of period	\$ 157,652	\$ 213,122
Supplemental disclosure:		
Cash paid for taxes	\$ 500	\$ 280
Non-cash investing and financing activities:		
Property and equipment included in accounts payable		
and accrued liabilities	\$ 307	\$ 105
Acquisition holdback	\$ —	\$ 800
Contingent consideration related to acquisition	\$ 753	\$ 593

CS DISCO, INC.

Notes to the Condensed Consolidated Financial Statements (unaudited)

1. Organization and Nature of Operations

[Overview](#)

CS Disco, Inc. (the "Company" or "DISCO") has built a cloud-native, AI-powered software platform product offerings that enterprises, law firms, legal services providers, and governments use for legal hold, legal request, ediscovery, legal document review and case management in a wide variety of legal matters, ranging from litigation to investigations to compliance to diligence. The Company's headquarters are located in Austin, Texas.

2. Summary of Significant Accounting Policies

[Emerging Growth Company Status](#)

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards, which allows an emerging growth company to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. The Company has irrevocably opted not to use the extended transition period for complying with any new or revised financial accounting standards, and as such, the Company is required to adopt new or revised standards at the same time as other public companies. An emerging growth company may also take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including reduced reporting requirements and other exemptions.

[Basis of Presentation and Consolidation](#)

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information. As permitted under those rules, certain footnotes or other financial information that are normally required by GAAP have been condensed or omitted, and accordingly the balance sheet as of [December 31, 2022](#) [December 31, 2023](#), and related disclosures, have been derived from the audited consolidated financial statements at that date but do not include all of the information required by GAAP for complete consolidated financial statements.

The unaudited condensed consolidated financial statements include the accounts of the Company. All significant intercompany balances and transactions have been eliminated. There are no differences between the net loss and comprehensive loss.

[Unaudited Interim Condensed Consolidated Financial Statements](#)

The unaudited interim condensed consolidated financial statements of the Company are presented in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") and do not include all disclosures normally required in annual consolidated financial statements prepared in accordance with U.S. GAAP. In management's opinion, the unaudited interim condensed consolidated financial statements have been prepared on a basis consistent with the annual consolidated financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the Company's financial position, its results of operations, statements of changes in stockholders' equity and cash flows for the interim periods presented. The results of operations for the three and nine months ended [September 30, 2023](#) [March 31, 2024](#) are not necessarily indicative of the results to be expected for the full year or any other future interim or annual period. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes contained in the Company's Annual Report on Form 10-K for the fiscal year ended [December 31, 2022](#) [December 31, 2023](#) filed with the SEC on [February 24, 2023](#) [February 22, 2024](#).

[Risks and Uncertainties](#)

Fluctuations in general macroeconomic conditions, including conditions resulting from inflation, rising interest rates and disruptions in access to bank deposits or lending commitments due to bank failures as well as the effects of global events, such

[Table of Contents](#)

as the COVID-19 pandemic, the Russia-Ukraine war and the Israel-Hamas war wars have not had a material impact on the Company's operations, but could do so in the future. The Company assessed the impact these events had on its results of operations, including, but not limited to an assessment of its allowance for credit losses, the carrying value of other long-lived assets, including goodwill and intangible assets, and the impact to revenue recognition and cost of revenue. While these events have not had a material adverse impact on the Company's financial operations to date, the future impacts are largely unknown. The Company will continue to actively monitor the impact that these events have on the results of the Company's business operations, and may make decisions required by federal, state or local authorities, or that are determined to be in the best interests of the Company's employees, customers, partners, suppliers and stockholders. As a result, the Company's estimates and judgments may change materially as new events occur or additional information becomes available to them.

Use of Estimates

The preparation of these condensed consolidated financial statements in conformity with GAAP requires the Company to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses during the reporting period. There is complexity and judgment required in the Company's process in determining the nature and timing of the satisfaction of performance obligations which affect the amounts of revenue, unbilled receivables and deferred revenue. Estimates are also used for, but not limited to, current expected credit losses, capitalization and useful life of the Company's capitalized internal-use software development costs, useful lives of assets, fair value of acquired intangible assets, carrying value of goodwill, fair value of contingent consideration, income taxes and deferred tax asset valuation and valuation of the Company's stock-based awards. Numerous internal and external factors can affect estimates. Actual results could differ from those estimates and such differences could be material to the Company's condensed consolidated financial position and results of operations.

Net Loss Per Share Attributable to Common Stockholders

Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period.

Diluted earnings per share attributable to common stockholders adjusts basic earnings per share for the potentially dilutive impact of stock options, restricted stock awards, restricted stock units, and performance-based restricted stock units. As the Company has reported losses for all periods presented, all potentially dilutive securities are anti-dilutive, and accordingly, basic net loss per share equaled diluted net loss per share.

Cash and Cash Equivalents

The Company considers all highly liquid investments acquired with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents, which include the Company's money market account, are measured at fair value on a recurring basis.

Accounts Receivable

Accounts receivable are recorded and carried at the original invoiced amount less an allowance for credit losses. The Company determines its trade accounts receivable allowances in line with (Topic 326): *Measurement of Credit Losses on Financial Instruments* ("Topic 326"), based upon the assessment of various factors, such as: historical experience, credit quality of its customers, geographic related risks, economic conditions and other factors that may affect a customer's ability to pay. Increases and decreases in the allowance for credit losses are included as a component of general and administrative expense in the condensed consolidated statements of operations and comprehensive loss. The Company does not have any off-balance sheet credit exposure related to its customers.

Due to the short-term nature of the Company's receivables, the estimate of the amount of accounts receivable that may not be collected is based on aging of the accounts receivable balances and the financial condition of customers. The Company has provisioned \$0.7 million and \$2.3 million \$0.8 million for expected losses for the three and nine months ended September 30, 2023 March 31, 2024, respectively, and \$0.2 million and \$0.8 million \$0.6 million has been written off and charged against the allowance for the three and nine months ended September 30, 2023, respectively March 31, 2024. Recoveries made by the Company were \$0.2 million and \$0.5 million \$0.3 million for the three and nine months ended September 30, 2023, respectively March 31, 2024. The allowance for credit losses related to accounts receivable was \$2.6 million \$2.7 million and \$2.8 million as of March 31, 2024 and December 31, 2023, respectively. Unbilled receivables were \$2.9 million and \$2.8 million as of March 31, 2024 and December 31, 2023, respectively, and were included within accounts receivable on the condensed consolidated balance sheets.

Table of Contents

and \$1.5 million as of September 30, 2023 and December 31, 2022, respectively.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and trade accounts receivable. The Company maintains its cash and cash equivalent balances in highly rated financial institutions, which at times may exceed federally insured limits or be held in foreign jurisdictions. The Company has not experienced any loss relating to cash and cash equivalents in these accounts. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral.

Fair Value of Financial Instruments

The Company groups its assets and liabilities measured at fair value in a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets, with valuations obtained from readily available pricing sources for market transactions involving identical assets or liabilities; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The level of the fair value hierarchy in which the fair value measurement falls is determined by the lowest level input that is significant to the fair value measurement.

The Company's financial instruments consist principally of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are considered to approximate their respective fair values due to the short-term nature of such financial instruments. Cash equivalents, primarily consisting of investments in money market funds, are measured at fair value on a recurring basis, and are categorized as Level 1 based on quoted prices in active markets. The carrying value approximates the fair value for these assets and liabilities at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

The Company recognizes transfers between levels at the end of the reporting period as if the transfers occurred on the last day of the reporting period. There were no transfers during the **nine months** years ended **September 30, 2023** **March 31, 2024** and the year ended **December 31, 2022** **December 31, 2023**.

Property and Equipment, Net

Property and equipment are recorded at cost, less accumulated depreciation. Maintenance, repairs and minor replacements are charged to expense as incurred. Significant renewals and betterments are capitalized. Depreciation on property and equipment, with the exception of leasehold improvements, is recorded using the straight-line method over the estimated useful lives of the assets. Depreciation on leasehold improvements is recorded using the shorter of the lease term or useful life. The estimated useful life of each asset category is as follows:

Furniture and fixtures	5 years
Leasehold improvements	Shorter of lease term or 5 years
Computer equipment	2 years

The Company periodically reviews the estimated useful lives of property and equipment and any changes to the estimated useful lives are recorded prospectively from the date of the change.

When property is retired or disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in the condensed consolidated statements of operations and comprehensive loss in the period of disposal.

[Table of Contents](#)

Capitalized Internal-Use Software Development Costs

Costs related to software acquired, developed, or modified solely to meet the Company's internal requirements **with no plans or related to market such software at the time development of development, product offerings** are capitalized. Costs incurred during the preliminary planning and evaluation stage of the project and during the post implementation operational stage are expensed as incurred. The Company capitalizes qualifying **internal-use** software development costs that are incurred during the application development stage. Capitalization of costs begins when two criteria are met: (i) the preliminary project stage is completed and (ii) it is probable that the software will be completed and used for its intended function. Capitalization ceases when the software is substantially complete and ready for its intended use, including the completion of all significant testing. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. Costs incurred for maintenance, minor upgrades and enhancements are expensed. Costs related to preliminary project activities and post-implementation operating activities are expensed as incurred.

Capitalized costs are included in property and equipment, net on the condensed consolidated balance sheets. These costs are amortized over the estimated useful life of the software, generally four years, on a straight-line basis. Management evaluates the useful life of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. The amortization of costs related to the platform applications is included in cost of revenue.

Purchase Price Allocation, Intangible Assets and Goodwill

The purchase price allocation for business combinations and asset acquisitions requires extensive use of accounting estimates and judgments to allocate the purchase price to the identifiable tangible and intangible assets acquired and liabilities assumed based on their respective fair values. The Company determines whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If this threshold is met, the single asset or group of assets, as applicable, is not a business. If it is not met, the Company determines whether the single asset or group of assets, as applicable, meets the definition of a business.

In connection with the Company's acquisition of legal workflow **solutions** **products** from Congruity360, LLC ("Congruity") discussed in Note **8.7**, "Acquisitions and Goodwill," and Note **9.8** "Intangible Assets," the Company recorded certain intangible assets, including developed technology and customer relationships. Amounts allocated to the acquired intangible assets are being amortized on a straight-line basis over the estimated useful lives. The Company periodically reviews the estimated useful lives and fair values of its identifiable intangible assets, taking into consideration any events or circumstances which might result in a diminished fair value or revised useful life.

The excess purchase price over the fair value of assets acquired is recorded as goodwill. The Company tests goodwill for impairment annually during the fourth quarter, or whenever events or changes in circumstances indicate an impairment may have occurred. Goodwill impairment is recognized when the quantitative assessment results in the carrying value of the reporting unit exceeding its fair value, in which case an impairment charge is recorded to goodwill to the extent the carrying value exceeds the fair value, limited to the amount of goodwill. The Company did not recognize any impairment of goodwill for all periods presented.

Leases

The Company determines if an arrangement is or contains a lease at contract inception. The Company presents the operating leases in long-term assets and current and long-term liabilities in the condensed consolidated balance sheets. Finance lease assets are included in property and equipment, net, and finance lease liabilities are presented in current and long-term liabilities on the condensed consolidated balance sheets.

Right-of-use assets represent the Company's right to use an underlying asset over the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The Company includes any anticipated lease incentives in the determination of lease liabilities.

The Company uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. The Company gives consideration to **its** recent debt issuances as well as publicly available data for instruments with similar characteristics when determining its incremental borrowing rates.

[Table of Contents](#)

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever an event or change in circumstances indicates that the carrying amount of an asset or group of assets may not be recoverable. The impairment review includes comparison of future cash flows expected to be generated by the asset or group of assets with the associated assets' carrying value. If the carrying value of the asset or group of assets exceeds its expected future cash flows (undiscounted and without interest charges), an impairment loss is recognized to the extent that the carrying amount of the asset exceeds its fair value. The Company did not identify any impairment indicators and recorded no impairment charges in the three and nine months ended **September 30, 2023** **March 31, 2024** or **2022** **2023**.

Segment Information

The Company's Chief Executive Officer is the chief operating decision maker, who reviews the Company's financial information presented on a consolidated basis for purposes of allocating resources and evaluating the Company's financial performance. Accordingly, the Company has determined that it operates in a single reporting segment.

Revenue Recognition

Refer to Note 3, "Revenue Recognition" "Revenue" for the Company's **revenue recognition** **Revenue Recognition** policy.

Advertising

The Company expenses advertising costs as incurred. Advertising expenses were **\$2.0 million** **\$1.2 million** and **\$4.2 million** **\$0.8 million** for the three and nine months ended **September 30, 2023**, respectively. Advertising expenses were **\$0.5 million** **March 31, 2024** and **\$1.6 million** for the three and nine months ended **September 30, 2022, 2023**, respectively. These costs are included in sales and marketing expenses in the **accompanying** condensed consolidated statements of operations and comprehensive loss.

Cost of Revenue

Cost of revenue consists primarily of third-party cloud infrastructure expenses incurred in connection with the Company's customers' use of its **solution** **product offerings**. Cost of revenue also includes outsourced staffing costs, amortization of **internal-use** **capitalized** software **development** and personnel costs from employees involved in the delivery of the Company's **solution** **product offerings**. Personnel costs include salaries, benefits, bonuses, stock-based compensation and allocated overhead costs.

Research and Development

Research and development expenses consist primarily of personnel-related costs for the Company's development team, including salaries, benefits, bonuses, stock-based compensation expenses and allocated overhead costs. Research and development expenses also include contractor or professional services fees, third-party cloud infrastructure expenses incurred in developing the Company's **solution** **product offerings** and software services dedicated for use by the Company's research and development organization.

Sales and Marketing

Sales and marketing expenses consist primarily of personnel-related costs directly associated with the Company's sales and marketing staff, including salaries, benefits, bonuses, commissions, stock-based compensation and allocated overhead costs. Sales and marketing expenses also include advertising costs and other expenses associated with the Company's marketing and business development programs. In addition, sales and marketing expenses are comprised of travel-related expenses, software services dedicated for use by the Company's sales and marketing organizations and outside services contracted for sales and marketing purposes.

General and Administrative

General and administrative expenses consist of personnel-related costs associated with the Company's finance, legal, human resources and administrative personnel, including salaries, benefits, bonuses, stock-based compensation and allocated overhead costs. General and administrative expenses also include external legal, accounting, professional services fees, software services dedicated for use by the Company's general and administrative functions, insurance, allowance for credit losses and other corporate expenses.

[Table of Contents](#)

Stock-Based Compensation

The Company measures and recognizes compensation expense for all stock-based awards (collectively referred to as stock-based compensation expense), including stock options, restricted stock awards, restricted stock units and performance-based restricted stock units granted to employees, directors and non-employees, based on the estimated fair value of the awards on the date of **grant** in accordance with FASB Accounting Standards Codification ("ASC") 718 **Compensation - Stock Compensation**, **grant**. The fair value of restricted stock awards, restricted stock units and performance-based restricted stock units is determined using the fair value of the Company's common stock on the date of grant. Forfeitures are accounted for in the period in which they occur. Stock-based compensation is recognized following the straight-line attribution method over the requisite service

period for stock options, restricted stock awards and restricted stock units. Stock-based compensation is recognized under the accelerated attribution model over the requisite service period for performance-based restricted stock units.

Sales Taxes

The Company recognizes sales and other taxes collected from customers and subsequently remits the taxes to government authorities. The Company relieves the sales tax payable balances from the condensed consolidated balance sheets as cash is collected from the customer and the taxes are remitted to the appropriate tax authority.

Contingent Consideration

On ~~February 22, 2022~~, ~~February 22, 2022~~, the Company acquired legal workflow ~~solutions~~ ~~products~~ from Congruity. As part of the acquisition, the Company entered into a referral agreement in which the Company could be obligated to pay Congruity an additional \$2.0 million over a period of 2.81 years. As of ~~September 30, 2023~~, the Company has paid \$0.4 million of contingent consideration and could be obligated to pay Congruity an additional \$1.6 million ~~\$2.0 million~~ in the aggregate over a remaining period of ~~1.21~~ 2.81 years. As of ~~September 30, 2023~~ ~~March 31, 2024~~, the Company has paid \$1.2 million of contingent consideration. As of ~~March 31, 2024~~, the estimated fair value of the remaining contingent consideration utilizing a probability weighted scenario analysis model under the scenario-based method was ~~\$0.8 million~~, ~~\$0.5 million~~ with a remaining period of ~~0.71~~ years. The ~~short-term and long-term portions~~ ~~balance of this amount are~~ contingent consideration is recorded in accrued expenses and other liabilities, respectively, on ~~on~~ the condensed consolidated balance sheet.

The fair value of the ~~remaining~~ contingent consideration was determined using Level 3 inputs due to estimates for the number and size of referrals, the likelihood of shortfall and any credits that will offset the liability. These estimated inputs reflect management's best estimate of future results, but these estimates are not observable inputs by a market participant and contain a high degree of uncertainty. The Company could experience significant fluctuations in the fair value of contingent consideration based on actual results. The fair value of this contingent consideration will continue to be revalued on a quarterly basis. Changes in the fair value of the contingent consideration ~~will be~~ ~~are~~ recorded as ~~operating~~ general and administrative expense in the condensed consolidated statements of operations and comprehensive loss.

Income Taxes

The Company accounts for income taxes in accordance with the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates that are expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be realized or settled. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized. All deferred tax assets and liabilities are classified as non-current within the accompanying condensed consolidated balance sheets.

The Company recognizes the tax benefit from an uncertain tax position only if it meets the "more likely than not" threshold that the position will be sustained upon examination by the taxing authority, based on the technical merits of the position. The tax benefits recognized in the condensed consolidated financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company includes interest and penalties related to its uncertain tax positions, if any, as part of income tax expense within the accompanying condensed consolidated statements of operations and comprehensive loss. No such interest or penalties were recognized during the periods presented. The Company had no accruals for interest and penalties as of ~~September 30, 2023~~ ~~March 31, 2024~~ and ~~December 31, 2022~~ ~~December 31, 2023~~.

Accounting Pronouncements Recently Adopted

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280)* ("ASU No. 2023-07"), which intends to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the effect of this new guidance on the consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740)* ("ASU No. 2023-09), which requires public entities to disclose on an annual basis (1) specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold. The amendments in this ASU are effective for public business entities for annual periods beginning after December 15, 2024, and should be applied prospectively. Early adoption of the amendments is permitted for annual financial statements that have not yet been issued or made available for issuance. The Company is currently evaluating the effect of this new guidance on the consolidated financial statements.

3. Revenue Recognition

Revenue is recognized, in an amount that reflects the consideration the Company expects to be entitled to over the term of the agreement, when control of the Company's ~~solution is~~ ~~product offerings are~~ transferred to customers.

[Table of Contents](#)

The Company recognizes revenue through the following five-step framework in accordance with ASC 606, *Revenue from Contracts with Customers*:

- (1) Identification of the contract, or contracts, with the customer;
- (2) Identification of performance obligations in the contract;
- (3) Determination of the transaction price;
- (4) Allocation of the transaction price to the performance obligations in the contract;
- (5) Recognition of revenue when, or as, the Company satisfies a performance obligation.

A performance obligation is a promise in a contract to transfer a distinct solution to the customer. The Company identifies performance obligations in its contracts with customers, which primarily include usage-based and subscription contracts. Usage-based contracts include fees based on usage of the Company's platform or professional services, incurred on a time and materials basis, while subscription contracts represent the purchase of a committed data volume on the Company's platform over a period of time. The transaction price is determined based on the amount which the Company expects to be entitled to in exchange for providing the promised services to the customer. For contracts that include multiple performance obligations, the transaction price in the contract is allocated to each distinct performance obligation on a relative standalone selling price basis. Revenue is recognized over time as performance obligations are satisfied. Variable consideration is evaluated on a contract-by-contract basis, and a constraint is applied using the facts and circumstances of the contract when applicable. On a limited basis, the Company enters into contracts whereby the consideration payable is contingent upon the conclusion of the legal matter. The Company does not recognize the revenue related to these contracts until the legal matter is resolved. Such amounts recognized have been immaterial to date.

The Company's software contracts do not allow the customer to take possession of the software supporting the cloud-based **solution**, **platform**. Customers are not entitled to any refunds.

The Company's arrangements do not contain general rights of return. However, credits may be issued on a case-by-case basis. Amounts that have been invoiced are recorded in accounts receivable and in revenue or deferred revenue depending on whether the revenue recognition criteria have been met.

Nature of Contractual Arrangements

The Company's revenue-generating activities directly relate to the sale and support of its legal **solution** **product offerings** within a single operating segment. The Company disaggregates revenue from contracts with customers based on how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company has two primary types of contractual arrangements: usage-based and subscription. Usage-based revenue is generated from contracts that are typically billed on a monthly basis and can be canceled with one month's notice or are incurred on a time and materials basis. Subscription revenue is derived from contracts where customers are contractually committed to a fixed data volume over a period of time. Usage amounts above the fixed data volume are considered usage-based revenue. Subscription arrangements are billed in advance, typically on a monthly, quarterly or annual basis. Subscription revenue is recognized ratably over the life of the contract.

In the three and nine months ended **September 30, 2023**, **March 31, 2024** and **2023**, usage-based revenue represented 89% and 88% of total revenue, respectively. In the three and nine months ended **September 30, 2023**, **March 31, 2024** and **2023**, subscription revenue fees represented 11% and 12% of total revenue, respectively. In the three and nine months ended **September 30, 2022**, usage-based revenue represented 89% of total revenue. In the three and nine months ended **September 30, 2022**, subscription revenue represented 11% of total revenue.

No significant judgments are required in determining whether services are considered distinct performance obligations and should be accounted for separately versus together, or to determine the stand-alone selling price.

Deferred Revenue

Deferred revenue primarily consists of amounts that have been billed to or received from customers in advance of performing the associated services. Of the **\$4.1 million** **\$4.3 million** and **\$2.2 million** **\$4.1 million** of deferred revenue **balance** as of **December 31, 2022** **December 31, 2023** and **2021**,

2022, respectively, the Company recognized **\$3.9 million** **\$2.3 million** and **\$2.1 million** as revenue during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, respectively. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** the Company recorded **\$3.0 million** **\$3.5 million** and **\$4.1 million** **\$4.3 million** of current deferred revenue, respectively. The Company had nominal **has no** non-current deferred revenue as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**.

[Table of Contents](#)

Contract Assets

Contract assets represent revenue recognized for contracts that have not yet been invoiced to customers, but are billed in arrears and for which the Company has an unconditional right to payment. Total contract assets were **\$3.0 million** and **\$2.0 million** as of **September 30, 2023** and **December 31, 2022**, respectively, and were included within accounts receivable on the condensed consolidated balance sheets.

Remaining Performance Obligations

Remaining performance obligations ("RPO") represent the amount of contracted future revenue that has not yet been recognized, including both deferred revenue and non-cancelable contracted amounts that will be invoiced and recognized as revenue in future periods. RPO exclude performance obligations from certain time and materials contracts that are billed in arrears. RPO are not necessarily indicative of future revenue growth because they do not account for consumption in excess of contracted capacity.

As of **September 30, 2023** **March 31, 2024**, the Company expects to recognize approximately **\$17.5 million** **\$21.2 million** of revenue from RPO. The Company expects to recognize revenue of approximately **\$12.1 million** **\$10.8 million** as of **March 31, 2024** from **these** RPO over the next 12 months, with the remaining balance recognized thereafter.

Incremental Contract Costs

Incremental costs to obtain or fulfill a contract are recognized as an asset if the expected benefit is expected to be longer than one year. These assets are amortized over the expected period of benefit. For the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**, the Company identified no material incremental costs to obtain or fulfill a contract, primarily based on the nature and terms of the Company's contracts, as well as contracts.

Revenue by Groups of Similar Offerings and Geographic Area

The following table sets forth revenue by groups of similar offerings (in thousands):

	Three Months Ended March 31,	
	2024	2023
Software	\$ 29,909	\$ 27,560
Services	5,662	5,569
Total revenue	\$ 35,571	\$ 33,129

Software is comprised of revenues related to our DISCO Hold, DISCO Request, DISCO Ediscovery, and DISCO Case Builder products. Services is comprised of revenues related to our DISCO Review business and professional services.

The Company determines the expected period location of benefit revenue using the billing address of each customer. The following table sets forth revenue by geographic area (in thousands):

	Three Months Ended March 31,	
	2024	2023
United States	\$ 32,353	\$ 30,611
All other countries	3,218	2,518
Total revenue	\$ 35,571	\$ 33,129

Long-lived assets outside of the United States are not significant.

4. Property and Equipment

Property and equipment consist of the following (in thousands):

	September 30, 2023	December 31, 2022
	March 31, 2024	March 31, 2024
	March 31, 2024	March 31, 2024
Computer equipment	Computer equipment	\$ 5,089
Capitalized internal-use software		\$ 6,707
Computer equipment		
Computer equipment		
Capitalized software development		
Capitalized software development		
Capitalized software development		
Leasehold improvements		
Leasehold improvements		

Leasehold improvements	Leasehold improvements	910	467
Furniture	Furniture	1,195	1,185
Furniture			
Furniture			
Total property and equipment			
Total property and equipment			
Total property and equipment	Total property and equipment	17,439	13,448
Less: accumulated depreciation and amortization	Less: accumulated depreciation and amortization	(8,257)	(5,941)
Less: accumulated depreciation and amortization			
Less: accumulated depreciation and amortization			
Property and equipment, net	Property and equipment, net	\$ 9,182	\$ 7,507
Property and equipment, net			
Property and equipment, net			

As discussed in Note 2, "Summary of Significant Accounting Policies - Capitalized Internal-Use Software Development Costs", the Company capitalizes costs related to the development of computer software for internal use or related to the development of product offerings and is included in capitalized software development costs within property and equipment, net.

Depreciation and amortization expense relating to the Company's property and equipment was approximately \$1.0 million and \$2.7 million \$0.9 million for the three months ended March 31, 2024 and nine months ended September 30, 2023 respectively. Depreciation and amortization expense was approximately \$0.8 million and \$1.9 million for the three and nine months ended September 30, 2022 2023, respectively.

5. Leases

The Company leases office space spaces under non-cancellable operating leases for its corporate headquarters in Austin, Texas and its office space in New York, New York. The Company also leases furniture under a non-cancellable finance lease. Pursuant to the corporate headquarters lease in Austin, the initial term expires on July 31, 2028, and pursuant to the lease in New York, the term expires on May 31, 2024. In February 2024, the Company exercised its option to extend the New York lease until November 30, 2024. For each lease, the Company recognizes a right-of-use-asset and lease liability in accordance with Topic 842, liability. The asset and liability are then amortized as payments are made.

[Table of Contents](#)

Future minimum payments required under operating and financing leases, by year and in aggregate, that have initial or remaining non-cancellable lease terms in excess of one year, are as follows (in thousands):

As of September 30, 2023			
	Operating Leases	Finance Leases	
Remainder of 2023	\$ 618	\$ 12	
2024	2,231	47	
As of March 31, 2024			
	Operating Leases	Operating Leases	Finance Leases
Remainder of 2024			
2025	2025	2,098	47
2026	2026	2,162	47
2027	2027	2,229	47
2028			
Thereafter	Thereafter	1,333	28

Total lease payments	\$10,671	\$ 228
----------------------------	----------	--------

As of **September 30, 2023** **March 31, 2024**, the Company had no additional operating or finance leases with future commencement dates.

6. Operating Segment and Geographic Information

The Company's Chief Executive Officer is the chief operating decision maker, who reviews the Company's financial information presented on a consolidated basis for purposes of allocating resources and evaluating the Company's financial performance. Accordingly, the Company has determined that it operates in a single reporting segment.

The Company determines the location of revenue using the billing address of each customer. The following table sets forth revenue by geographic area (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
	\$	32,173	\$	32,163	\$	94,339	\$	96,099
United States								
All other countries		2,770		2,312		8,009		6,554
Total revenue	\$	34,943	\$	34,475	\$	102,348	\$	102,653

Long-lived assets outside of the United States are not significant.

7. Commitments and Contingencies

Leases and Other Commitments

The Company leases office facilities under non-cancellable operating leases as well as furniture under a non-cancellable finance lease. As of **September 30, 2023** **March 31, 2024**, the remaining weighted average term was **4.72** **4.22** years and **4.84** **4.34** years for the operating leases and finance lease, respectively. See Note 5, "Leases," to these condensed consolidated financial statements for additional detail on the Company's operating and finance lease commitments arising from these agreements. There were no material changes outside the ordinary course of business to the Company's contractual obligations and commitments.

Litigation

From time to time, the Company is involved in various legal proceedings arising from the normal course of business activities. 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 at least quarterly and adjusted to reflect the impacts of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter. The outcomes of legal proceedings and other contingencies are, however, inherently unpredictable and subject to significant uncertainties. At this time, the Company is not able to reasonably estimate the amount or range of possible losses in excess of any amounts accrued, including losses that could arise as a result of application of non-monetary remedies, with respect to the contingencies it faces, and the Company's estimates may not prove to be accurate.

On September 19, 2023, a purported stockholder class action lawsuit was filed against the Company and certain of its current and former officers in the United States District Court in the Southern District of New York, alleging violations under Sections 10(b) and 20(a) of the Exchange Act. The complaint alleges that the Company made materially false or misleading statements about the factors that were driving revenue growth between July 21, 2021 and August 11, 2022. The complaint seeks an unspecified amount of damages, interest, attorneys' fees, expert fees, costs, and other relief as the court may deem just and proper. On December 12, 2023, the Court appointed a lead plaintiff and lead counsel. On January 8, 2024, the Court transferred the case to the United States District Court in the Western District of Texas.

On November 3, 2023, a purported stockholder class action lawsuit was filed against the Company and certain of its current and former officers in New York Supreme Court, County of New York, alleging violations under Sections 11 and 15 of the Securities Act of 1933, as well as common law claims for aiding and abetting securities violations, negligent misrepresentation, and unjust enrichment.

Table of Contents

12(a)(2) of the Securities Act of 1933. The complaint alleges that the Company made false or misleading statements about the factors that were driving revenue growth between July 21, 2021 and August 11, 2022. The complaint seeks an unspecified amount of damages, interest, attorneys' fees, expert fees, costs, rescission, equitable and injunctive relief, and other relief as the court may deem just and proper. On January 18, 2024, this purported stockholder class action lawsuit was dismissed without prejudice.

8.7. Acquisitions and Goodwill

Congruity Acquisition

On February 22, 2022, the Company entered into an asset purchase agreement whereby the Company acquired legal workflow solutions products from Congruity in exchange for approximately \$6.1 million of cash, including a holdback of \$0.8 million that was to be paid in February fiscal year 2023, and up to \$2.0 million of contingent consideration. As of September 30, 2023 March 31, 2024, the Company has paid \$1.2 million of contingent consideration. As of March 31, 2024, the estimated fair value of the remaining contingent consideration was \$0.8 million \$0.5 million. The legal workflow solutions products expanded the Company's offerings to provide a modern, digital solution for legal hold obligations and legal request compliance. The acquisition was accounted for as a business combination in accordance with ASC 805, *Business Combinations*. The resulting goodwill will be deductible for income tax purposes. Transaction costs amounted to approximately \$0.1 million and were expensed as incurred. The carrying amount of goodwill was \$5.9 million at each of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. No impairment of goodwill has been recorded to date.

The aggregate purchase consideration and estimated fair values of the assets acquired and liabilities assumed at the date of acquisition were as follows (in thousands):

	Fair Value
Fair value of net assets acquired:	
Net tangible assets (liabilities)	\$ (395)
Developed technology	900
Customer relationships	300
Goodwill	5,898
Total fair value of net assets acquired	<u><u>\$ 6,703</u></u>

9.8. Intangible Assets

Primary Law

During the three months ended September 30, 2023 On August 17, 2023, the Company executed a five-year \$14.0 million licensing agreement with Fastcase, Inc., whereby

the Company received a perpetual license of Fastcase's library of U.S. case law, statutes, regulations and court rules (collectively "primary law"). The Company anticipates integrating primary law into its solution product offerings to automate drafting of legal documents and research memos and assist lawyers in identifying potential legal claims and defenses from new and historical case law, statutes, regulations and court rulings. Fastcase will provide the Company with regular data updates during the initial term. After the initial term, the Company will have an option to renew the agreement for an additional five-year term, following which the Company will then have the option to renew the agreement for an unlimited number of successive one-year renewal periods. The Agreement agreement will continue to automatically renew until terminated by either party with 60 days' notice. During all renewal periods, Fastcase will continue to provide regular data updates. In accordance with ASC 350, *Intangible—Goodwill and Other*, the data obtained is classified as an intangible asset. The Company will begin recognizing amortization of the intangible asset, over a useful life of 10 years, once the asset is available for its intended use.

Table of Contents

Other Intangible Assets

Other intangible assets, net consisted of the following (in thousands):

September 30, 2023				March 31, 2024				March 31, 2024					
		Gross		Net				Gross		Net			
		Carrying Amount	Accumulated Amortization	Carrying Amount	Amortization Period			Carrying Amount	Accumulated Amortization	Carrying Amount	Amortization Period		
Developed technology	Developed technology	\$ 900	\$ (289)	\$ 611	5 years	Developed technology		\$ 900	\$ (380)	\$ 520	5 years		5 years
Customer relationships	Customer relationships	300	(160)	140	3 years	Customer relationships		300	(210)	(210)	90	90	3 years
Total	Total	\$1,200	\$ (449)	\$ 751									

Intangible Other intangible asset amortization expense was \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, respectively. Amortization expense related to developed technology and customer relationships is included in cost of revenue and operating expenses, respectively, on the condensed consolidated statements of operations and comprehensive loss.

As of September 30, 2023 March 31, 2024, future amortization expense by year is expected to be as follows (in thousands):

		Amount
Remainder of		
2023		\$ 69
		Amount
2024	2024	280
2025	2025	195
2026	2026	180
2027	2027	27
Thereafter		
Total		<u><u>\$ 751</u></u>

10.9. Restructuring Charges

The Company records liabilities for costs associated with exit or disposal activities in the period in which the liability is incurred. Employee severance costs are accrued when the restructuring actions are probable and estimable. Costs for one-time termination benefits in which the employee is required to render service until termination in order to receive the benefits, is recognized ratably over the future service period. The Company also records costs incurred with contract terminations associated with restructuring activities.

On January 19, 2023 and May 9, 2023, the Company committed to a plan to reduce its global workforce by approximately 9% and 8%, respectively. In conjunction with these reductions, the restructuring, the Company recorded restructuring charges of \$2.6 million \$1.0 million during the nine three months ended September 30, 2023, March 31, 2023, consisting of cash expenditures primarily for employee severance and other termination benefits as well as contract termination charges. The Company did not incur any recorded no restructuring charges during the three months ended September 30, 2023 March 31, 2024. As of September 30, 2023 March 31, 2024 and December 31, 2023, the Company had nominal restructuring activities recorded within accrued expenses in the its condensed consolidated balance sheets. The Company did not incur any restructuring charges during the three and nine months ended September 30, 2022, sheet.

11. Stock-Based Compensation 10. Stockholders' Equity

Equity Incentive Plans

In December 2013, the Company adopted the Long-Term Incentive Plan ("2013 Plan"). The 2013 Plan was terminated in July 2021 in connection with the adoption of the 2021 Equity Incentive Plan ("2021 Plan"), which became effective on July 20, 2021, and no further awards will be granted under the 2013 Plan. The 2021 Plan provides for the grant of incentive stock options ("ISOs"), within the meaning of Section 422 of the Code to employees, including employees of any parent or subsidiary, and for the grant of nonstatutory stock options ("NSOs"), stock appreciation rights, restricted stock awards ("RSAs"), performance-based restricted stock units ("PSUs"), restricted stock units ("RSUs") and other forms of awards to the Company's employees, directors and consultants, including employees and consultants of the Company's affiliates. As of September 30, 2023 March 31, 2024, 7.7 million 8.1 million shares remained available for future issuance under the 2021 Plan. The Company recognized total stock-based compensation expense related to equity incentive awards of \$11.2 million \$5.7 million and \$14.4 million \$7.2 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Table of Contents

Stock Options

Prior to becoming a public company in 2021, the Company granted options to employees, directors and consultants. The Company ceased granting options after its initial public offering in July 2021. Options are were granted with an exercise price equal to the fair value of the shares on the date of grant. The maximum term of options granted under the plan is 10 years from the date of grant. Options generally vest according to a four-year vesting schedule, with 25% of the shares vesting on the first anniversary of the vesting commencement date and the remainder of the shares vesting in equal monthly vesting installments thereafter.

The following table summarizes the stock option activity under the 2013 Plan and 2021 Plan (in thousands, except for per share amounts and years):

	Number of shares	Weighted-average price per share	Weighted-average remaining contractual life (years)	Weighted-average intrinsic value	Number of shares	Weighted-average price per share	Weighted-average remaining contractual life (years)	Weighted-average intrinsic value	Aggregate intrinsic value
Options outstanding as of December 31, 2022	1,272	\$ 6.98	4.96	\$ 2,626					
Options outstanding as of December 31, 2023									
Granted	Granted	—	—						

Exercised	Exercised	(281)	1.83
Exercised			
Exercised			
Forfeited	Forfeited		
and	and		
cancelled	cancelled	(111)	13.93
Options outstanding as of			
September 30, 2023	880	\$ 7.74	3.07 \$ 1,371
Options vested and			
exercisable at September			
30, 2023	830	\$ 7.19	2.84 \$ 1,371
Forfeited and cancelled			
Forfeited and cancelled			
Options outstanding as of			
March 31, 2024			
Options outstanding as of			
March 31, 2024			
Options outstanding as of			
March 31, 2024			
Options			
vested and			
exercisable			
as of March			
31, 2024			

Aggregate intrinsic value represents the difference between the Company's fair value of its common stock and the exercise price of outstanding options. The aggregate intrinsic value of stock options exercised was \$1.4 million and \$19.6 million nominal during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022**, respectively. \$1.1 million during the three months ended and March 31, 2023.

As of **September 30, 2023** **March 31, 2024**, unrecognized stock-based compensation expense related to outstanding unvested stock options that are expected to vest was \$0.4 million \$0.2 million, which is expected to be recognized over a **weighted-average** **weighted-average** period of 1.25 years.

Restricted Stock Awards

Prior to becoming a public company, the Company granted RSAs to certain senior employees and consultants. The Company ceased granting RSAs after its initial public offering in July 2021. The fair value of RSAs is determined using the fair value of the Company's common stock on the date of grant. No RSAs were granted during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**. During each of the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022**, 37,500 and 75,000 **2023**, 12,500 RSAs vested and were released from the Company's right to repurchase, respectively, repurchase. During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, 12,500 no RSAs were cancelled. During the **nine** **three** months ended, **September 30, 2022** **March 31, 2023**, no 12,500 RSAs were cancelled.

As of **September 30, 2023** **March 31, 2024**, the Company had \$1.8 million \$1.4 million of unrecognized stock-based compensation expense related to RSAs with a weighted average remaining requisite service period of 2.25 was 1.75 years.

Restricted Stock Units and Performance-Based Restricted Stock Units

The fair value of RSUs and PSUs is determined using the closing market price of the Company's common stock on the date of grant. The RSUs vest over the requisite service period, generally **four** **one** **year**, **three** **years** or **one** **year**, **four** **years**, subject to the continuous service of the individual.

In February **2023** **2024** and **March 2022**, **2023**, the Company granted PSUs for **0.9** **million** **0.4** **million** shares and **0.6** **0.9** **million** shares of common stock, respectively. The PSUs vest on the satisfaction of both service-based and performance-based conditions. The PSUs granted in 2023 have a one-year performance period based on revenue and Adjusted EBITDA targets as well as non-quantitative business-related performance criteria that will determine the total vestable shares. The PSUs granted in 2022 had a one-year performance period based on a revenue goal for fiscal year 2022 that determined the total vestable shares. For all PSUs, after the applicable performance period, one-third of the vestable shares will vest upon the Compensation Committee's certification of the degree of achievement of the applicable goals, and the remaining vestable shares will vest over a two-year service period. The During the three months ended March 31, 2024, it was determined that the Company did not achieve partially met the performance goals for 2022 and, as a result, all of the PSUs granted in 2022 expired 2023, and accordingly, these PSUs will vest at approximately 60% attainment. As of **September 30, 2023** **March 31, 2024**, none 0.1 million of the PSUs granted in 2023 have had vested or settled and 0.2 million 0.7 million of the PSUs granted in 2023 were cancelled.

Table of Contents

The following table summarizes the RSU and PSU activity under the 2021 Plan including the PSUs (in thousands, except for per share amounts):

		Weighted Number of shares	average fair value	intrinsic value	Aggregate Number of shares	Weighted-average fair value	Aggregate intrinsic value
Unvested and outstanding as of December 31, 2022		2,985	\$25.39	\$18,864			
Unvested and outstanding as of December 31, 2023							
Granted	Granted	2,994	8.29				
Vested	Vested	(965)	17.44				
Forfeited and cancelled	Forfeited and cancelled						
		(1,995)	20.01				
Unvested and outstanding as of September 30, 2023		3,019	\$14.53	\$20,044			
Unvested and outstanding as of March 31, 2024							

As of September 30, 2023 At March 31, 2024, there was an estimated \$35.9 million \$48.4 million of total unrecognized stock-based compensation expense related to RSUs and PSUs. These costs will be recognized over a The weighted average remaining requisite service period of 1.47 was 2.45 years.

CEO Performance Award

On May 20, 2022, the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") approved a grant to Kiwi Camara, the Company's Co-Founder and who was then serving as Chief Executive Officer, for a 10-year CEO performance award (the "CEO Performance Award"), the vesting of which was tied solely to achieving stock price milestones ("Milestone Prices"), subject to the approval of the Company's stockholders at the 2022 Annual Meeting of Stockholders. The CEO Performance Award consisted of a 10-year option to purchase an aggregate of 4,366,966 shares of the Company's common stock, representing approximately 7.5% of the total outstanding shares of the Company's common stock as of the grant date, and vested in six tranches. Each of the six tranches vested only if the Milestone Prices are met. The Milestone Prices were met when the average VWAP for any 90-calendar day period during the performance period was equal to or greater than such Milestone Price. "VWAP" means the quotient of (i) the sum of the Daily Total Dollar Volume for the designated period of trading days divided by (ii) the sum of the total trading volume of the Company's common stock as reported on the primary U.S. exchange on which the Company's common stock trades for the designated period of trading days, with trading days being the days on which the primary U.S. exchange on which the Company's common stock trades is open for trading. "Daily Total Dollar Volume" means the product of (i) the closing sales price of the Company's common stock on a given trading day multiplied by (ii) the corresponding day's trading volume of the Company's common stock, in each case as reported on the primary U.S. exchange on which the Company's common stock trades. For the first tranche to vest, the Company must have achieved a Milestone Price of \$150 per share, and the next five tranches would only vest if the Company achieved higher Milestone Prices that increase in \$150 per share increments up to a final Milestone Price of \$900 per share. The exercise price per share subject to the CEO Performance Award was \$32.00, which was the greater of (i) the IPO Price (\$32.00 per share) and (ii) the closing sales price of the Company's common stock on the grant date. The grant date of May 25, 2022 was the date on which two full trading sessions elapsed after the filing of the preliminary proxy statement with the SEC. The CEO Performance Award was approved by the Company's stockholders at the Annual Meeting held on July 12, 2022.

Recognition of stock-based compensation expense of all the tranches commenced on the date of grant and was recognized ratably over the expected vesting period of each respective tranche. If the related Milestone Price were was achieved earlier than its expected achievement period, then the stock-based compensation expense for that vesting tranche would have been accelerated and recorded in the period in which the associated Milestone Price is achieved. The Milestone Price

requirement was considered a market condition under ASC 718. The Company estimated the grant date fair value of the CEO Performance Award using Monte Carlo simulations based on the key assumptions for estimating the fair value of the award at the date of grant including volatility of the Company's common stock price, post-vesting exercise behavior and the derived service period.

On September 10, 2023, Mr. Camara resigned from his position as Chief Executive Officer and member of the Board of Directors, effective immediately. As no Milestone Prices were achieved as of September 10, 2023, the termination resulted in the cancellation of the CEO Performance Award. The Company previously recorded \$7.7 million in stock-based compensation as of June 30, 2023. In accordance with ASC 718, the company Company reversed the total \$7.7 million in previously recognized stock-based compensation expense in the third quarter of September 2023, which is the period the termination and cancellation occurred. No stock-based compensation expense was recorded related to the CEO Performance award for the three months March 31, 2024. Total stock-based compensation expense recorded as operating expense for the CEO Performance Award was \$1.7 million for the three months ended March 31, 2023.

Employee Stock Purchase Plan

In June 2022, the Compensation Committee approved the terms of the Company's offerings under its 2021 Employee Stock Purchase Plan ("ESPP"). Under the terms of the offering, the Company's employees can elect to have up to 15% of their

[Table of Contents](#)

annual compensation, up to a maximum of \$25,000 per year, withheld to purchase shares of the Company's common stock for a purchase price equal to 85% of the lesser of the closing fair market value per share of the Company's common stock on (i) the commencement date of the six-month offering period, or (ii) the respective purchase date. The initial offering period commenced on August 1, 2022 and ended on January 31, 2023 with subsequent six-month offering periods commencing on February 1st and August 1st of each year. During the nine months ended September 30, 2023, the Company recognized total stock-based compensation expense related to the ESPP of \$0.4 million and 204,371 shares of the Company's common stock were purchased and distributed pursuant to the ESPP. The Company recognized \$0.2 million \$0.1 million of stock-based compensation expense for the ESPP and purchased and distributed 0.1 million shares of the Company's common stock during the nine three months ended September 30, 2022 March 31, 2024. The Company recognized \$0.2 million of stock-based compensation expense for the ESPP and purchased and distributed 0.1 million shares of the Company's common stock during the three months ended March 31, 2023.

12. Share Purchase Program

In March 2024, the Board of Directors authorized the repurchase of up to \$20.0 million of our outstanding shares of common stock. These trades are completed through the use of trading plans intended to qualify under Rule 10b5-1 under the Exchange Act, in accordance with applicable securities laws and other restrictions. The timing and total amount of stock repurchases will depend upon business, economic, and market conditions, corporate and regulatory requirements, prevailing stock prices, and other considerations. During the three months ended March 31, 2024, the Company repurchased approximately 0.3 million shares of common stock at a weighted average price of \$7.89.

11. Income Taxes

The Company's income tax expense was \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2023, respectively. The Company's income tax expense was nominal for the three months ended September 30, 2022 March 31, 2024 and was \$0.1 million for the nine months ended September 30, 2022. 2023. Income tax expense consists primarily of income taxes in the United Kingdom. Due to the Company's history of losses in the United States, a full valuation allowance on substantially all of the Company's deferred tax assets, including net operating loss carryforwards, deferred expenses, stock compensation and other book versus tax differences, was maintained. The Company's effective tax rate was (6.63) (0.82)% and (0.19) (0.20)% of the loss before income taxes for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively. The Company's effective tax rate was (0.45)% and (0.21)% of the loss before income taxes for the nine months ended September 30, 2023 and 2022, 2023, respectively. The Company's effective tax rate is mainly affected by tax rates and relative income earned in the United Kingdom, state taxes and changes in the valuation allowance.

13.

12. Defined Contribution Plan

The Company sponsors a defined contribution retirement plan qualifying under Section 401(k) of the Internal Revenue Code of 1986. This plan covers all employees within the United States who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. The Company made \$0.7 million \$0.5 million and \$1.9 million \$0.7 million in employer contributions to the plan during the three and nine months ended September 30, 2023, respectively. The Company made \$0.6 million March 31, 2024 and \$1.9 million in employer contributions to the plan during the three and nine months ended September 30, 2022, 2023, respectively.

The Company also engages in a required pension plan in the United Kingdom. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the liability under this plan was immaterial.

14.

13. Net Loss Per Share Attributable to Common Stockholders

The following table presents calculations for basic and diluted net loss per share (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Net loss applicable to common stockholders basic and diluted	\$ (1,030)	\$ (20,058)	\$ (36,310)	\$ (52,077)
Weighted average shares used in computing net loss per share attributable to common stockholders, basic and diluted	60,350	58,641	59,896	58,322
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.02)	\$ (0.34)	\$ (0.61)	\$ (0.89)

[Table of Contents](#)

	Three Months Ended	
	2024	2023
Net loss applicable to common stockholders basic and diluted	\$ (10,582)	\$ (20,365)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	61,188	59,410
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.17)	\$ (0.34)

The following outstanding shares of common stock equivalents as of the periods presented were excluded from the computation of diluted net loss per share for the periods presented because the impact of including them would have been anti-dilutive (in thousands):

	As of March 31,		As of September 30,	
	2024		2023 2022	
Stock options				
Stock options	Stock options	880	1,405	
Unvested restricted stock awards	Unvested restricted stock awards	113	188	
Unvested restricted stock awards				
Unvested restricted stock awards				
Unvested restricted stock units, including performance-based restricted stock units	Unvested restricted stock units, including performance-based restricted stock units	3,019	2,676	
Unvested restricted stock units, including performance-based restricted stock units	Unvested restricted stock units, including performance-based restricted stock units			
Unvested restricted stock units, including performance-based restricted stock units	Unvested restricted stock units, including performance-based restricted stock units			
Total	Total	4,012	4,269	
Total				
Total				

14. Subsequent Events

On April 9, 2024, the Board of Directors appointed Eric Friedrichsen as the Company's President, Chief Executive Officer and principal executive officer, effective April 29, 2024 (the "Start Date"). In connection with Mr. Friedrichsen's appointment, he was also appointed to serve as a member of the Board of Directors as a Class I director for a term expiring at the Company's 2025 Annual Meeting of Stockholders, with such appointment taking effect as of the Start Date. Scott Hill, the Company's existing Chief Executive Officer, will remain as an employee of the Company on an interim basis from the Start Date until May 11, 2024. Following the conclusion of his employment, Mr. Hill will serve as the Chair of the Board of Directors.

[Table of Contents](#)

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on **February 24, 2023** **February 22, 2024**. This discussion, particularly information with respect to our financial results of operations or financial condition, business strategy, plans and objectives of management for future operations, includes forward-looking statements that involve risks and uncertainties as described under the heading "Special Note Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q. You should review the disclosure under the heading "Risk Factors" in this Quarterly Report on Form 10-Q for a discussion of important factors that could cause our actual results to differ materially from those anticipated in these forward-looking statements.

Overview

DISCO provides a cloud-native, artificial intelligence-powered legal solution product offerings that simplifies simplify legal hold, legal request, ediscovery, legal document review and case management for enterprises, law firms, legal services providers and governments. Our scalable, integrated solution enables product offerings enable legal departments to easily collect, process and review enterprise data that is relevant or potentially relevant to legal matters. We leverage a cloud-native architecture and powerful artificial intelligence, or AI, models to automatically identify legally relevant documents and improve the accuracy and speed of legal document review. Our AI models continuously learn from legal work conducted on our solution product offerings and can be reused across legal matters, which further strengthens our ability to help our customers find evidence and resolve matters faster as they expand usage of our solution product offerings. We provide legal departments with the ability to centralize legal data into a single solution platform, improving security and privacy for our customers, enabling transparent collaboration with other legal industry participants and allowing customers to reuse data and lawyer work product across legal matters. By automating the manual, time-consuming and error-prone parts of legal hold, legal request, ediscovery, legal document review and case management, we empower legal departments to focus on delivering better legal outcomes.

We generate substantially all of our revenue from our customers' actual usage of our solution product offerings. Customers generally do not commit to purchase a specific amount of usage on our solution product offerings and their usage can fluctuate based on the number and nature of legal matters they have at any particular time. As a result, our revenue and other financial results can fluctuate from period to period given the inherent unpredictability of the timing, duration and scope of legal casework. We also offer our customers the option to enter into subscriptions based on committed minimum usage on an annual or multi-year basis, which represented 11% and 12% of our revenue for the three months ended March 31, 2024 and nine months ended September 30, 2023, respectively. In addition, we generate revenue from a range of professional services aimed at accelerating the time-to-value for our customers.

After using and realizing the benefits of our solution product offerings, our customers often can increase usage of our solution product offerings to cover additional legal matters and adopt more of our offerings. As the amount of enterprise data in our solution product offerings increases, the strategic value and stickiness of our solution product offerings within an organization is enhanced.

Our customers include a diverse set of enterprises across a broad set of industries, as well as law firms, legal services providers of all sizes and government organizations. While we serve customers across many different industries, the way in which lawyers and legal professionals use our solution product offerings is similar regardless of the specific industry in which each customer operates. This commonality has created efficiencies in our sales and marketing and research and development activities because we do not need to tailor our sales and marketing activities to a wide range of different customer use cases.

Our go-to-market strategy is focused on acquiring new customers and driving continued use and increased usage of our solution product offerings for existing customers. We primarily sell through a direct sales force, which is organized based on the stages of our sales motion. Our sales organization is primarily segmented into sales development representatives, field sales, inside sales and our customer success team. In addition, our solution platform is designed such that customers can grant access to third parties, including law firms and other legal service providers, to use our applications product offerings on the customers' behalf. This access facilitates widespread adoption of our solution product offerings, as these law firms and other legal service providers often become customers on their own or recommend our solution product offerings to other legal industry participants after realizing the benefits of working on our solution product offerings. Likewise, if a law firm is our customer, the law firm may add users from its clients' legal departments to our solution platform in order to collaborate with them. These users may then become champions and encourage the companies they work for to become customers.

As of **September 30, 2023** **March 31, 2024**, we had **\$157.7 million** **\$148.7 million** of cash and cash equivalents. We generated revenue of **\$34.9 million** **\$35.6 million** and **\$34.5 million** **\$33.1 million** in the three months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, respectively, and **\$102.3 million** and **\$102.7 million** in the nine months ended **September 30, 2023** and **2022**, respectively, representing a period-over-period growth of

7%. Our net loss was **\$1.0 million** **\$10.6 million** and **\$20.1 million** **\$20.4 million** for the

Table of Contents

three months ended **September 30, 2023** **March 31, 2024** and **2022**, respectively, and **\$36.3 million** and **\$52.1 million** for the nine months ended **September 30, 2023** and **2022**, **2023**, respectively. We generated Adjusted EBITDA of **(\$4.5)** **(\$5.2)** million and **\$(13.1)** **\$(13.0)** million for the three months ended **September 30, 2023** **March 31, 2024** and **2022**, respectively, and **\$(24.9)** million and **\$(33.3)** million for the nine months ended **September 30, 2023** and **2022**, **2023**, respectively. See the section titled "—Non-GAAP Financial Measure" for the definition of Adjusted EBITDA, as well as a reconciliation of Adjusted EBITDA to net loss, the most directly comparable financial measure stated in accordance with GAAP.

Macroeconomic Considerations

Unfavorable conditions in the economy, both in the **United States** and abroad, may negatively affect the growth of our business and our results of operations. For example, negative conditions in the general economy both in the **United States** and abroad, including conditions resulting from inflation, rising interest rates, and **disruptions in access to bank deposits or lending commitments due to bank failures, as well as global events, such as the COVID-19 pandemic, the Russia-Ukraine war and the Israel-Hamas war**, have led to economic uncertainty globally. Historically, during periods of economic uncertainty and downturns, businesses may slow spending on information technology, which may impact our business and our customers' businesses.

The effect of macroeconomic conditions may not be fully reflected in our results of operations until future periods. If, however, economic uncertainty increases or the global economy worsens, our business, financial condition and results of operations may be harmed. For further discussion of the potential impacts of macroeconomic events on our business, financial condition, and operating results, see the section titled "Risk Factors."

KeyFactors Affecting Our Performance

We believe that the growth and future success of our business depends on many factors. While each of these factors present significant opportunities for our business, they also pose important challenges that we must successfully address in order to sustain our growth, improve our results of operations and establish and maintain profitability.

Maintain and Advance Our Innovation and Brand

Our success depends in part on our ability to maintain and advance our innovation and brand. We have a strong history of innovation, demonstrated by our **DISCO Hold**, **DISCO Request**, **DISCO Ediscovery**, **DISCO Review** and **DISCO Case Builder** offerings, and have built a research and development process that reliably produces **applications** and features **that lawyers love**, for these product offerings. We intend to continue combining our deep legal domain expertise and commitment to world-class software engineering to continue delivering features **that lawyers love** and introducing new **applications** product offerings to address more areas of legal work, such as our **ediscovery chatbot**, **Cecilia**, which **is in beta testing and we anticipate releasing** was released in the fourth quarter of 2023 in the U.S., and access to sources of primary law, which we acquired through our **Fastcase** license and intend to launch in 2024. Our future success is dependent on our ability to successfully develop, market and sell **existing and new applications** of our **solution** product offerings to both new and existing customers.

Add New Customers

We believe we have a significant opportunity to continue to grow our customer base. As enterprises continue their digital transformation journeys and the demand for differentiation in the competitive market for legal services continues to grow, we expect more and more companies will struggle with existing legal solutions and ultimately will adopt an integrated, easy-to-use solution like **DISCO** to improve productivity and legal outcomes. We believe our market leadership and differentiated solution will enable us to efficiently acquire new customers across all channels. Our ability to attract new customers will depend on a number of factors, including the effectiveness and pricing of our products, the offerings of our competitors and the effectiveness of our sales and marketing efforts. We will need to dedicate significant resources to further develop the market for our solution and expand, retain and motivate our sales and marketing personnel.

Maintain and Increase Usage and Penetration Within Our Existing Customer Base

Our large base of customers represents a significant opportunity for further sales expansion. We believe that we will be able to continue expanding customer relationships by increasing customers' usage of offerings that they already buy from us, selling more of our current offerings to existing customers, and introducing additional offerings to sell to existing customers. Our long-term offerings strategy is aimed at building features and offerings that address more and more types of legal work so that customers can continue to centralize on our **solution** platform as the system of record and engagement for the legal function. Our

Table of Contents

ability to increase sales to existing customers will depend on a number of factors, including our customers' satisfaction with our **solution**, **product offerings**, competition, pricing and overall changes in our customers' spending levels. Even if our customers expand their usage of our **solution**, **product offerings**, we cannot guarantee that they will maintain those usage levels for any meaningful period of time or that they will renew their commitments.

A significant majority of our revenue is directly correlated with our customers' usage of our **solution**, **product offerings**, which in turn is dependent on the timing of and activity driven by litigation, investigations and other legal matters for which our **solution** is **product offerings** are used. As a result, our operating results have fluctuated significantly in the past in connection with the inception and conclusion of large legal matters, and we expect such fluctuations to continue for the foreseeable future.

Add New Customers

We believe we have a significant opportunity to continue to grow our customer base. As enterprises continue their digital transformation journeys and the demand for differentiation in the competitive market for legal services continues to grow, we expect more and more companies will struggle with existing legal solutions and ultimately will adopt an integrated, easy-to-use platform like **DISCO** to improve productivity and legal outcomes. We believe our market leadership and differentiated product

offerings will enable us to efficiently acquire new customers across all channels. Our ability to attract new customers will depend on a number of factors, including the effectiveness and pricing of our products, the offerings of our competitors and the effectiveness of our sales and marketing efforts. We will need to dedicate significant resources to further develop the market for our product offerings and expand, retain and motivate our sales and marketing personnel.

Expand Our Sales Coverage and Establish a Digital Sales Channel

We intend to continue to enhance our sales force headcount in strategic locations across the **United States U.S.** and globally. Additionally, we plan to develop a digital, self-service sales channel that can simplify the sales process and enable customers to easily adopt our solution through our website without the need to speak with a sales representative. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training and retaining sufficient numbers of sales personnel to support our growth. We will need to spend significant resources to expand, retain and motivate our sales and marketing personnel.

Expand Internationally

Our market is global and we believe there is a significant opportunity to expand internationally. In the three and nine months ended September 30, 2023, 8% of our revenue was generated by customers outside of the United States. We are in process of expanding our global employee headcount in India. International expansion, including our global sales efforts, will add increased complexity and cost to our business.

Extend and Strengthen Our Channel Partnerships and Integrations

Our partnerships, including with legal services providers and cloud infrastructure providers, assist us in driving awareness and adoption of DISCO and extending our reach. We intend to cultivate and leverage channel partners to grow our market presence, enhance the virality of our **solution product offerings** and drive greater sales efficiency. Our future success is dependent in part on our ability to develop and maintain relations with these partners.

Expand Our Offering Portfolio

We believe that our technology, and especially our approach to automation and AI, is applicable to a wider range of legal processes outside of our current core offerings. We intend to leverage our technology to introduce further offerings that increase lawyer productivity across more and more areas of legal work over time. We may expend significant resources in the development of additional offerings. For example, our ediscovery chatbot, Cecilia, is in beta testing and we anticipate releasing it which was released in the fourth quarter of 2023 in the U.S., and we intend to offer our customers access to sources of primary law, which we acquired through our Fastcase license and intend to launch in 2024. Our ability to successfully develop, market and sell new offerings will depend on a number of factors, including the availability of capital to invest in innovation, our customers' satisfaction with such offerings, competition, pricing and overall changes in our customers' spending levels.

Expand Internationally

Our market is global and we believe there is a significant opportunity to expand internationally. In the three months ended March 31, 2024, less than 10% of our revenue was generated by customers outside of the United States. We also expect to continue to expand our global employee headcount in India. International expansion, including our global sales efforts, will add increased complexity and cost to our business.

Pursue Strategic Acquisitions and Strategic Investments

In February 2022, we acquired legal workflow **solutions products** from Congruity360, LLC, or Congruity, in a purchase that expanded our offerings to provide a modern digital solution for legal hold obligations and legal request compliance. We intend to continue to selectively pursue acquisitions and strategic investments that we believe can expand the functionality and value of our **solution product offerings** and bring talent to our company. We believe that the combination of our market leadership, deep legal expertise and powerful end-to-end **solution platform** provides an advantage in pursuing select acquisitions. We may be required to expend significant resources in connection with the pursuit of acquisitions and investments.

Key Components of Statement of Operations

Revenue

All of our revenue-generating activities directly relate to the sale and support of our legal **solution product offerings** within a single operating segment. We have two primary types of contractual arrangements: usage-based and subscription. Our usage-based

[**Table of Contents**](#)

revenue is derived from contracts under which customers are typically billed monthly based on their usage of our offerings. Subscription revenue is derived from contracts where customers are contractually committed to a minimum data volume over a period of time. Revenue received from usage amounts above the fixed data volume in our subscription contracts is considered usage-based revenue.

In the three months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, usage-based revenue represented 89% of total revenue, and **subscription revenue fees** represented 11% of the total revenue. In the nine months ended **September 30, 2023** and **2022**, usage-based revenue represented 88% and 89% of total revenue, respectively. In the **nine** three months ended **September 30, 2023** **March 31, 2024** and **2022, 2023** subscription revenue fees represented 11% and 12% and 11% of the total revenue, respectively.

Cost of Revenue

Cost of revenue consists primarily of third-party cloud infrastructure expenses incurred in connection with our customers' use of our **solution product offerings**. Cost of revenue also includes outsourced staffing costs, amortization of **internal-use capitalized software development** and personnel costs from employees involved in the delivery of our **solution product offerings**. Personnel costs include salaries, benefits, bonuses, stock-based compensation expenses and allocated overhead costs. We intend to continue to invest additional resources in our infrastructure to expand the capability of our **solution product offerings** and ensure that our customers are realizing the full benefit of our **solution product offerings**. The level, timing and relative investment in our cloud infrastructure could affect our cost of revenue in the future. Additionally, cost of revenue in future periods could be impacted by changes in outsourced staffing costs and amortization associated with capitalized **internal-use software development** costs.

Operating Expenses

Our operating expenses consist of research and development, sales and marketing, and general and administrative expenses. Personnel costs are the most significant component of operating expenses and consist of salaries, benefits, bonuses, stock-based compensation expenses and sales commissions. Operating expenses also include overhead costs for facilities and shared IT related expenses, including depreciation expense.

Research and Development

Research and development expenses consist primarily of personnel-related costs for our development team, including salaries, benefits, bonuses, stock-based compensation expenses and allocated overhead costs. Research and development expenses also include contractor or professional services fees and third-party cloud infrastructure expenses incurred in developing our **solution**, **product offerings**. In the near term, **we** **we** expect that our research and development expenses will increase in absolute dollars but may fluctuate as a percentage of our revenue over time. In addition, research and development expenses that qualify as **internal-use** **capitalized** software development costs are capitalized, the amount of which may fluctuate significantly from period to period.

Sales and Marketing

Sales and marketing expenses consist primarily of personnel-related costs directly associated with our sales and marketing staff, including salaries, benefits, bonuses, commissions, stock-based compensation and allocated overhead costs. Sales and marketing expenses also include advertising costs and other expenses associated with our marketing and business development programs. In addition, sales and marketing expenses consist of travel-related expenses, software services dedicated for use by our sales and marketing organizations and outside services contracted for sales and marketing purposes. In the near term, **we** **expect** **we** expect that our sales and marketing expenses will **decrease** **remain relatively consistent** in absolute dollars but will continue to be our largest operating expense for the foreseeable **future**, **future as we grow our business**. Our sales and marketing expenses may fluctuate as a percentage of our revenue over time.

General and Administrative

General and administrative expenses consist of personnel-related costs associated with our finance, legal, human resources and administrative personnel, including salaries, benefits, bonuses, stock-based compensation and allocated overhead costs. General and administrative expenses also include external legal, accounting and other professional services fees, software services dedicated for use by our general and administrative functions, insurance and other corporate expenses. In the near term, we expect that our general and administrative expenses will increase in absolute dollars **as our business grows** but may fluctuate as a percentage of total revenue from period to period.

Table of Contents

Other Income (Expense), Net

Other income (expense), net consists primarily of interest income, income related to non-operating activities, interest expense and gains and losses from foreign currency transactions and remeasurements of foreign currency-denominated monetary assets and liabilities to the U.S. dollar.

Income Tax Provision

Income tax provision consists primarily of income taxes related to foreign and state jurisdictions in which we conduct business. We maintain a valuation allowance on our federal and state deferred tax assets as we have concluded that it is not more likely than not that the deferred assets will be utilized.

Results of Operations

The following tables set forth our results of operations and such data as a percentage of our revenue for each of the periods presented.

		Three Months Ended		Nine Months Ended	
		September 30,	March 31,	September 30,	March 31,
(in thousands)		Three Months Ended		Nine Months Ended	
		2023	2022	2023	2022
Revenue					
Revenue					
Revenue	Revenue	\$ 34,943	\$ 34,475	\$ 102,348	\$ 102,653
Cost of revenue ⁽¹⁾	Cost of revenue ⁽¹⁾	8,939	8,634	26,255	26,092

Cost of revenue ⁽¹⁾					
Cost of revenue ⁽¹⁾					
Gross profit					
Gross profit					
Gross profit	Gross profit	26,004	25,841	76,093	76,561
Operating expenses:	Operating expenses:				
Operating expenses:					
Operating expenses:					
Research and development ⁽¹⁾⁽²⁾					
Research and development ⁽¹⁾⁽²⁾					
Research and development ⁽¹⁾⁽²⁾	Research and development ⁽¹⁾⁽²⁾	12,065	15,694	41,095	43,193
Sales and marketing ⁽¹⁾⁽²⁾	Sales and marketing ⁽¹⁾⁽²⁾	16,708	19,311	53,821	54,661
Sales and marketing ⁽¹⁾⁽²⁾					
Sales and marketing ⁽¹⁾⁽²⁾					
General and administrative ⁽¹⁾⁽²⁾					
General and administrative ⁽¹⁾⁽²⁾					
General and administrative ⁽¹⁾⁽²⁾	General and administrative ⁽¹⁾⁽²⁾	128	10,906	23,345	30,490
Total operating expenses	Total operating expenses	28,901	45,911	118,261	128,344
Total operating expenses					
Total operating expenses					
Loss from operations					
Loss from operations					
Loss from operations	Loss from operations	(2,897)	(20,070)	(42,168)	(51,783)
Other income (expense):	Other income (expense):				
Other income (expense):					
Other income (expense):					
Interest and other income					
Interest and other income					
Interest and other income	Interest and other income	2,191	364	6,267	423
Interest and other expense	Interest and other expense	(260)	(314)	(248)	(607)
Interest and other expense					
Interest and other expense					
Total other income (expense)	Total other income (expense)	1,931	50	6,019	(184)
Loss before income taxes		(966)	(20,020)	(36,149)	(51,967)
Total other income (expense)					
Total other income (expense)					
Loss from operations before income taxes					
Loss from operations before income taxes					
Loss from operations before income taxes					
Income tax provision	Income tax provision	(64)	(38)	(161)	(110)
Net loss attributed to common stockholders	\$ (1,030)	\$ (20,058)	\$ (36,310)	\$ (52,077)	
Income tax provision					
Income tax provision					
Net loss attributable to common stockholders					
Net loss attributable to common stockholders					
Net loss attributable to common stockholders					

(1) Includes stock-based compensation expense as follows:

	Three Months Ended September 30,			Three Months Ended March 31,
	Ended	Nine Months Ended September 30,		

(in thousands)	(in thousands)	2023	2022	2023	2022	(in thousands)	2024	2023
		2023	2022	2023	2022		2024	
Cost of revenue	Cost of revenue	\$ 270	\$ 274	\$ 772	\$ 668			
Research and development	Research and development	2,001	1,916	5,920	5,416			
Sales and marketing	Sales and marketing	1,277	753	4,028	2,954			
General and administrative	General and administrative	(6,429)	2,722	491	5,355			
Total	Total	<u><u>\$2,881</u></u>	<u><u>\$5,665</u></u>	<u><u>\$11,211</u></u>	<u><u>\$14,393</u></u>			

[Table of Contents](#)

(2) Includes restructuring charges as follows:

		Three Months Ended		Nine Months Ended			
		September		September			
		30,		September 30,			
Three Months Ended							
		March 31,				March 31,	
(in thousands)	(in thousands)	2023	2022	2023	2022	(in thousands)	2024
Research and development	Research and development	\$—	\$—	\$1,510	\$—		
Sales and marketing	Sales and marketing	—	—	648	—		
General and administrative	General and administrative	—	—	432	—		
Total	Total	<u><u>\$—</u></u>	<u><u>\$—</u></u>	<u><u>\$2,590</u></u>	<u><u>\$—</u></u>		

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Condensed Consolidated Statement of Operations and Comprehensive Loss as a percentage of revenue:**				
Revenue	100 %		100 %	
Cost of revenue	26		25	
Gross profit	74		75	
Operating expenses:				
Research and development	35		46	
Sales and marketing	48		56	
General and administrative	*		32	
Total operating expenses	83		133	
Loss from operations	(8)		(58)	
Other income (expense):				
Interest and other income	6		1	
Interest and other expense	(1)		(1)	
Total other income (expense)	6		*	
Loss before income taxes	(3)		(58)	

Income tax provision	*	*	*	*
Net loss attributed to common stockholders	(3)%	(58)%	(35)%	(51)%
<hr/>				
		Three Months Ended March 31,		
		2024	2023	
Condensed Consolidated Statement of Operations and Comprehensive Loss as a percentage of revenue:**				
Revenue		100 %	100 %	
Cost of revenue		25	25	
Gross profit		75	75	
Operating expenses:				
Research and development		34	48	
Sales and marketing		44	58	
General and administrative		31	37	
Total operating expenses		110	142	
Loss from operations		(35)	(67)	
Other income (expense):				
Interest and other income		6	6	
Interest and other expense		*	*	
Total other income (expense)		5	6	
Loss from operations before income taxes		(30)	(61)	
Income tax provision		*	*	
Net loss attributable to common stockholders		<u>(30)%</u>	<u>(61)%</u>	

* Less than 0.5% of revenue.

** Columns may not add up to 100% due to rounding.

Comparison of the Three Months Ended September 30, 2023 March 31, 2024 and 2022 2023

Revenue

	Three Months Ended September 30,			
	2023	2022	Change	% Change
	(dollars in thousands)			
Revenue	\$ 34,943	\$ 34,475	\$ 468	1 %

	Three Months Ended March 31,			
	2024	2023	Change	% Change
	(dollars in thousands)			
Revenue	\$ 35,571	\$ 33,129	\$ 2,442	7 %

Total revenue increased by \$0.5 million, \$2.4 million, or 1% 7%, for the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022 2023. Revenue related to new customers added since September 30, 2022 March 31, 2023 contributed \$5.8 million \$5.7 million, which was partially offset by a \$5.3 million \$3.3 million decrease in revenue from customers that existed as of September 30, 2022 March 31, 2023. The change in revenue from existing customers was driven by decreases in usage of our solution product offerings by several of our existing customers.

Revenue generated from our software product offerings increased by \$2.3 million, or 9%, for the three months ended March 31, 2024 compared to the same period in 2023 due to increases in usage of our software product offerings. Revenue generated from our services product offerings increased \$0.1 million, or 2%, for the three months ended March

31, 2024 compared to the same period in 2023. This change was driven by increases in usage of our services product offerings by several of our existing customers, particularly within professional services.

[Table of Contents](#)

Cost of Revenue

Three Months Ended														
September 30,														
2023	2022	Change	% Change											
(dollars in thousands)														
Three Months Ended														
March 31,														
2024														
2024														
2024														
(dollars in thousands)														
Cost of revenue														
Cost of revenue														
Cost of revenue	Cost of revenue	\$8,939	\$8,634	\$ 305	4 %	\$	8,852	\$	\$	8,277	\$	\$ 575	7 %	7 %
Percentage of revenue	Percentage of revenue	26 %	25 %											

Total cost of revenue increased by **\$0.3 million** **\$0.6 million**, or **4% 7%**, for the three months ended **September 30, 2023** **March 31, 2024** compared to the same period in **2022, 2023**. This change was primarily driven by a **\$0.1 million** **\$0.5 million** increase in **outsourced staffing vendors fees** and a **\$0.1 million** increase in **amortization of internally developed software**.

Operating Expenses

Research and Development

		Three Months Ended									
		September 30,									
		2023	2022								
		(dollars in thousands)									
Research and development		\$ 12,065	\$ 15,694	\$		\$ (3,629)					(23)%
Percentage of revenue		35 %	46 %								

Research and development expenses decreased by **\$3.6 million**, or **23%**, costs for the three months ended **September 30, 2023** compared to the same period in **2022**. The change was primarily due to a decrease of **\$3.4 million** in personnel costs, including stock-based compensation, **cloud hosting** as a result of **decreased headcount**, and a **\$0.2 million** increase in capitalization of internal-use software.

Sales and Marketing

		Three Months Ended									
		September 30,									
		2023	2022								
		(dollars in thousands)									
Sales and marketing		\$ 16,708	\$ 19,311	\$		\$ (2,603)					(13)%
Percentage of revenue		48 %	56 %								

Sales and marketing expenses decreased by **\$2.6 million**, or **13%**, for the three months ended **September 30, 2023** compared to the same period in **2022**. The decrease was primarily related to a reduction of **\$3.1 million** in personnel costs, including stock-based compensation, and a **\$0.3 million** decrease in software expense as a result of decreased headcount. These decreases were partially offset by a **\$1.1 million** increase in marketing expense.

General and Administrative

	Three Months Ended				Change	% Change		
	September 30,							
	2023	2022						
(dollars in thousands)								
General and administrative	\$ 128	\$ 10,906	\$ (10,778)			(99)%		
Percentage of revenue	0 %	32 %						

General and administrative expenses decreased by \$10.8 million, or 99%, for the three months ended September 30, 2023 compared to the same period in 2022. This decrease was primarily attributable to a \$9.6 million reduction in personnel costs, including stock-based compensation, including a \$7.7 million reversal of stock-based compensation costs related to the

[Table of Contents](#)

cancelled CEO Performance Award. In addition, the decrease also included \$0.3 million of unoccupied lease charges incurred in 2022 related to the opening of our new headquarters in Austin, Texas. Additionally, corporate insurance costs decreased \$0.2 million.

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

Revenue

	Nine Months Ended				Change	% Change		
	September 30,							
	2023	2022						
(dollars in thousands)								
Revenue	\$ 102,348	\$ 102,653	\$ (305)			0 %		

Total revenue decreased by \$0.3 million, or 0.3%, for the nine months ended September 30, 2023 compared to the same period in 2022. Revenue related to new customers added since September 30, 2022 contributed \$12.7 million, which was offset by a \$13.1 million decrease in revenue from customers that existed as of September 30, 2022. The change in revenue from existing customers was driven by decreases in increased usage of our solution by several of our existing customers, primarily within managed review.

Cost of Revenue

	Nine Months Ended				Change	% Change		
	September 30,							
	2023	2022						
(dollars in thousands)								
Cost of revenue	\$ 26,255	\$ 26,092	\$ 163			1 %		
Percentage of revenue	26 %	25 %						

Total cost of revenue increased by \$0.2 million, or 1%, for the nine months ended September 30, 2023 compared to the same period in 2022. This change was primarily driven by product offerings and a \$0.3 million increase in amortization of internally developed software and a \$0.4 million increase in salary and benefits costs related to additional headcount. This increase was partially offset by a \$0.6 million \$0.3 million decrease in outsourced staffing vendor fees.

Operating Expenses

Research and Development

	Nine Months Ended				Change	% Change		
	September 30,							
	2023	2022	Change	% Change				
(dollars in thousands)								
Three Months Ended								
March 31,								
2024								
2024								
2024								
(dollars in thousands)								

Research and development												
\$41,095	\$43,193	(\$2,098)	(5) %	\$12,079	\$15,772	\$ (3,693)	(23)	(23 %)				
Percentage of revenue	Percentage of revenue	40 %	42 %									

Research and development expenses decreased by \$2.1 million \$3.7 million, or 5% 23%, for the nine three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022, 2023. The change was primarily driven by a \$2.1 million reduction decrease of \$3.6 million in personnel costs, including stock-based compensation, as a result of decreased headcount. Additionally, capitalization reduced headcount and the expansion of internal-use software increased \$0.9 million. Travel our operations to lower-cost international locations, and entertainment costs also decreased \$0.2 million. a \$0.5 million decrease in nonrecurring restructuring charges related to our reduction in force in January 2023. These decreases were partially offset by \$1.5 million a reduction in capitalized development of \$0.2 million.

Sales and Marketing

	Three Months Ended				Change	% Change		
	March 31,							
	2024	2023						
			(dollars in thousands)					
Sales and marketing	\$15,808	\$19,060	\$	\$	(3,252)	(17 %)		
Percentage of revenue	44 %	58 %						

Sales and marketing expenses decreased by \$3.3 million, or 17%, for the three months ended March 31, 2024 compared to the same period in 2023. The change was primarily related to a decrease of \$2.6 million in personnel costs, including stock-based compensation and variable compensation, for our sales personnel as a result of reduced headcount. Additionally, technology and travel related costs decreased \$0.3 million and \$0.2 million, respectively. In addition to these decreases, \$0.3 million of the decrease was due to nonrecurring restructuring costs charges related to our reductions in force in January and May 2023. These decreases were partially offset by a \$0.3 million increase in marketing expenses.

Table of Contents

Sales General and Marketing Administrative

	Nine Months Ended				Change	% Change		
	September 30,							
	2023	2022	Change	% Change				
			(dollars in thousands)					
Sales and marketing	\$53,821	\$54,661	\$ (840)	(2) %				
Three Months Ended								
March 31,								
2024								
2024								
			(dollars in thousands)					
General and administrative								
General and administrative								
General and administrative	\$11,164	\$12,300	\$ (1,136)	(9 %)				
Percentage of revenue	53 %	53 %						

Sales General and marketing administrative expenses decreased by \$0.8 million \$1.1 million, or 2% 9%, for the nine three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022. The decrease 2023. This change was primarily related attributable to a \$2.2 million reduction \$1.4 million decrease in personnel costs.

including stock-based compensation, as a result of decreased headcount. Additionally, professional services expense decreased \$1.1 million the expansion of our operations to lower-cost international locations, and travel and entertainment expenses decreased a \$0.2 million. These decreases were offset by a \$2.1 million increase decrease in marketing expense and \$0.8 million in nonrecurring restructuring costs charges related to our reductions reduction in force in January and May 2023.

General and Administrative

	Nine Months Ended				Change	% Change		
	September 30,							
	2023	2022						
General and administrative	\$ 23,345	\$ 30,490	\$	(7,145)		(23)%		
Percentage of revenue	23 %	30 %						

General and administrative expenses decreased by \$7.1 million, or 23%, for the nine months ended September 30, 2023 compared to the same period in 2022. This decrease was primarily attributable to a reduction of \$5.0 million in personnel costs, including the \$7.7 million reversal of stock-based compensation related to the cancelled CEO Performance Award. Had the CEO Performance Award not been cancelled, personnel costs would have increased \$2.7 million as a result of increased headcount. The decrease is also attributable to the \$1.3 million in unoccupied lease charges and moving expenses incurred in 2022 related to the opening of our new headquarters in Austin, Texas, as well as the \$0.4 million in issuance costs related to the CEO Performance Award granted in 2022. Further, corporate insurance costs decreased \$0.6 million. These decreases were partially offset by \$0.2 million an increase of \$0.9 million in restructuring costs related to our reductions in force in January and May 2023, professional services cost.

Non-GAAP Financial Measure

We report our financial results in accordance with generally accepted accounting principles, or GAAP. However, management believes that Adjusted EBITDA, a non-GAAP financial measure, provides investors with additional useful information in evaluating our performance. We define Adjusted EBITDA as net loss, adjusted to exclude: depreciation and amortization expense; income tax provision; interest and other, net; stock-based compensation expense; payroll tax expense on employee stock transactions; CEO Performance Award issuance expense; unoccupied lease expense; restructuring charges; expenses associated with stockholder litigation; and other one-time, non-recurring items, when applicable.

Adjusted EBITDA is a financial measure that is not required by or presented in accordance with GAAP. We believe that Adjusted EBITDA, when taken together with our financial results presented in accordance with GAAP, provides meaningful supplemental information regarding our operating performance and facilitates internal comparisons of our historical operating performance on a more consistent basis by excluding certain items that may not be indicative of our business, results of operations or outlook. In particular, we believe that the use of Adjusted EBITDA is helpful to our investors as it is a measure used by management in assessing the health of our business and evaluating our operating performance, as well as for internal planning and forecasting purposes.

Adjusted EBITDA is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. Some of these limitations include that: (i) it does not properly reflect capital commitments to be paid in the future; (ii) although depreciation and amortization expense is a non-cash charge, the underlying assets may need to be replaced and Adjusted EBITDA does not reflect these capital expenditures; (iii) it does not consider the impact of stock-based compensation expense

Table of Contents

and payroll tax expense on employee stock transactions; (iv) it does not reflect other non-operating expenses, including interest expense; (v) it does not consider the impact of any contingent consideration liability valuation adjustments; and (vi) it does not reflect tax payments that may represent a reduction in cash available to us. In addition, our use of Adjusted EBITDA may not be comparable to similarly titled measures of other companies because they may not calculate Adjusted EBITDA in the same manner, limiting its usefulness as a comparative measure. Because of these limitations, when evaluating our performance, you should consider Adjusted EBITDA alongside other financial measures, including our net loss and other results stated in accordance with GAAP. We expect Adjusted EBITDA to improve over the long term as we achieve greater scale in our business and efficiencies in our operating expenses.

The following table presents a reconciliation of Adjusted EBITDA to net loss, the most directly comparable financial measure stated in accordance with GAAP, for the periods presented:

	Three Months Ended		Nine Months Ended					
	September 30,		September 30,					
	2023	2022	2023	2022				
(in thousands)								
	Three Months Ended		Three Months Ended					
	March 31,		March 31,					
	2024				2024	2023		

		(in thousands)				(in thousands)	
Net loss	Net loss	\$ (1,030) \$(20,058) \$(36,310) \$(52,077)					
Depreciation and amortization expense	Depreciation and amortization expense	1,054	924	3,011	2,079		
Income tax provision	Income tax provision	64	38	161	110		
Interest and other, net	Interest and other, net	(1,931)	(50)	(6,019)	184		
Stock-based compensation expense	Stock-based compensation expense	(2,881)	5,665	11,211	14,393		
Payroll tax expense on employee stock transactions	Payroll tax expense on employee stock transactions	175	87	419	497	Payroll tax expense on employee stock transactions	
CEO Performance Award issuance expense		—	—	—	386		
Unoccupied lease expense		—	329	—	1,127		
Restructuring charges	Restructuring charges	—	—	2,590	—		
Expenses associated with stockholder litigation							
Adjusted EBITDA	Adjusted EBITDA	\$ (4,549)	\$(13,065)	\$(24,937)	\$(33,301)		

Liquidity and Capital Resources

We have financed operations since our inception primarily through customer payments and net proceeds from sales of equity securities, including our initial public offering of common stock ("IPO") IPO in July 2021, as well as borrowings under our former revolving credit facility, 2021. As of September 30, 2023 March 31, 2024, our principal sources of liquidity were cash and cash equivalents, totaling \$157.7 million \$148.7 million. Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less. We believe our existing cash and cash equivalents will be sufficient to fund anticipated cash requirements for the next 12 months. We believe we will meet our longer-term expected future cash requirements primarily from a combination of cash flow from operating activities and available cash and cash equivalents. We may also engage in equity or debt financings to secure additional funds.

Our principal cash requirements consist of obligations under our operating leases and purchase commitments to our cloud hosting providers and other vendors. There were no changes in our material cash requirements during the nine three months ended September 30, 2023 March 31, 2024 from the material cash requirements disclosed in our Annual Report on Form 10-K.

Our future capital requirements will depend on many factors, including our revenue growth rate, usage of our solution, product offerings, billing frequency, the timing and extent of spending to support further sales and marketing and research and development efforts, and the continuing market acceptance of our solution, product offerings. Although fluctuations in general macroeconomic conditions, including conditions resulting from inflation, such as the current inflationary environment and rising interest rates, and disruptions in access to bank deposits or lending commitments due to bank failures as well as the effects of global events, such as the COVID-19 pandemic, the Russia-Ukraine war and the Israel-Hamas war, have not materially impacted our liquidity to date, we plan to continue to evaluate aspects of our spending, including capital expenditures, discretionary spending, and strategic investments throughout 2023, 2024. We have considered the impacts of these factors on our liquidity and capital resources to date, and we do not currently expect them to impact our ability to meet future liquidity needs.

We may, in the future, enter into arrangements to acquire or invest in complementary businesses, products and technologies. We may be required to seek additional equity or debt financing. In the event that we require additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital or

[Table of Contents](#)

generate cash flows necessary to expand our operations and invest in continued innovation, we may not be able to compete successfully, which would harm our business, operations and financial condition.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

Operating Activities

Our largest source of operating cash is payments received from our customers. Our primary uses of cash from operating activities are for personnel-related expenses, marketing expenses, hosting expenses and overhead expenses. We have historically generated negative cash flows and have supplemented working capital requirements primarily through net proceeds from the sale of equity securities.

Net cash used in operating activities for the nine three months ended September 30, 2023 March 31, 2024 was \$28.7 million \$7.3 million, a decrease of \$7.9 million \$7.4 million from net cash used in operating activities of \$36.7 million \$14.8 million for the nine three months ended September 30, 2022 March 31, 2023. The decrease change in cash flow used in operating activities operations was primarily caused by the due to a decrease in the net loss of \$15.8 million \$9.8 million. Fluctuations in net loss are further explained in the 'Comparison of the Nine Three Months Ended September 30, 2023 March 31, 2024 and 2022' 2023 section included elsewhere in this "Management's Management's Discussion and Analysis of Financial Condition and Results of Operations." Analysis. The decrease in cash used in operating activities was also due to a decrease of \$1.1 million in other current assets due to a \$3.9 million decrease in prepaid expenses, and a \$0.9 million increase in depreciation and amortization expense. accounts receivable related to increased collections from customers. These decreases in cash used in operating activities were partially offset by a \$3.9 million increase decrease in accounts receivable stock-based compensation of \$1.6 million primarily related to lower collections the cancellation of outstanding balances, the CEO Performance Award, a decrease in accounts payable and accrued expenses of \$0.7 million \$3.4 million related to timing of payments and \$0.2 million related to cash paid for the growth acquisition of our operating legal workflow products from Congruity, an increase in other current assets of \$0.3 million related to various prepaid expenses, as well as and a \$1.4 million \$0.9 million decrease in deferred revenue as performance obligations are satisfied, and a decrease in stock-based compensation of \$3.2 million primarily related to the cancellation of the CEO Performance Award, satisfied.

Investing Activities

Net cash used in investing activities for the **nine** three months ended **September 30, 2023** **March 31, 2024** was **\$18.8 million** **\$0.7 million**, an increase a decrease of **\$9.7 million** **\$1.3 million** from net cash used in investing activities of **\$9.0 million** **\$2.0 million** for the **nine** three months ended **September 30, 2022** **March 31, 2023**. The **increase** change in cash used in investing activities was primarily related to **purchase of the primary law intangible asset of \$14.0 million** to support new features in our solution. The increase is offset by a **\$4.1 million** **\$1.2 million** decrease in cash paid for the acquisition of legal workflow solutions products from Congruity, during the nine months ended September 30, 2022, as well as a **\$0.2 million** decrease in purchases of purchases of property, equipment and capitalized internal-use software development costs.

Financing Activities

Net cash **provided by used in** financing activities for the **nine** three months ended **September 30, 2023** **March 31, 2024** was **\$1.9 million** **\$2.9 million**, a **decrease** change of **\$1.5 million** **\$4.0 million** from net cash provided by financing activities of **\$3.3 million** **\$1.2 million** for the **nine** three months ended **September 30, 2022** **March 31, 2023**. The change in cash flows was primarily related to the repurchase of common stock related to the share repurchase program of **\$2.7 million**, a decrease in proceeds from exercises of stock options of **\$3.4 million** **\$0.3 million** due to **decreased a decrease in option exercise activity**. This activity, a decrease was partially offset by **in** net proceeds received from the issuance of common stock under the ESPP of **\$1.5 million**, **\$0.6 million**, as well as a **\$0.5 million** increase in cash paid for the acquisition of legal workflow products from Congruity.

Critical Accounting Estimates

Our condensed consolidated financial statements have been prepared in accordance with GAAP. The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting

[Table of Contents](#)

periods. We evaluate our estimates and assumptions on an ongoing basis using historical experience and other factors and adjust those estimates and assumptions when facts and circumstances dictate. Actual results could differ materially from those estimates and assumptions.

While our significant accounting policies are more fully described in Note 2, "Summary of Significant Accounting Policies" **Policies**, in the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, these are the accounting policies we believe are the most critical to aid in fully understanding and evaluating our financial condition and results of operations.

Revenue Recognition

We recognize revenue from contracts with customers using the five-step method described in Note 3, "Revenue Recognition" of the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Our performance obligations consist of usage-based and subscription contracts. Our usage-based revenue is generated from contracts that are typically billed on a monthly basis based on actual usage. Subscription revenue is derived from contracts where customers are contractually committed to a minimum data volume over a period of time. Usage amounts above the minimum data volume are considered usage-based revenue. Subscription arrangements are billed in advance, typically on a monthly, quarterly or annual basis with revenue recognized on a ratable basis over the contractual term. On a limited basis, we enter into contracts whereby the consideration payable is contingent upon the conclusion of the legal matter. We do not recognize the revenue related to these contracts until the legal matter is resolved. Such amounts recognized have been immaterial to date.

In general, we satisfy the majority of our performance obligations over time as we transfer the promised solution to our customers. We review the contract terms and conditions to evaluate the timing and amount of revenue recognition, the related contract balances and our remaining performance obligations. These evaluations involve uncertainty because they may require significant judgment that could affect the timing and amount of revenue recognized. Usage-based revenue is recognized monthly based on actual usage and subscription revenue is recognized on a ratable basis over the contractual term.

Internal-Use Capitalized Software Development

We capitalize certain costs related to the development of our **solution** **product offerings** and other software applications for internal use. In accordance with authoritative guidance, we begin to capitalize our costs to develop software during the application development stage. Capitalization of costs begins when two criteria are met: (i) the preliminary development efforts are successfully completed, **management has authorized and committed project funding**, and (ii) it is probable that the project will be completed and the software will be used as intended. We stop capitalizing these costs when the software is substantially complete and ready for its intended use, including the completion of all significant testing. These costs are amortized on a straight-line basis over the estimated useful life of the related asset, generally estimated to be four years. We also capitalize costs related to specific upgrades and enhancements when it is probable the expenditure will result in additional functionality and expense costs incurred for maintenance and minor upgrades and enhancements. Costs incurred prior to meeting these criteria together with costs incurred for training and maintenance are expensed as incurred and recorded within product development expenses in our condensed consolidated statements of operations and comprehensive loss. The capitalization of **internal-use** software development contains uncertainties because it requires management to exercise judgment in determining the point at which various projects may be capitalized, in assessing the ongoing value of the capitalized costs and in determining the estimated useful lives over which the costs are amortized. To the extent that we change the manner in which we develop and test new features and functionalities related to our **solution**, **product offerings**, assess the ongoing value of capitalized assets or determine the estimated useful lives over which the costs are amortized, the amount of **internal-use** software development costs we capitalize and amortize could change in future periods.

Stock-Based Compensation

We account for stock-based compensation in accordance with the authoritative guidance on stock compensation. Under the fair value recognition provisions of this guidance, stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense, over the requisite service period, which is generally the vesting period of the respective award.

[Table of Contents](#)

Determining the fair value of stock-based awards at the grant date requires judgment. On May 20, 2022, the Compensation Committee approved the CEO Performance Award to Kiwi Camara, our Co-Founder who was then serving as the Chief Executive Officer, subject to approval of our stockholders at the 2022 Annual Meeting of Stockholders. The CEO Performance Award **was** is a 10-year nonstatutory stock option, the vesting of which **was** is tied solely to achieving stock price milestones. The milestone price requirement is considered a market condition under ASC Topic 718, **Compensation - Stock Compensation**. The grant date fair value of the CEO Performance Award was estimated using Monte Carlo simulations based on the following key assumptions:

- *Fair value of the common stock.* The fair value of our underlying common stock is determined by the closing price of our common stock on the date of grant, as reported by the NYSE.
- *Expected volatility.* The expected volatility is derived from a weighted average of DISCO's volatility and the historical volatilities of the common stock of several entities with characteristics similar to ours, such as the size and operational and economic similarities to our **principle** **principal** business operations.
- *Risk-free interest rate.* The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero coupon U.S. Treasury notes with maturities approximately equal to the expected term of the CEO Performance Award.
- *Expected dividend.* The expected dividend is assumed to be zero as we have never paid dividends and have no current plans to pay any dividends on our common stock.
- *Exercise behavior.* The exercise behavior is assumed to be the midpoint of (i) the later of the time-based vest date and performance hurdle achievement date, and (ii) the expiration date.

If any assumptions used in the Monte Carlo simulations **change** **changed** significantly, stock-based compensation expense may differ. **We did not make any stock option grants** On September 10, 2023, Mr. Camara resigned from his position as Chief Executive Officer and member of the **nine** months ended September 30, 2023.

We have also granted restricted stock awards, or RSAs, restricted stock units, or RSUs, Board of Directors, effective immediately. As no Milestone Prices were achieved as of September 10, 2023, the termination resulted in the cancellation of the CEO Performance Award, and performance-based restricted stock units, or PSUs. The PSUs vest on the satisfaction of both service-based and performance-based conditions. The performance-based conditions are based on the achievement of specified revenue, Adjusted EBITDA and non-qualitative business-related performance criteria. Each reporting period, we accrue all stock-based compensation based on the assessed probability of achieving the performance targets. Stock-based compensation related expense incurred to RSAs, RSUs and PSUs is measured based on the fair value of the common stock on the grant date. Stock-based compensation is recognized **date** was reversed in our condensed consolidated statements of operations over the period in which the recipient is required to perform services in exchange for the award, which is generally the vesting period, termination and cancellation occurred.

Acquisitions

When we acquire a business, the purchase consideration is allocated to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated respective fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require us to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired users, acquired technology, useful lives and discount rates. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to operating expense in the condensed consolidated statements of operations and comprehensive loss.

Recent Accounting Pronouncements

See *Recently Adopted Accounting Pronouncements* in Note 2, "Summary of Significant Accounting Policies," in our condensed consolidated financial statements of this Quarterly Report on Form 10-Q for more information.

JOBS Act Accounting Election

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act, and, for so long as we continue to be an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of

[Table of Contents](#)

holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. In addition, pursuant to Section 107 of the JOBS Act, an emerging growth company may elect to take advantage of the extended transition period for complying with new or revised accounting standards until those standards would otherwise apply to private companies. However, we have irrevocably opted not to use the extended transition period for complying with any new or revised financial accounting standards, and as such, we are required to adopt new or revised standards at the same time as other public companies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in the ordinary course of our business. 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 principally the result of fluctuations in interest rates and foreign currency exchange rates.

Interest Rate Risk

We had cash and cash equivalents of **\$157.7 million** **\$148.7 million** and **\$203.2 million** **\$159.6 million** as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** December 31, 2023, respectively, which consisted of bank deposits and money market funds. The cash and cash equivalents are held for working capital purposes. Such interest-earning instruments carry a degree of interest rate risk. The primary objective of our investment activities is to preserve principal while generating income without significantly increasing risk. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. Due to the short-term nature of our investments, we have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates.

Foreign Currency Exchange Risk

Our revenue and expenses are primarily denominated in U.S. dollars. For our foreign operations, the majority of our revenue and expenses are denominated in other currencies, namely, British pound, Canadian dollar and India rupee. Our subsidiary remeasures subsidiaries remeasure monetary assets and liabilities at period-end exchange rates, while non-monetary items are remeasured at historical rates. Revenue and expense accounts are remeasured at the average exchange rate in effect during the period. If there is a change in foreign currency exchange rates, the conversion of our foreign subsidiary's financial statements into U.S. dollars would result in a realized gain or loss which is recorded in our condensed consolidated statements of operations and comprehensive loss. We do not currently engage in any hedging activity to reduce our potential exposure to currency fluctuations, although we may choose to do so in the future. A hypothetical 10% change in foreign exchange rates during the periods presented would not have had a material impact on our condensed consolidated financial statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rule 12a-15(e) and Rule 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded and processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of **September 30, 2023** **March 31, 2024**. Based on the evaluation of our disclosure controls and procedures as of **September 30, 2023** **March 31, 2024**, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

[Table of Contents](#)

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent 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. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. 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, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. 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 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.

[Table of Contents](#)

Part II - Other Information

Item 1. Legal Proceedings

From time to time, we are involved in various legal proceedings arising from the normal course of business activities. Defending such proceedings is costly and can impose a significant burden on management and employees. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

On September 19, 2023, a purported stockholder class action lawsuit was filed against us and certain of our current and former officers in the United States District Court in the Southern District of New York, alleging violations under Sections 10(b) and 20(a) of the Exchange Act. The complaint alleges that we made materially false or misleading statements about the factors that were driving our revenue growth between July 21, 2021 and August 11, 2022. The complaint seeks an unspecified amount of damages, interest, attorneys' fees, expert fees, costs, and other relief as the court may deem just and proper. On December 12, 2023, the Court appointed a lead plaintiff and lead counsel. On January 8, 2024, the Court transferred the case to the United States District Court in the Western District of Texas.

On November 3, 2023, a purported stockholder class action lawsuit was filed against the Company and certain of its current and former officers in New York Supreme Court, County of New York, alleging violations under Sections 11 and 12(a)(2) of the Securities Act of 1933. The complaint alleges that the Company made false or misleading statements about the factors that were driving revenue growth between July 21, 2021 and August 11, 2022. The complaint seeks an unspecified amount of damages, interest, attorneys' fees, expert fees, costs, rescission, equitable and injunctive relief, and other relief as the court may deem just and proper. On January 18, 2024, this purported stockholder class action lawsuit was dismissed without prejudice.

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties, including those described below. You should carefully consider the risks described below, together with the financial and other information contained in this Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our condensed consolidated financial statements and related notes. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks or others not specified below materialize, our business, financial condition, results of operations and prospects could be materially and adversely affected. Unless otherwise indicated, references in these risk factors to our business being harmed will include harm to our business, reputation, brand, financial condition, results of operations and prospects. As a result, the trading price of our common stock could decline.

Risk Factors Summary

Our business operations are subject to numerous risks, factors and uncertainties, including those outside of our control, that could cause our actual results to be harmed, including risks regarding the following:

- Our substantial growth since inception may not be indicative of our future growth. Our historical growth also makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.
- Our limited operating history and our history of operating losses makes it difficult to evaluate our current business and prospects and may increase the risks associated with your investment.
- Our business depends on customers increasing their use of our product offerings and any loss of customers or decline in their use of our product offerings could harm our business.
- Usage of our product offerings accounts for substantially all of our revenue.
- If we are unable to attract new customers and retain existing customers, our business, financial condition and results of operations will be adversely affected.
- We rely upon third-party providers of cloud-based infrastructure to host our cloud-based solution. Any disruption in the operations of these third-party providers, limitations on capacity or interference with our use could adversely affect our business, financial condition and results of operations.
- We expect fluctuations in our financial results which may cause quarterly comparisons not to be meaningful.

- If we fail to forecast our revenue accurately or manage our expenditures, or if we fail to meet publicly announced guidance, our operating results could be adversely affected, and our stock price could decline.

- Our revenue growth depends in part on the success of our strategic relationships with law firms and other legal services providers, and if we are unable to establish and maintain successful relationships with them, our business, operating results and financial condition could be adversely affected.

[Table of Contents](#)

- The markets in which we participate are competitive, and if we do not compete effectively, our business will be harmed.
- We employ a pricing model that subjects us to various challenges, and given our limited history with our pricing model, we may not be able to accurately predict the optimal pricing necessary to attract new customers and retain existing customers.
- If we cannot improve and **maintain** **sustain** our corporate culture as we grow, our success and our business and competitive position may be harmed.
- We rely on the performance of highly skilled personnel, including our management and other key employees, and the loss of one or more of such personnel, or of a significant number of our team members, could harm our business.
- Our current operations are international in scope and we plan on further geographic expansion, creating a variety of operational challenges.
- Unfavorable conditions in the global economy, including a global or domestic recession or the fear thereof, could cause reductions in legal spending and harm our business.
- We may in the future be subject to legal proceedings and litigation, including intellectual property disputes, which are costly and may subject us to significant liability and increased costs of doing business. Our business may suffer if it is alleged or determined that our technology infringes the intellectual property rights of others.
- We operate in a highly regulated industry and either are or may be subject to a wide range of federal, state and local, as well as foreign, laws, rules and regulations, and our failure to comply with these laws and regulations may force us to change our operations or harm our business.
- If our information technology systems or data, including the personal information and other sensitive information we process, or the information technology systems or data of third parties upon whom we rely, are or were compromised, we could experience adverse consequences, including, but not limited, to additional costs, loss of revenue, significant liabilities, harm to our brand, or material disruption of our operations.
- Insiders have substantial control over us and will be able to influence corporate matters.

Risks Related to Our Growth and Capital Requirements

Our substantial growth since inception may not be indicative of our future growth. Our historical growth also makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

We have experienced substantial growth in our business, including significant growth in headcount, our number of customers, usage, and amount of data delivered across our **solution** **product** **offerings**, since inception. Our For example, our revenue was **\$102.3 million** **\$35.6 million**, **\$102.7 million** **\$33.1 million**, **\$135.2 million** **\$138.1 million** and **\$114.3 million** **\$135.2 million** for the **nine** three months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** and the years ended **December 31, 2022** **December 31, 2023** and **2021**, **2022**, respectively. You should not rely on the revenue growth reflected by any prior quarterly or annual period as an indication of our future performance. Although our revenues increased from **2021** to **2022**, year over year, our rate of revenue growth has declined from prior periods. Even if periods and our quarterly revenue continues to increase, our within individual product offerings has fluctuated. Our revenue growth rate may continue to decline, and our revenue may decline, in the future as a result of a variety of factors, including the maturation of our business, increased competition, negative media or industry or financial analyst commentary regarding us or our solution, product offerings, changes in personnel, changes to technology, a decrease or periodic fluctuations in the growth of our overall market, changes in the volume of legal matters and other organizational changes affecting our customer base and resulting in litigation, or our failure, for any reason, to continue to take advantage of growth opportunities. Overall growth of our revenue depends on a number of factors, including our ability to:

- price our **solution** **product** **offerings** effectively so that we are able to attract new customers and expand sales to our existing customers;
- expand the functionality **applications** of our **solution**; **product** **offerings**;
- maintain and expand the rates at which customers use our **solution**; **product** **offerings**;
- provide our customers with support that meets their needs;
- maintain or increase customer satisfaction with our **solution**; **product** **offerings**;

Table of Contents

- continue to introduce and sell our **solution** **product** **offerings** to new markets;
- continue to develop **applications** and new functionality **on within** our **solution** **product** **offerings** and successfully further optimize our **solution**, **product** **offerings**, including continued innovation of our artificial intelligence system for legal documents;
- successfully identify and acquire or invest in businesses, products or technologies that we believe could complement or expand our **solution**; **product** **offerings**;
- recruit, hire, train and manage additional qualified developers, professionals and sales and marketing personnel; and
- increase awareness of our brand on a global basis and successfully compete with other companies.

We may not successfully accomplish any of these objectives, and as a result, it is difficult for us to forecast our future results of operations. If the assumptions that we use to plan our business are incorrect or change in reaction to changes in the markets in which we operate, or if we are unable to maintain consistent revenue or revenue growth, our stock price could be volatile, and it may be difficult to achieve and maintain profitability.

In addition, we expect to continue to expend substantial financial and other resources on:

- our technology infrastructure, including systems architecture, scalability, availability, performance and security;
- sales and marketing, including the future expansion of our sales organization to engage existing and prospective customers, increase brand awareness and drive adoption of our **solution; product offerings;**
- product development, including investments in our development team and the development of new **applications of our solution and new functionality for our existing applications product offerings** and in the protection of our intellectual property rights related to our product development;
- services and support for the benefit and assistance of customers using our **solution; product offerings;**
- acquisitions or strategic investments;
- international expansion; and
- general administration, including the legal and accounting expenses associated with being a public company.

These investments may not be successful on the timeline we anticipate or at all and may not result in increased revenue growth. If we are unable to maintain or increase our revenue at a rate sufficient to offset the expected increase in our costs, our business, financial position and results of operations will be harmed, and we may not be able to achieve or maintain profitability over the long term. Additionally, we have encountered, and may in the future encounter, risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as unforeseen operating expenses, difficulties, complications, delays and other known or unknown factors that may result in losses in future periods. If our revenue growth does not meet our expectations in future periods, our business, financial position and results of operations may be harmed, and we may not achieve or maintain profitability in the future.

We may not be able to successfully manage our growth and, if we are not able to grow efficiently, our business, financial condition and results of operations could be harmed.

The rapid growth we have experienced in our business places significant demands on our operational infrastructure. As usage of our **solution product offerings** grows, we will need to devote additional resources to improving and maintaining our infrastructure and integrating with third-party applications, including open source software. In addition, we will need to appropriately scale our internal business systems and our services organization, including customer support and professional services, to serve our growing customer base. Any failure or delay in these efforts could lead to impaired system performance and reduced customer satisfaction, resulting in decreased sales to customers, lower dollar-based net retention rates, the issuance of service credits or requested refunds, which would hurt our revenue growth and our reputation. Even if we are successful in our expansion efforts, they will be expensive and complex, and require the dedication of significant management time and attention. We could also face inefficiencies or service disruptions as a result of our efforts to scale our internal infrastructure. We cannot be sure that the expansion of and improvements to our internal infrastructure will be effectively implemented on a timely basis, if at all, and such failures could harm our business, financial condition and results of operations.

[Table of Contents](#)

Our limited operating history and our history of operating losses makes make it difficult to evaluate our current business and prospects and may increase the risks associated with your investment.

We launched our business in 2013 and have experienced net losses in each fiscal year since inception. We incurred net losses of **\$36.3 million** **\$10.6 million** and **\$52.1 million** **\$20.4 million** for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**, respectively. We generated net losses of **\$70.8 million** **\$42.2 million** and **\$24.4 million** **\$70.8 million** for the years ended **December 31, 2022** **December 31, 2023** and **2021**, respectively. As of **September 30, 2023** **March 31, 2024**, we had an accumulated deficit of **\$234.5 million** **\$251.2 million**. We will need to generate and sustain increased revenue levels and manage costs in future periods in order to become profitable. Even if we achieve profitability, we may not be able to maintain or increase our level of profitability. We intend to continue to incur significant costs to support further growth and **further develop development of our solution, product offerings**, including expanding the functionality of our **solution, platform**, technology infrastructure and business systems, expanding our partner ecosystem, increasing our marketing activities and growing our international operations. We will also face increased compliance costs associated with the growth and expansion of our customer base. These increased expenditures will make it harder for us to achieve or sustain profitability. We may incur significant losses in the future for a number of reasons, including the other risks described herein, and unforeseen expenses, difficulties, complications and delays and other unknown events. If we are unable to achieve and sustain profitability, the value of our common stock could decline and our business may be harmed.

We have limited historical financial data and operate in a rapidly evolving **market** and **cyclical market that is prone to significant periodic fluctuations**. As a result, it is difficult to evaluate our current business and our future prospects, including our ability to plan for and model future growth, and any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable market. We have encountered and will continue to encounter risks and difficulties frequently experienced by rapidly growing companies in constantly evolving industries, including the risks described herein. If we do not address these risks successfully, our business may be harmed.

Our ability to timely raise capital in the future may be limited, or such capital may be unavailable on acceptable terms, if at all.

We have funded our operations since inception primarily through payments received from our customers, sales of equity securities, including our IPO in July 2021, and borrowings under our former credit facility. We cannot be certain when or if our operations will generate sufficient cash to fully fund our ongoing operations or the growth of our business. We intend to continue to make investments to support our business and may require additional funds. We evaluate financing opportunities from time to time and our ability to obtain financing will depend, among other things, on our development efforts, business plans, operating performance and condition of the capital markets at the time we seek financing. Additional financing may not be available on favorable terms, if at all. Weakness and volatility in the capital markets and the economy in general **including as a result of macroeconomic uncertainties and conditions and recent and potential future disruptions in access to bank deposits or lending commitments due to bank closures**, could limit our access to capital markets and increase our costs of borrowing. If adequate funds are not available on acceptable terms, we may be unable to invest in future growth opportunities, which could harm our business, operating results and financial condition. Furthermore, if we issue additional equity securities, stockholders will experience dilution and the new

equity securities could have rights senior to those of our common stock. Because our decision to issue securities in future offerings will depend on numerous considerations, including factors beyond our control, we cannot predict or estimate the amount, timing or nature of any future issuances of debt or equity securities. As a result, our stockholders bear the risk of future issuances of debt or equity securities reducing the value of our common stock and diluting their interests.

Our issuance of additional capital stock in connection with financings, acquisitions, investments, our equity incentive plans or otherwise will dilute all other stockholders.

We may issue additional capital stock in the future that will result in dilution to all other stockholders. We expect to grant equity awards to employees, directors and consultants under our equity incentive plans. We may also raise capital through equity financings in the future. As part of our business strategy, we may acquire or make investments in companies and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per share value of our common stock to decline.

[Table of Contents](#)

Risks Related to Our Business and Industry

Our business depends on customers increasing their use of our solution product offerings and any loss of customers or decline in their use of our solution product offerings could harm our business.

Our ability to grow and generate incremental revenue depends, in part, on our ability to maintain and grow our relationships with existing customers and to have them increase their usage of our solution product offerings. Customers are charged in part based on their usage of our solution product offerings. If our customers do not increase their usage of our solution product offerings, our revenue may decline and our results of operations may be harmed. Most of our customers do not have long-term contractual financial commitments to us and, therefore, most of our customers may reduce or cease their use of our solution product offerings at any time. Customers may terminate or reduce their use of our solution product offerings for any number of reasons, including the settlement or other resolution of legal matters, reductions in the volume of major legal matters experienced, customer budget constraints, customer satisfaction or negative perceptions as to the reliability of our solution product offerings relative to traditional methods of performing legal services, changes in our customers' underlying businesses and financial conditions, changes in the type and size of our customers, pricing changes, legal industry trends away from litigation toward alternative forms of dispute resolution, negative media or industry or financial analyst commentary regarding us or our solution product offerings, changes in personnel, competitive conditions and general economic conditions. In addition, even if our customers expand their usage of our solution product offerings, we cannot guarantee that they will maintain those usage levels for any meaningful period of time.

Customers under usage-based contracts can cancel their contracts or reduce their usage at any time. The loss of customers or reductions in their usage of our solution product offerings may each have a negative impact on our business, results of operations and financial condition. Because a significant majority of our revenue is directly correlated with our customers' usage of our solution product offerings, which in turn is dependent on the timing of and activity driven by litigation, investigations and other legal matters for which our solution product offerings are used, our operating results have fluctuated significantly in the past in connection with the inception and conclusion of large legal matters, and we expect such fluctuations to continue for the foreseeable future. In particular, usage of DISCO Review, our AI-powered document review offering, decreases and increases more significantly with the completion and inception of litigation, investigations and other legal matters than with our other offerings, and as a result can have a material impact on our quarter-to-quarter revenue fluctuations, even though revenues from such offering currently constitute a small proportion of our overall annual revenues.

In addition, existing customers may negotiate lower rates for their usage or other discounts on pricing in exchange for an agreement to retain, renew or expand their usage in the future or adopt new solutions product offerings. As a result, these customers may not reduce their usage of our solution product offerings, but the revenue we derive from that usage will decrease. If our customers reduce their usage of or do not continue to use our solution product offerings, our revenue and other results of operations will decline and our business will suffer.

Our future success also depends in part on our ability to expand our existing customer relationships by increasing usage and developing and selling additional offerings to our existing customers. The rate at which our customers purchase our solution product offerings from us depends on a number of factors, including our ability to develop additional features for our solution platform and the quality of such applications, features, general economic conditions and pricing and services offered by our competitors. For example, we are developing developed a new ediscovery chatbot, Cecilia, which is currently in beta testing and we anticipate releasing released publicly in the fourth quarter of 2023 in the U.S., United States, and intend to offer our customers access to sources of primary law, which we acquired through our Fastcase license and intend to launch in 2024. If our efforts to increase usage and develop and sell additional offerings to our customers are not successful, or the development of additional features is delayed, our business may be harmed.

Usage of our solution product offerings accounts for substantially all of our revenue.

We have derived and expect to continue to derive substantially all of our revenue from usage of our solution product offerings. As such, market adoption of our solution product offerings is critical to our continued success. Our operating results could suffer due to:

- any decline in demand for our solution product offerings, including due to fluctuations in demand for e-discovery solutions generally due to the cyclical nature of our industry and changes in the volume of acquisitions, reorganizations, bankruptcies and other organizational changes affecting our customer base and resulting in litigation;
- the failure of our solution product offerings to achieve continued market acceptance;
- the failure of the market for cloud-based technologies for the legal industry to continue to grow, or grow as quickly as we expect;
- the introduction of products and technologies that serve as a replacement or substitute for, or represent an improvement over, our solution product offerings;
- technological innovations or new standards that our solution does product offerings do not address;
- sensitivity to current or future prices offered by us or our competitors;

[Table of Contents](#)

- our customers' development of their own proprietary solutions; and
- our inability to release enhanced versions of our **solution product offerings** on a timely basis.

If the market for our **solution product offerings** grows more slowly than expected or if demand for our **solution product offerings** does not grow as quickly as anticipated, whether as a result of competition, pricing sensitivities, product obsolescence, technological change, unfavorable economic conditions, uncertain geopolitical environment, budgetary constraints of our customers or other factors, our business would be harmed.

If we are unable to attract new customers and retain existing customers, our business, financial condition and results of operations will be adversely affected.

We must attract new customers and retain existing customers to continue to grow our business. Our success will depend to a substantial extent on the widespread adoption of our **solution product offerings** as an alternative to existing offerings, including as an alternative to traditional systems relying on manual tasks and processes. Our customers include law firms and other legal services providers, legal departments of corporate enterprises and organizations and governmental entities. We must convince potential customers of the value of our cloud software **solution platform** and that our technologies can automate and simplify legal services more accurately, efficiently and securely than lawyers and their staff and the products of our competitors. This may require significant and costly sales efforts that are targeted at law firms and legal departments of corporate enterprises and organizations and the senior management of these potential customers. In addition, our ability to attract new customers depends in part on our partner ecosystem, consisting of law firms and other legal services providers who resell our **solution product offerings**. We must develop and maintain strong relations with our partner ecosystem and convince our partners of the value of our **solution product offerings** so that they drive adoption of our **solution product offerings** by their customers. Additionally, our **solution platform** allows our customers to add other legal industry participants as non-paying users of our **solution platform**. Our ability to attract new customers depends in part on our ability to convert the non-paying users. Our success also depends in part on our ability to offer a compelling **solution product offerings** and the effectiveness of our sales organization. Numerous other factors, many of which are out of our control, may now or in the future impact our ability to acquire new customers, including, but not limited to:

- competitive offerings;
- potential customers' commitments to other providers;
- real or perceived costs of switching to our **solution product offerings**;
- our failure to expand, retain and motivate our sales and marketing personnel;
- our failure to develop or expand relationships with potential customers and our partner ecosystem;
- failure by us to help our customers to successfully deploy our **solution product offerings**;
- negative media or industry or financial analyst commentary regarding us or our **solution product offerings**;
- changes in personnel;
- negative perceptions about the reliability of cloud-based legal solutions;
- litigation activity; and
- deteriorating general economic conditions.

If the legal market and the demand for legal services decline, customers may decide not to adopt our **solution product offerings** and our existing customers may cease using our **solution product offerings** to reduce costs. As a result of these and other factors, we may be unable to attract new customers or retain existing customers, which would adversely affect our business, financial condition and results of operations.

If our **solution platform** fails to perform properly due to defects, interruptions, delays in performance or similar problems and if we fail to resolve any defect, interruption, delay or other problem, we could lose customers, become subject to service performance or warranty claims or incur significant costs.

Our operations are dependent upon our ability to prevent system interruption. The technologies underlying our cloud **solution platform** are complex and may contain material defects or errors, which may cause disruptions in availability or other performance problems. We have from time to time found defects in our **solution platform** and may discover additional defects in the future that could result in service issues. These defects or errors could also be found in third-party applications on which we

[Table of Contents](#)

rely. We may not be able to detect and correct defects or errors before a customer begins using our **solution platform**. Consequently, we or our customers may discover defects or errors after our **solution has product offerings have** been deployed.

In addition, we may experience system slowdowns and interruptions from time to time. Continued growth in our customer base could place additional demands on our **solution platform** and could cause or exacerbate slowdowns or interrupt the availability of our **solution product offerings**. If there is a substantial increase in the volume of usage on our **solution platform**, we will be required to further expand and upgrade our technology and infrastructure. There can be no assurance that we will be able to accurately project the

rate or timing of increases, if any, in the use of our **solution** platform or expand and upgrade our systems and infrastructure to accommodate such increases on a timely basis. In such cases, if our users are not able to access our **solution** platform or encounter slowdowns when doing so, we may lose customers or partners. In order to remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our **solution** product offerings. Our response to such slowdowns or interruptions may not be sufficient to address all aspects or any unanticipated consequence or incidents and our insurance may not be sufficient to compensate us for the losses that could occur.

Our customers use our **solution** product offerings to manage critical aspects of their businesses and operations. The occurrence of any defects, errors, disruptions in service or other performance problems, or delays with our **solution**, product offerings, whether in connection with the day-to-day operations or otherwise, could result in:

- loss of customers;
- loss of partners;
- reduced customer usage of our **solution**; product offerings;
- reduced ability to attract new customers;
- lost or delayed market acceptance and sales of our **solution**; product offerings;
- delays in payment to us by customers;
- injury to our reputation and brand;
- legal claims, including warranty claims, against us; and
- diversion of our resources, including through increased service and warranty expenses or financial concessions, and increased insurance costs.

The costs incurred in correcting any material defects, errors or other performance problems in our **solution** product offerings may be substantial and could harm our business.

Incorrect or improper use of our **solution product offerings could result in customer dissatisfaction and harm our business, results of operations, financial condition and growth prospects.**

We regularly train our customers in the proper use of and the variety of benefits that can be derived from our **solution** product offerings to maximize its potential. Our failure to train customers on how to efficiently and effectively deploy and use our **solution**, product offerings, or our failure to provide effective support or professional services to our customers, whether actual or perceived, may result in negative publicity or legal actions against us. Also, as we continue to expand our customer base, any actual or perceived failure by us to properly provide these services will likely result in lost opportunities for follow-on sales of our related services.

Customers may find our **solution** product offerings to be complicated to use and it may not be easy to maximize the value of our **solution** product offerings without proper training. Moreover, we have designed our **solution** platform to allow for use by law firms and legal services providers who are not direct customers. If our customers or such third-parties perceive that our **solution** is product offerings are too complex or time-consuming to learn and use, customer perceptions of our company and our **solution** product offerings may be impaired, our reputation and brand may suffer and customers may choose not to use our **solution** product offerings or increase their purchases of our offerings. Further, incorrect or improper use of our **solution** product offerings by our customers or their external legal services providers may result in negative legal outcomes and potentially subject such parties to claims of malpractice, which would adversely affect our reputation and customer confidence in our **solution**.

[Table of Contents](#)

product offerings.

We rely upon third-party providers of cloud-based infrastructure to host our cloud-based **solution platform. Any disruption in the operations of these third-party providers, limitations on capacity, or interference with our use could adversely affect our business, financial condition and results of operations.**

Our continued growth depends in part on the ability of our existing and potential customers to continue to adopt and utilize our cloud-based **solution** platform. We outsource substantially all of the infrastructure relating to our cloud-based **solution** platform to third-party hosting services. In particular, Amazon Web Services, or AWS, provides the cloud computing infrastructure that we use to host our **solution** platform and many of the internal tools we use to operate our business. Customers of our cloud-based **solution** platform expect to be able to access our **solution** product offerings at any time, without interruption or degradation of performance. Our **cloud-based solution** cloud-

based platform depends on protecting the virtual cloud infrastructure hosted by third-party hosting services by maintaining its configuration, architecture, features and interconnection specifications, as well as the information stored in these virtual data centers, which is transmitted by third-party internet service providers. Any disruption as a result of cyber-attacks or similar issues, or any limitation on the capacity of our third-party hosting services, could impede our ability to onboard new customers or expand the usage of our existing customers or otherwise adversely affect our business, which could adversely affect our financial condition and results of operations. Due to the fact that we rely on third-party providers of cloud-based infrastructure to host our cloud-based **solution**, platform, it may become increasingly difficult to maintain and improve their performance, especially during peak usage times and as our cloud capabilities become more complex and our user traffic increases, because we do not control the infrastructure supporting these services. In addition, any incident affecting our third-party hosting services' infrastructure that may be caused by cyber-attacks, natural disasters, fire, flood, severe storm, earthquake, power loss, telecommunications failures, outbreaks of contagious diseases, terrorist or other attacks and other similar events beyond our control could negatively affect our cloud-based **solution**, platform. If our cloud-based **solution** platform is unavailable or if our users are unable to access our cloud-based **solution** platform within a reasonable amount of time or at all, we may experience a loss of customers, lost or delayed market acceptance of our **solution**, product offerings, delays in payment to us by customers, injury to our reputation and brand, legal claims against us and the diversion of our resources. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the third-party hosting services we use.

As our business grows, we may need to engage additional providers of cloud computing infrastructure to support our operations. Adequate additional support may not be available to us on acceptable terms, or at all. Furthermore, certain customers may require that we use or avoid specific providers of cloud computing infrastructure. If we fail to enter into agreements or integrate our **solution** product offerings with third-party offerings that our customers require to operate their businesses, or to provide the proper support or ease of integration our customers require, we may not be able to offer the functionality that our customers and their consumers expect, which would harm our business. In addition, in the event that our service agreements with our third-party hosting services are terminated, or there is a lapse of service, elimination of services or features that we utilize, interruption of internet service provider connectivity or damage to such facilities, we could experience interruptions in access to our cloud-based **solution** platform as well as significant delays and additional expense in arranging or creating new facilities and services and/or re-architecting our cloud-based **solution** platform for deployment on a different cloud infrastructure service provider, which could adversely affect our business, financial condition and results of operations.

We rely on AWS to host our **solution, **platform**, and any disruption of service from AWS or material change to our arrangement with AWS could adversely affect our business.**

We currently host our **solution** platform and support most of our operations using AWS, a provider of cloud infrastructure services. We do not control the operations of AWS's facilities. AWS's facilities are vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, cyber security attacks, terrorist attacks, power losses, telecommunications failures and similar events or could be subject to break-ins, computer viruses, sabotage, intentional acts of vandalism and other misconduct. The occurrence of any of these events, a decision to close the facilities or cease or limit providing services to us without adequate notice or other unanticipated problems could result in interruptions to our **solution**, **product offerings**, which may be lengthy. Our **solution's** continuing product offerings' continuous and uninterrupted performance is critical to our success and employers and job seekers may become dissatisfied by service interruption. Sustained or repeated system failures could reduce the attractiveness of our **solution** product offerings to customers, cause our customers to decrease their use of or stop using our **solution** product offerings and otherwise adversely affect our business. Moreover, negative publicity from disruptions could damage our reputation.

AWS does not have an obligation to renew its agreements with us on commercially reasonable terms, or at all. If we cannot renew our agreement or are unable to renew on commercially reasonable terms, we may experience costs or downtime in connection with the transfer to, or the addition of, new cloud infrastructure or other data centers. If these providers charge high costs for or increase the cost of their services, we will experience higher costs to operate our business and may have to increase the fees to use our **solution** product offerings and our operating results may be adversely impacted.

[Table of Contents](#)

Upon expiration or termination of our agreement with AWS, we may not be able to replace the services provided to us in a timely manner or on terms and conditions, including service levels and cost, that are favorable to us, and a transition from one vendor to another vendor could subject us to operational delays and inefficiencies until the transition is complete. Switching our operations from AWS to another cloud or other data center provider would also be technically difficult, expensive and time consuming.

Any of the above circumstances or events may harm our reputation, cause customers to stop using our **solution**, **product offerings**, impair our ability to increase revenue from existing customers, impair our ability to grow our customer base, subject us to financial penalties and liabilities under our service level agreements and otherwise harm our business, results of operations and financial condition.

We expect fluctuations in our financial results, which may cause period-to-period comparisons not to be meaningful.

Our business model is usage-based and there is inherent unpredictability in the timing, duration and scope of our customers' legal matters requiring use of our **solution**, **product offerings**. Our operating results have fluctuated in the past and are expected to fluctuate in the future due to a variety of factors, many of which are outside of our control. As a result, our results of operations, including the levels of our revenues, working capital and cash flows, may vary significantly in the future, such that period-to-period comparisons of our results of operations may not be meaningful. Our financial results may fluctuate due to a variety of factors, many of which are outside of our control and may be difficult to predict, including, but not limited to:

- the timing of our customers' usage of our **solution**, **product offerings**, which is impacted by the inception and completion of litigation, investigations and other legal matters, particularly in the case of usage of our DISCO Review offering;
- the level of demand for or pricing of our **solution**, **product offerings**;
- our ability to grow or maintain usage by our existing customers and acquire new customers;
- the timing and success of new functionality, features, integrations, capabilities and enhancements by us to our **solution**, **product offerings**, or by our competitors to their products, or any other changes in the competitive landscape of our market;
- the timing and amount of our investments to expand the capacity of our third-party cloud infrastructure providers;
- changes in our customers' budgets and in the timing of their budget cycles and purchasing decisions;
- changes in regulatory or legal environments that may cause us to incur, among other elements, expenses associated with compliance;
- negative media or industry or financial analyst commentary regarding us or our **solution**, **product offerings**;
- changes in personnel;
- general economic conditions, both domestically and internationally, as well as economic conditions specifically affecting industries in which our customers participate;
- the cyclical nature of the e-discovery industry;
- changes in the volume of acquisitions, reorganizations, bankruptcies and other organizational changes affecting our customer base and resulting in litigation;
- the effects of potential acquisitions and their integration;
- the impact of new accounting pronouncements;

- changes in the competitive dynamics of our market, including consolidation among competitors or customers;
- significant security breaches of, technical difficulties with or interruptions to the delivery and use of our **solution**; **product offerings**;
- awareness of our brand and our reputation in our target markets;
- errors in our forecasting of the demand for our **solution**; **product offerings**, which would lead to lower revenues, increased costs, or both; and
- our ability to control costs, including research and development and sales and marketing expenses.

Any one or more of the factors above may result in significant fluctuations in our results of operations. In addition, because we were founded in 2013 and have experienced rapid expansion of our business and revenues since such time, we do not have a long history upon which to base forecasts of future revenue and operating results. Accordingly, we may be unable to accurately forecast our revenues. As a result, our past results may not be indicative of our future performance, and the variability and unpredictability of our results of operations or other operating metrics could result in our failure to meet our expectations or those of investors or analysts with respect to revenues or other metrics for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the trading price of our common stock could decline substantially and we could face lawsuits that are costly and may divert management's attention, including securities class action suits.

[Table of Contents](#)

If we fail to forecast our revenue accurately or manage our expenditures, or if we fail to meet publicly announced guidance, our operating results could be adversely affected, and our stock price could decline.

Because our substantial growth since inception has resulted in the rapid expansion of our business and revenues, we do not have a long history upon which to base forecasts of future revenue and operating results. We cannot accurately predict customers' usage given the uncertain timing and duration of legal matters and the diversity of our customer base across industries, geographies and size and other factors. Accordingly, we may be unable to accurately forecast our revenues notwithstanding our substantial investments in sales and marketing, infrastructure and research and development in anticipation of continued growth in our business. If we do not realize returns on these investments in our growth, our results of operations could differ materially from our forecasts, which would adversely affect our results of operations and could disappoint analysts and investors, causing our stock price to decline.

In addition, we release earnings guidance in our quarterly and annual earnings conference calls, quarterly and annual earnings releases, or otherwise, regarding our future performance that represents our management's estimates as of the date of release. Our actual business results may vary significantly from such guidance or consensus due to a number of factors, many of which are outside of our control, including global economic uncertainty and financial market conditions, which could adversely affect our business and future operating results. Furthermore, we have in the past and may in the future make downward revisions of our previously announced guidance. If we withdraw our previously announced guidance, or if our publicly announced guidance of future operating results fails to meet expectations of securities analysts, investors or other interested parties, the price of our common stock may decline.

If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standards, changing regulations and changing customer needs, requirements or preferences, our **solution** **product offerings** may become less competitive.

The market in which we compete is relatively new and subject to rapid technological change, evolving industry standards and regulatory changes, as well as changing customer needs, requirements and preferences.

The success of our business will depend, in part, on our ability to adapt and develop enhancements for our **solution** **product offerings** that respond effectively to these changes on a timely basis and in a user-friendly manner. For example, our ediscovery chatbot, Cecilia, is in beta testing, and we anticipate releasing it was publicly released in the fourth quarter of 2023 in the U.S., and we intend to offer our customers customer access to sources of primary law, which we acquired through our Fastcase license, by in 2024. If we are unable to evolve our cloud **solution** platform to satisfy our customers' needs and provide enhancements or add new and innovative features and capabilities to our **solution** **product offerings** that keep pace with rapid technological and industry change, or if the release of new features and capabilities are delayed, our revenue and operating results could be adversely affected. If new technologies emerge that enable our competitors to deliver competitive products, services and applications at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely impact our ability to compete. If our **solution** **does** **product offerings** do not allow us or our customers to comply with the latest regulatory requirements, our existing customers may decrease their usage on our **solution** **product offerings** and new customers will be less likely to adopt our **solution** **product offerings**.

A limited number of customers represent a substantial portion of our revenue. If we fail to retain these customers, our revenue could decline significantly.

We derive a substantial portion of our revenue from sales to our top 10% customers. As a result, our revenue could fluctuate materially and could be and has in the past been materially and disproportionately impacted by purchasing decisions of these customers or any other significant future customer. Because a significant majority of our revenue is directly correlated with our customers' usage of our **solution** **product offerings**, which in turn is dependent on the timing of and activity driven by litigation, investigations and other legal matters for which our **solution** **is** **product offerings** are used, our operating results have fluctuated significantly in the past in connection with the inception and conclusion of large legal matters, and we expect such fluctuations to continue for the foreseeable future. In particular, usage of DISCO Review, our AI-powered document review offering, decreases and increases more significantly with the completion and inception of litigation, investigations and other legal matters than with our other offerings, and as a result can have a material impact on our quarter-to-quarter revenue fluctuations, even though revenues from such offering currently constitute a small proportion of our overall annual revenues. Any of our significant customers may decide to purchase less than they have in the past, may alter their purchasing patterns at any time with limited notice, may cease usage of our **solution** **product offerings** following the conclusion of a matter, or may decide not to continue to use our **solution** **product offerings** at all, any of which could cause our revenue to decline and adversely affect our financial condition and results of operations. If we do not further diversify our customer base, we will continue to be susceptible to risks associated with customer concentration.

[Table of Contents](#)

Our revenue growth depends in part on the success of our strategic relationships with law firms and other legal services providers, and if we are unable to establish and maintain successful relationships with them, our business, operating results and financial condition could be adversely affected.

We seek to grow our partner ecosystem as a way to grow our business. We plan to continue to establish and maintain similar strategic relationships with law firms and other legal services providers and we expect these entities to become an increasingly important aspect of our business. Our future growth in revenue and ability to achieve and sustain profitability depends in part on our ability to identify, establish and retain successful strategic partner relationships in the United States and internationally, which will take significant time and resources and involve significant risk. In order to develop and expand our distribution channel, we must develop and improve our processes for partner introduction and training. If we do not succeed in identifying suitable strategic partners or maintain our relationships with such partners, our business, operating results and financial condition may be adversely affected.

Moreover, we cannot be certain that these law firm and other legal services provider partners will prioritize or provide adequate resources to promote or utilize our **solution product offerings**. Further, some of our partners also work with our competitors. As a result of these factors, many of our law firm and other legal services provider partners may choose to promote alternative technologies in addition to or in lieu of our **solution product offerings**, either on their own or in collaboration with others, including our competitors. We cannot assure you that our law firm and other legal services provider partners will continue to cooperate with us. In addition, actions taken or omitted to be taken by such parties may adversely affect us. Even if we are successful in establishing and maintaining these relationships with law firms and other legal services providers, we cannot assure you that these relationships will result in increased customer usage of our **solution product offerings** or increased revenue to us.

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

Our ability to increase our customer base and achieve broader market acceptance of our **solution product offerings** will significantly depend on our ability to expand our marketing and sales operations. We plan to dedicate significant resources to sales, marketing and demand-generation programs, including various online marketing activities as well as targeted account-based advertising. The effectiveness of our targeted account-based advertising has varied over time and may vary in the future. All of these efforts will require us to invest significant financial and other resources and if they fail to attract additional customers, our business will be harmed. If our lead generation methods do not result in broader market acceptance of our **solution product offerings**, we will not realize the intended benefits of this strategy and our business will be harmed.

We believe that there is significant competition for sales personnel, including sales representatives, sales managers and sales engineers, with the skills and technical knowledge that we require. Our ability to achieve significant revenue growth will depend in large part on our success in recruiting, training and retaining sufficient numbers of sales personnel to support our growth. New hires require significant training and may take significant time before they achieve full productivity. Our recent hires may not become productive as quickly as we expect, if at all, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. In addition, particularly if we grow rapidly, new members of our sales force will have relatively little experience working with us, our **solution product offerings** and our business model. If we are unable to hire and train sufficient numbers of effective sales personnel, our sales personnel do not reach significant levels of productivity in a timely manner, or our sales personnel are not successful in acquiring new customers or expanding usage by existing customers, our business will be harmed.

The markets in which we participate are competitive, and if we do not compete effectively, our business will be harmed.

The market for technology solutions for law firms, private enterprises and government and other organizations is highly fragmented, competitive and constantly evolving. With the introduction of new technologies and market entrants, we expect that the competitive environment in which we compete will remain intense going forward. Almost all potential customers have existing solutions for ediscovery and legal document review in place, which typically **consist** of a mix of **cloud-based solutions**, on-premise point solutions and human professional service providers to deliver these solutions. Our competitors include (i) legal services providers, including large dedicated legal services providers such as Consilio LLC, Epiq Systems, Inc. and KLDiscovey Inc., the legal services divisions of large professional firms such as Deloitte & Touche LLP, Ernst and Young LLP, KPMG LLP and PricewaterhouseCoopers LLP, as well as a large number of smaller regional and local services companies and certain law firms providing in-house ediscovery and document review solutions; (ii) legacy on-premise software providers, such as Nuix Limited, Open Text Corporation and Relativity ODA LLC, or Relativity, RELX PLC and Thomson Reuters Corporation; and (iii) cloud software providers, such as Everlaw, Inc., **Logik Systems, Inc. (d.b.a. Logikcull)**, Relativity through its RelativityOne offering, and Reveal Data Corporation. Corporation (recently acquired Logik Systems, Inc. - d.b.a. Logikcull). In addition, we expect to expand our **solution product offerings** to address additional areas of the legal function and we likely face further competition from existing companies in such areas.

[Table of Contents](#)

Some of our competitors have made or may make acquisitions or be acquired by private equity sponsors, enterprises or special purpose acquisition companies or may enter into commercial relationships or other strategic relationships that may provide more comprehensive offerings than they individually had offered. Such acquisitions or relationships may help competitors achieve greater economies of scale than us. In addition, new entrants not currently considered to be competitors may enter the market through acquisitions, partnerships or strategic relationships.

We compete on the basis of a number of factors, including:

- our **solution's product offerings**' functionality, scalability, performance, ease of use, reliability, security, availability and cost-effectiveness relative to that of our competitors' products and services;
- our ability to utilize new and proprietary technologies to offer services and features previously not available in the marketplace;
- our ability to identify new markets, applications and technologies;
- our ability to attract and retain customers;
- our brand, reputation and trustworthiness;
- perceptions about the security, privacy and availability of our **solution product offerings** relative to competitive products and services;

- the quality of our customer support;
- our ability to recruit software developers and sales and marketing personnel; and
- our ability to protect our intellectual property.

Our competitors vary in size and in the breadth and scope of the products and services offered. Many of our competitors and potential competitors have greater name recognition, greater market penetration, longer operating histories, more established customer relationships and installed customer bases and substantially greater financial, human, technical and other resources than we do and may be able to offer competing solutions to potential customers on more favorable terms than us. While some of our competitors provide a platform with applications to support one or more use cases, many others provide point-solutions point solutions that address a single use case. Other potential competitors not currently offering competitive applications may expand their product offerings to compete with our solution product offerings. Our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards and customer requirements. An existing competitor or new entrant could introduce new technology that reduces demand for our solution product offerings. In addition to application and technology competition, we face pricing competition. Some of our competitors offer their applications or services at a lower price, which has resulted in pricing pressures. Some of our larger competitors have the operating flexibility to bundle competing applications and services with other offerings, including offering them at a lower price or for no additional cost to customers as part of a larger sale of other products. For all of these reasons, we may not be able to compete successfully and competition could result in the failure of our solution product offerings to achieve or maintain market acceptance, any of which could harm our business.

If the estimates and assumptions we have used to calculate the size of our addressable market opportunity are inaccurate, our future growth rate may be limited.

We have estimated the size of our addressable market opportunity based on data published by third parties and on internally generated data and assumptions. While we believe our market size information is generally reliable, such information is inherently imprecise and relies on our and third parties' projections, assumptions and estimates within our target market, which are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in this Quarterly Report on Form 10-Q. Our market is developing and may develop differently than we expect. Market opportunity estimates and growth forecasts that we may make from time to time are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. If such third-party or internally generated data prove to be inaccurate or we make errors in our projections, assumptions or estimates based on that data, including how current customer data and trends may apply to potential future customers and the number and type of potential customers, our addressable target market opportunity and/or our future growth rate may be less than we currently estimate. In addition, these inaccuracies or errors may cause us to misallocate capital and other business resources, which could divert resources from more valuable alternative projects and harm our business.

The variables that go into the calculation of our market opportunity are subject to change over time and there is no guarantee that any particular number or percentage of addressable users or companies covered by our addressable target market opportunity estimates will purchase our solution product offerings at all or generate any particular level of revenue for us. Any expansion in our

Table of Contents

market depends on a number of factors, including the cost, performance and perceived value associated with our solution and applications product offerings and those of our competitors. Even if the market in which we compete meets our size estimates and growth forecasts, we may not be successful in capitalizing on such market opportunity and our business could fail to grow for a variety of reasons, including reasons outside of our control, such as competition in our industry.

Our growth is subject to many factors, including our success in expanding our international operations, continuing to expand the use of our solution product offerings by our customers and otherwise implementing our business strategy, which are subject to many risks and uncertainties. Accordingly, information regarding the size of our addressable market opportunity should not be taken as indicative of our future growth.

If we fail to develop, maintain and enhance our brand, our ability to expand our customer base will be impaired and our business, results of operations and financial condition may suffer.

We believe that maintaining and enhancing our brand is important to continued market acceptance of our existing and future applications, product offerings, attracting new customers and retaining existing customers. We also believe that the importance of brand recognition will increase as competition in our market increases. Successfully maintaining and enhancing our brand will depend largely on the effectiveness of our marketing efforts and strategies, our ability to provide a reliable solution product offerings that continues continue to meet the needs of our customers at competitive prices, our ability to maintain our customers' trust, our ability to continue to develop new functionality and applications for our solution product offerings and our ability to successfully differentiate our solution product offerings from competitive products and services. Additionally, our brand and reputation may be affected if customers do not have a positive experience with our law firm and other legal services provider partners' services. Our brand promotion activities may not generate customer awareness or yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incurred in building our brand. If we fail to successfully promote and maintain our brand, our business may be harmed.

Furthermore, any negative publicity relating to our employees, customers or others associated with these parties may also tarnish our own reputation simply by association and may reduce the value of our brand. For example, we recently experienced negative publicity following the departure of our former chief executive officer, which negative publicity may affect perception of our brand. Damage to our brand and reputation may result in reduced demand for our solution product offerings and increased risk of losing market share to our competitors. Any efforts to restore the value of our brand and rebuild our reputation may be costly and may not be successful.

We employ a pricing model that subjects us to various challenges, and given our limited history with our pricing model, we may not be able to accurately predict the optimal pricing necessary to attract new customers and retain existing customers.

We generally charge our customers for their usage of our **solution product offerings** across a variety of dimensions of usage. We do not know whether our current or potential customers or the market in general will continue to accept this pricing model going forward and, if it fails to gain acceptance, our business could be harmed. In addition, we have limited experience with respect to determining the optimal pricing for our **solution product offerings** and, as a result, we have changed our pricing model in the past and expect that we may need to change it in the future. As the market for our **solution product offerings** matures and technology changes and improves, or as new competitors introduce new products or services that compete with ours, we may be unable to attract new customers at the same price or based on the same pricing models as we have used historically. Pricing decisions may also impact the mix of adoption among our customers and negatively impact our overall revenue. Moreover, frequent or significant users of our **solution product offerings** may demand substantial price concessions. As a result, in the future we may be required to reduce our prices or develop new pricing models, which could adversely affect our revenue, gross margin, profitability, financial position and cash flow.

Our sales cycles with customers can be long and unpredictable and our sales efforts require considerable time and expense.

The timing of our sales with our enterprise customers and related revenue recognition is difficult to predict because of the length and unpredictability of the sales cycle for these customers. In addition, for our enterprise customers, the lengthy sales cycle for the evaluation and implementation of our **solution product offerings** may also cause us to experience a delay between incurring expenses for such sales efforts and the generation of corresponding revenue. The length of our sales cycle for these customers can vary substantially from customer to customer. Our sales efforts involve educating our customers about the use, technical capabilities and benefits of our **solution product offerings**. Customers often undertake a prolonged evaluation process, which frequently involves not only our **solution product offerings** but also those of our competitors. In addition, the size of potential customers may lead to longer sales cycles. As the use of our **solution product offerings** can be dependent upon the timing of work in legal matters, our sales cycle can extend to even longer periods of time. During the sales cycle, we expend significant time and money on sales and marketing and contract negotiation

Table of Contents

activities, which may not result in a completed sale. Additional factors that may influence the length and variability of our sales cycle include:

- the effectiveness of our sales force, particularly new salespeople, as we increase the size of our sales force and train our new salespeople to sell to enterprise customers;
- the discretionary nature of customers' purchasing decisions and budget cycles;
- customers' procurement processes, including their evaluation of competing products and services;
- economic conditions and other factors affecting customer budgets;
- the regulatory environment in which our customers operate;
- customers' familiarity with cloud computing solutions;
- evolving customer demands; and
- competitive conditions.

Given these factors, it is difficult to predict whether and when a customer will switch to our **solution product offerings**.

Further, some of our potential customers may undertake a significant evaluation and negotiation process due to size, organizational structure and approval requirements, all of which can lengthen our sales cycle. We may also face unexpected deployment challenges with such enterprises or more complicated deployment of our **solution product offerings**. These enterprises may demand additional features, support services and pricing concessions or require additional security management or control features. We may spend substantial time, effort and money on sales efforts to these customers without any assurance that our efforts will produce any sales or that these customers will deploy our **solution product offerings** widely enough across their organization to justify our substantial upfront investment. As a result, it is difficult to predict exactly when, or even if, we will make a sale to a potential customer or if we can increase sales to our existing customers.

If we cannot improve and maintain sustain our corporate culture as we grow, our success and our business and competitive position may be harmed.

We believe our culture has been a key contributor to our success to date and that the critical nature of the solution that we provide promotes a sense of greater purpose and fulfillment in our employees. We have invested in building a strong corporate culture and believe it is one of our most important and sustainable sources of competitive advantage. However, in the aftermath of the recent departure of our former chief executive officer and media reporting on the circumstances of his departure, we determined that certain aspects of our corporate culture need to be reassessed. We have begun executing on an action plan to review and, to the extent necessary, take action to strengthen our culture and make all employees feel that we maintain a positive and constructive work environment. Any failure to improve and preserve our culture could negatively affect our ability to retain and recruit personnel and retain and win new customers, both of which are critical to our growth, and to effectively focus on and pursue our corporate objectives. As we grow and our resources become more globally dispersed, we may find it increasingly difficult to maintain our corporate culture. If we fail to improve and maintain our corporate culture, or if we are unable to retain or hire key personnel, our business and competitive position may be harmed.

The success of our business depends on our customers' continued and unimpeded access to our solution platform on the internet.

Our customers must have internet access in order to use our **solution platform**. We have experienced, and may in the future experience, disruptions, outages, defects and other performance and quality problems with the public cloud and internet infrastructure on which our cloud **solution platform** relies. These problems can be caused by a variety of factors, including introductions of new functionality, vulnerabilities and defects in proprietary and open source software, human error or misconduct, capacity constraints, design limitations, as well as from internal and external security breaches, malware and viruses, ransomware, cyber events, denial or degradation of service attacks or other security-related incidents. In addition, some internet providers may take measures that affect their customers' ability to use our **solution platform**, such as degrading the quality of the content we transmit over their lines, giving that content lower priority, giving other content higher priority than ours, blocking our content entirely, or attempting to charge their customers more for using our **solution platform**. As we expand our operations internationally, these problems will be further exacerbated and we will face additional complexity due to our inability to control internet infrastructure outside the United States. Material disruptions, outages, defects and other security performance and quality problems with the public cloud

and internet infrastructure on which our cloud **solution platform** relies, or any material change in our contractual and other business relationships with our public cloud providers, could result in reduced use of our **solution**, **product offerings**, increased expenses, including

[Table of Contents](#)

significant, unplanned capital investments and harm to our brand and reputation, any of which could have a material adverse effect on our business, financial condition and results of operations.

Any failure to offer high-quality support and professional services for our customers may harm our relationships with our customers and, consequently, our business.

Once our **solution** is **product offerings** deployed, our customers sometimes request consulting and training to assist them in integrating our **solution** **product offerings** into their business and rely on our customer support personnel to resolve issues and realize the full benefits that our **solution** **provides**, **product offerings** **provide**. Our ability to provide effective customer support is largely dependent on our ability to attract, train and retain qualified personnel with experience in supporting customers with a cloud **solution platform** such as ours and maintaining the same. The number of our customers has grown significantly, which is likely to increase demand for consulting, training, support and maintenance related to our **solution** **product offerings** and place additional pressure on our customer support teams. If we are unable to provide sufficient high-quality consulting, training, integration and maintenance resources, our customers may not effectively integrate our **solution** **product offerings** into their business or realize sufficient business value from our **solution** **product offerings** to justify further usage, which could impact our future financial performance. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for technical support or maintenance assistance. We also may be unable to modify the future, scope and delivery of our maintenance services and technical support to compete with changes in the technical services provided by our competitors. Increased customer demand for support and professional services, without corresponding revenue, could increase costs and negatively affect our operating results. In addition, as we continue to grow our operations and support our global customer base, we need to be able to continue to provide efficient support and effective maintenance that meets our customers' needs globally at scale. Our ability to attract new customers is highly dependent on our business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality support services, or a market perception that we do not maintain high-quality support services for our customers, would harm our business.

We rely on the performance of highly skilled personnel, including our management and other key employees and the loss of one or more of such personnel, or of a significant number of our team members, could harm our business.

We believe our success has depended, and continues to depend, on the efforts and talents of senior management and key personnel. We also are dependent on the continued service of our existing software engineers because of the complexity of our **solution**, **platform**, and our existing salespeople, because of their relationship with our customers. Our senior management and key employees are employed on an at-will basis. In addition, many of our senior management and key employees may be able to receive significant proceeds from sales of our equity in the public markets, which may reduce their motivation to continue to work for us. We cannot ensure that we will be able to retain the services of any member of our senior management or other key employees or that we would be able to timely replace members of our senior management or other key employees should any of them depart. The loss of one or more of our senior management or other key employees could harm our business.

From time to time, there may be changes in our management team resulting from the hiring or departure of executives and key employees, such as the departure of our former chief executive officer, Kiwi Camara, in September 2023. Any change in key personnel could disrupt our business. Mr. Camara's departure and ensuing negative publicity about the company has resulted in some disruption to our business, which may have an adverse effect on our ability to attract, recruit and retain key employees.

The failure to attract and retain additional qualified personnel could prevent us from executing our business strategy.

To execute our business strategy and growth plan, we must attract and retain highly qualified personnel, including a new **Chief Executive Officer**, **chief executive officer**. Competition for executive officers, software developers, legal professionals, sales and customer support personnel and other key employees in our industry is intense. In particular, we compete with many other companies for software developers with high levels of experience in designing, developing and managing cloud-based software, as well as for legal professionals to support our **solution** **product offerings** and skilled sales and operations professionals. In addition, we believe that the success of our business and corporate culture depends on employing people with a variety of backgrounds and experiences and the competition for such diverse personnel is significant. While the market for such talented personnel is particularly competitive in Austin, Texas, where our headquarters is located, it is also competitive in other markets where we maintain operations and the increased prevalence of remote work has increased competition for employees in all markets. Moreover, to the extent we expand our operations to additional markets, we may face difficulties attracting talented personnel to such locations. Many of the companies with which we compete for experienced personnel have greater resources than we do and can frequently offer such personnel substantially greater compensation than we can offer. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business would be harmed.

[Table of Contents](#)

Future acquisitions, strategic investments, partnerships, or alliances could be difficult to identify and integrate, divert the attention of management, disrupt our business and dilute stockholder value.

We have in the past and may in the future make acquisitions of other companies, products and technologies that we believe could complement, expand or enhance the features and functionality of our **solution** **product offerings** and technical capabilities, broaden our service offerings or offer growth opportunities. We may not be able to find suitable acquisition candidates and we may not be able to complete acquisitions on favorable terms, if at all. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals and any acquisitions we complete could be viewed negatively by customers, developers or investors. In addition, we may not be able to integrate acquired businesses successfully or effectively manage the combined company following an acquisition. If we fail to successfully integrate our acquisitions, or the people or technologies associated with those acquisitions, into our company, the results of operations of the combined company could be adversely affected. Any integration process will require significant time and resources, require significant attention from management and disrupt the ordinary functioning of our business and we may not be able to manage the

process successfully, which could harm our business. In addition, we may not successfully evaluate or utilize the acquired technology and accurately forecast the financial impact of an acquisition transaction, including accounting charges.

We may have to pay cash, incur debt or issue equity securities to pay for any such acquisition, each of which could affect our financial condition or the value of our capital stock. The sale of equity to finance any such acquisitions could result in dilution to our stockholders. If we incur more debt, it would result in increased fixed obligations and could also subject us to covenants or other restrictions that would impede our ability to flexibly operate our business.

Our current operations are international in scope and we plan on further geographic expansion, creating a variety of operational challenges.

A component of our growth strategy involves the further expansion of our operations and customer base internationally. For the three ~~and nine~~ months ended **September 30, 2023** **March 31, 2024**, the percentage of revenue generated from customers outside the United States was less than 10% of our total revenue. In addition, we have established ~~subsidiaries in Canada, India, and the United Kingdom~~. We are continuing to adapt to and develop strategies to address international markets but there is no guarantee that such efforts will have the desired effect. In connection with such expansion, we may face difficulties, including costs associated with expansion, varying seasonality patterns, potential adverse movement of currency exchange rates, longer payment cycle difficulties in collecting accounts receivable in some countries, increased management, travel, infrastructure and legal compliance costs associated with having operations and developing our business in multiple jurisdictions, different technical standards, existing or future regulatory and certification requirements and required features and functionality, political and economic conditions and uncertainty in each country or region in which we operate and general economic and political conditions and uncertainty around the world, tariffs and trade barriers, a variety of regulatory or contractual limitations on our ability to operate, adverse tax events, reduced protection of intellectual property rights in some countries and a geographically and culturally diverse workforce and customer base. In addition, our ~~solution~~ **has** product offerings have been developed with a focus on the practice of law in the United States and the rules and regulations applicable domestically in the United States and we may be required to expend substantial time and resources to update our ~~solution~~ product offerings or develop new applications to address alternative systems of legal resolution in other jurisdictions. Furthermore, in certain jurisdictions in which we seek to enter, the rules and regulations governing the practice of law and e-discovery may impose additional obligations or restrictions on our operations. Failure to overcome any of these difficulties could harm our business.

Our limited experience in operating our business internationally increases the risk that any potential future expansion efforts that we may undertake will not be successful. If we invest substantial time and resources to further expand our international operations and are unable to do so successfully and in a timely manner, our business may be harmed.

We are exposed to fluctuations in currency exchange rates.

Our sales contracts are primarily denominated in U.S. dollars and therefore substantially all of our revenue is not subject to foreign currency risk. However, a strengthening of the U.S. dollar could increase the real cost of our ~~solution~~ product offerings to our customers outside of the United States, which could adversely affect our operating results. In addition, an increasing portion of our operating expenses are incurred and an increasing portion of our assets are held outside the United States. These operating expenses and assets are denominated in foreign currencies and are subject to fluctuations due to changes in foreign currency exchange rates. While we do not currently engage in hedging efforts, if we do not successfully hedge against the risks associated with currency fluctuations as our international operations and customer base grow, our business may be harmed.

[Table of Contents](#)

Risks Related to Socioeconomic Factors

Unfavorable conditions in the global economy, including a global or domestic recession or the fear thereof, could cause reductions in legal spending and harm our business.

Our results of operations may vary based on the impact of changes in the global economy on us, our industry or our customers and potential customers. Negative conditions in the general economy both in the United States and abroad, including conditions resulting from a global or domestic recession or the fear thereof, ~~changes~~ inflation, fluctuations in inflation, rising interest rates, disruptions in access to bank deposits or lending commitments due to bank failures, changes in gross domestic product growth, financial and credit market fluctuations, political turmoil, natural catastrophes, lower corporate earnings, reduction in business confidence and activity, warfare and terrorist attacks on the United States, Europe, the Asia-Pacific region, or elsewhere, could cause a decrease in business investments, including spending on information technology, which would harm our business. This risk is presently heightened by the uncertain economic impact of the COVID-19 pandemic, ~~changes~~ ongoing inflation, fluctuations in inflation, interest rates ~~recent bank closures~~ and other macroeconomic pressures in the ~~United States~~ U.S. and the global economy, as well as the impact of the Russia-Ukraine and Israel-Hamas wars and the related political and economic response. To the extent that our ~~solution~~ product offerings are perceived by customers and potential customers as too costly, or difficult to deploy or migrate to, our revenue may be disproportionately affected by delays or reductions in general information technology spending. Moreover, corporate entities may elect to reduce legal spending, both internally and through outside counsel, or be less willing to try alternatives to the traditional legal function. Also, our competitors, many of which are larger and have greater financial resources than we do, may respond to market conditions by lowering prices and attempting to lure away our customers. The increased pace of consolidation in certain industries, ~~in part due to opportunistic acquisitions in a depressed valuation environment~~, may also result in reduced overall spending on information technology and legal services. We cannot predict the timing, strength or duration of any economic slowdown, instability or recovery, generally or within any particular industry.

Our business and results of operations may be materially adversely affected by the COVID-19 pandemic, including variants of COVID-19, or other similar outbreaks or pandemics.

Our business could be materially adversely affected by the outbreak of a widespread health epidemic or pandemic, including the COVID-19 pandemic, variants of COVID-19 or other similar outbreaks or pandemics. The COVID-19 outbreak adversely affected workforces, economies and financial markets globally. As a result of the COVID-19 pandemic, governments in many of the jurisdictions in which we or our customers operate implemented significant measures, including lockdowns, closures, quarantines, travel bans and occupancy limits intended to control the spread of the virus, forcing court closures and causing general delays in litigation proceedings and the collection of enterprise data. Due to these factors, we experienced flat revenue growth in the second quarter of 2020 from the first quarter of 2020. While strict shelter-in-place, limitations on indoor occupancy and similar orders have been lifted, similar restrictions applicable to in-person operations may in the future be re-instituted in some jurisdictions as a result of potentially more contagious variants of the COVID-19 virus.

We cannot predict how the COVID-19 pandemic and COVID-19 variants will continue to develop, whether and to what extent government regulations or other restrictions may impact our operations or those of our customers or whether or to what extent the COVID-19 pandemic and COVID-19 variants or the effects thereof may have longer-term unanticipated impacts on our business. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on our business. However, if the pandemic continues to persist as a severe worldwide health crisis, the disease may harm our business and may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

Risks Related to Our Intellectual Property

Any failure to protect our proprietary technology and intellectual property rights could substantially harm our business and operating results.

Our success and ability to compete depends in part on our intellectual property and our other proprietary technology information. We seek to control access to our proprietary information by entering into a combination of confidentiality and proprietary rights agreements, invention assignment agreements and nondisclosure agreements with our employees, consultants and third parties with whom we have relationships.

As of **September 30, 2023** **March 31, 2024**, we had **seven****10** U.S. granted patents and **17****15** pending U.S. patent applications related to our **solution platform** and its technology. We cannot assure you that any of our patent applications will result in the issuance of a patent or that the examination process will not require us to narrow our claims. Any patents that issue from any patent applications may not give us the protection that we seek or may be challenged, invalidated or circumvented. Any patents that may issue in the future from our pending or future patent applications may not provide sufficiently broad protection and may not be valid and enforceable in actions against alleged infringers. Any patents we have obtained or may obtain in the future may be found to be

[Table of Contents](#)

invalid or unenforceable in light of recent and future changes in the law, or because of technology developed prior to the inventions we have sought to patent or because of defects in our patent prosecution process.

We may in the future be subject to legal proceedings and litigation, including intellectual property disputes, which are costly and may subject us to significant liability and increased costs of doing business. Our business may suffer if it is alleged or determined that our technology infringes the intellectual property rights of others.

The software industry is characterized by the existence of a large number of patents, copyrights, trademarks, trade secrets and other intellectual property rights. Companies in the software industry are often required to defend against litigation claims based on allegations of infringement, misappropriation or other violations of intellectual property rights. Our technologies may not be able to withstand any third-party claims or rights against their use. In addition, many of these companies have the capability to dedicate substantially greater resources to enforce their intellectual property rights (and may also have greater resources to defend claims that may be brought against them). Any litigation may also involve patent holding companies or other adverse patent owners that have no relevant product revenue and against which our patents may therefore provide little or no deterrence. If a third party is able to obtain an injunction preventing us from accessing such third-party intellectual property rights, or if we cannot license or develop technology for any infringing aspect of our business, we would be forced to limit or stop offering applications impacted by the claim or injunction or cease business activities covered by such intellectual property and may be unable to compete effectively. Any inability to license third-party technology in the future would have an adverse effect on our business or operating results and would adversely affect our ability to compete. We may also be contractually obligated to indemnify our customers in the event of infringement of a third party's intellectual property rights and any such claims could hurt our business as well. Such claims, regardless of their merit, can be time-consuming, costly to defend in litigation and damaging to our reputation and brand. In addition, although we carry general liability and cyber security insurance, our insurance may not be adequate to indemnify us for all liability that may be imposed or otherwise protect us from liabilities or damages with respect to claims alleging compromises of customer data and any such coverage may not continue to be available to us on acceptable terms or at all.

Lawsuits are time-consuming and expensive to resolve, and they divert management's time and attention and could cause current or potential customers to seek other providers. Although we carry insurance, our insurance may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed nor the full extent of the harm that we might face. We cannot predict the outcome of lawsuits and the results of any such actions may harm our business.

Failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brands as well as our competitive advantage.

We currently rely on a combination of patent, trademark, copyright and trade secret laws and other intellectual property rights and confidentiality or license agreements with our employees, customers, partners and others, to protect our intellectual property rights. Our success and ability to compete depend, in part, on our ability to protect our intellectual property, including our proprietary technology and our brands. If we are unable to protect our proprietary rights adequately, our competitors could use the intellectual property we have developed to enhance their own products and services, which may harm our business. It can be difficult to successfully enforce intellectual property rights and the fact that we have certain intellectual property rights does not necessarily mean that such rights are broad or strong enough to afford us a meaningful degree of protection. Furthermore, irrespective of the scope of our intellectual property rights, we may not be able to stop competitors from developing similar technologies or offering similar solutions.

We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming and unsuccessful.

Third parties, including our competitors, could be infringing, misappropriating or otherwise violating our intellectual property rights. In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect our intellectual property rights. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property.

Further, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights, and if such defenses, counterclaims or countersuits are successful, we could lose valuable intellectual property rights. An adverse determination of any litigation proceedings could put our intellectual property at risk of being invalidated or interpreted narrowly and could put our related patents, patent applications and trademark filings at risk of being invalidated, not issuing or being cancelled. Furthermore, because of the

[Table of Contents](#)

substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential or sensitive information could be compromised by disclosure in the event of litigation. In addition, during the course of litigation there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our **solution, product offerings**, impair the functionality of our **solution, product offerings**, delay introductions of new applications, result in our substituting inferior or more costly technologies into our **solution product offerings** or injure our reputation. Any of the foregoing could adversely impact our business, financial condition and results of operations.

We may be subject to claims asserting that our employees, consultants or advisors have wrongfully used or disclosed alleged trade secrets of their current or former employers or claims asserting ownership of what we regard as our own intellectual property.

Although we try to ensure that our employees, consultants and advisors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these individuals have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual's current or former employer. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while it is our policy to require our employees and contractors who may be involved in the creation or development of intellectual property on our behalf to execute agreements assigning such intellectual property to us, we may be unsuccessful in having all such employees and contractors execute such an agreement. The assignment of intellectual property may not be self-executing or the assignment agreement may be breached and we may be forced to bring claims against third parties or defend claims that they may bring against us to determine the ownership of what we regard as our intellectual property. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Provisions in various agreements to which we are party potentially expose us to substantial liability for intellectual property infringement, data protection and other losses.

Our agreements with customers and other third parties sometimes include provisions under which we are liable or agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, data protection, damages caused by us to property or persons, or other liabilities relating to or arising from our **solution, product offerings**, services, or other contractual obligations. Some of these agreements provide for uncapped liability for which we would be responsible, and some provisions survive termination or expiration of the applicable agreement. Large liability payments could harm our business, results of operations and financial condition. Although we normally contractually limit our liability with respect to such obligations, we may still incur substantial liability related to them, and in the case of an intellectual property infringement indemnification claim, we may be required to cease use of certain functions of our **solution product offerings** as a result of any such claims. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other existing customers and new customers and harm our business. Even when we have contractual protections against such customer claims, we may choose to honor a customer's request for indemnification or otherwise seek to maintain customer satisfaction by issuing customer credits, assisting our customer in defending against claims, or in other ways.

Any significant change to applicable laws, regulations or industry practices regarding the collection, use, retention, security or disclosure of our customers' content, or regarding the manner in which the express or implied consent of customers for the collection, use, retention or disclosure of such content is obtained, could increase our costs and require us to modify our **solution, product offerings**, possibly in a material manner, which we may be unable to complete and may limit our ability to store and process customer data or develop new applications and features.

Risks Related to Litigation, Regulatory Compliance and Governmental Matters

Any currently ongoing or future litigation against us could be costly and time-consuming to defend.

We are, and may become, subject to legal proceedings and claims that arise in the ordinary course of business, such as claims brought by our customers in connection with commercial disputes or employment claims made by our current or former employees. We also are, and may become, subject to securities **class action** litigation. For example, in September 2023 **a and November 2023, purported stockholder class action lawsuit was** lawsuits were filed against us and certain of our current and former officers alleging violation

[Table of Contents](#)

of the federal securities laws for allegedly making materially false or misleading statements. **We While the class action lawsuit filed in November 2023 was dismissed in January 2024, the September 2023 matter is still pending, and we may be the target of additional litigation of this type in the future as well.** **future.** Currently ongoing or future litigation might result in substantial costs and may divert management's attention and resources, which might seriously harm our business, financial condition and results of operations. Insurance might not cover such claims, might not provide sufficient payments to cover all the costs to resolve one or more such claims and might not continue to be available on terms acceptable to us. A claim brought against us that is uninsured or underinsured could result in unanticipated costs, potentially harming our business, financial position and results of operations.

We operate in a highly regulated industry and either are or may be subject to a wide range of federal, state and local, as well as foreign, laws, rules and regulations and our failure to comply with these laws and regulations may force us to change our operations or harm our business.

The legal industry is and will continue to be subject to extensive and evolving U.S. federal, state and foreign laws, rules and regulations, including the rules and regulations of the organizations and other authorities governing the legal profession in the jurisdictions in which we or our customers operate. These laws, rules and regulations can vary significantly from jurisdiction to jurisdiction. For example, in the United States, each state has adopted laws, regulations and codes of ethics that provide for the licensure of attorneys, generally grant licensed attorneys the exclusive right to practice law in that state and place restrictions upon the activities of licensed lawyers. The practice of law other than by an attorney entitled to practice in the jurisdiction is generally referred to as the unauthorized practice of law. As a company, we are not authorized to practice law. In

the United States, we may not provide legal advice to our clients, primarily because we do not meet the ethical and regulatory requirements, present in nearly every U.S. jurisdiction, of being exclusively owned by licensed attorneys.

Our **solution includes product offerings include** alternatives to certain traditional methods of legal services and we therefore may face claims that we are engaged in the unauthorized practice of law. Despite our belief that our operations are not subject to, or are otherwise compliant with, the requirements of the jurisdictions in which we or our customers operate, regulators or other authorities of such jurisdictions could deem that we, our employees or our customers are engaged in the unauthorized practice of law or otherwise determine that we are subject to the relevant rules and regulations governing the conduct of attorneys. In such circumstances, regulators may enjoin our operations, subject us to rules governing conflicts of interests, require registration, seek to impose punitive fines or sanctions or take other disciplinary actions against us, our employees or our customers, any of which may inhibit our ability to do business in those jurisdictions, adversely impact our reputation, increase our operating expenses and adversely affect our financial condition and results of operations.

In addition, we are subject to regulations and laws specifically governing the internet and the collection, storage, processing, transfer and other use of personal information and other customer data. We also are subject to laws and regulations involving taxes, privacy and data security, anti-spam, content protection, electronic contracts and communications, mobile communications, unencumbered internet access to our **solution, product offerings**, the design and operation of websites and internet neutrality.

The foregoing description of laws and regulations to which we are or may be subject is not exhaustive and the regulatory framework governing our operations is subject to evolving interpretations and continuous change. Moreover, if we expand into additional jurisdictions, we will be subject to an increased variety of new and complex laws and regulations.

We are subject to anti-corruption, anti-bribery, anti-money laundering and similar laws and noncompliance with such laws can subject us to criminal or civil liability and harm our business, financial condition and results of operations.

We are subject to the U.S. Foreign Corrupt Practices Act, or FCPA, U.S. domestic bribery laws, the United Kingdom Bribery Act and other anti-corruption and anti-money laundering laws in the countries in which we conduct activities. Due to the international scope of our operations, we must comply with these laws in each jurisdiction where we operate. Additionally, many anti-bribery and anti-corruption laws, including the FCPA, have long-arm statutes that can expand the applicability of these laws to our operations worldwide. Accordingly, we must incur significant operational costs to support our ongoing compliance with anti-bribery and anti-corruption laws at all levels of our business. If we fail to comply with these laws, we may be subject to significant penalties. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees and their third-party intermediaries from authorizing, offering or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector. As we increase our international and public sector sales and businesses, we may engage with business partners and third-party intermediaries to market our **solution product offerings** and to obtain necessary permits, licenses and other regulatory approvals. In addition, we or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of these third-party intermediaries and our employees, representatives, contractors, partners and agents, even if we do not explicitly authorize such activities.

[Table of Contents](#)

While we have policies and procedures to address compliance with such laws, we cannot assure you that all of our employees and agents will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. As we increase our international sales and business, our risks under these laws may increase.

Detecting, investigating and resolving actual or alleged violations of anti-corruption laws can require a significant diversion of time, resources and attention from senior management. In addition, noncompliance with anti-corruption, anti-bribery or anti-money laundering laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, enforcement actions, fines, damages, other civil or criminal penalties or injunctions, suspension or debarment from contracting with certain persons, reputational harm, adverse media coverage and other collateral consequences. If any subpoenas or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal proceeding, our business, financial condition and results of operations could be harmed. In addition, responding to any action will likely result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees.

Sales to government entities and highly regulated organizations are subject to a number of challenges and risks.

We intend to sell our **solution product offerings** to U.S. federal, state and local, as well as foreign, governmental agency customers, as well as to customers in highly regulated industries such as financial services and healthcare. Sales to such customers are subject to a number of challenges and risks. Selling to such customers can be highly competitive, expensive and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. These current and prospective customers may also be required to comply with stringent regulations in connection with purchasing and implementing our **solution product offerings** or particular regulations regarding third-party vendors that may be interpreted differently by different customers. In addition, Congress and regulatory agencies may impose requirements on third-party vendors generally, or our company in particular, that we may not be able to, or may not choose to, meet. In addition, government customers and customers in these highly regulated

industries often have a right to conduct audits of our systems and practices, which can be time-consuming and expensive. In the event that one or more customers determine that some aspect of our business does not meet regulatory requirements, we may be limited in our ability to continue or expand our business and could be subject to audits or investigations by government enforcement personnel. In addition, if our **solution does product offerings** do not meet the standards of new or existing regulations, we may be in breach of our contracts with these customers, allowing or requiring them to terminate their agreements.

Government contracting requirements may also change and in doing so restrict our ability to sell into the government sector until we have attained the requisite approvals or until our **solution meets product offerings meet** government requirements. Government demand and payment for our **solution product offerings** are affected by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our **solution product offerings**.

These customers may also be subject to a rapidly evolving statutory and regulatory framework that may influence their ability to use our **solution product offerings**. Moreover, changes in the underlying statutory and regulatory conditions that affect these types of customers could harm our ability to efficiently provide them access to our **solution product offerings** and to grow or maintain our customer base. If we are unable to enhance, modify or improve our **solution product offerings** to keep pace with evolving customer requirements, or if new technologies emerge that are able to deliver competitive products and services at lower prices, more efficiently, more conveniently, or more securely than our **solution product offerings**, our business, financial condition and results of operations could be adversely affected.

Further, governmental and highly regulated entities may demand contractual terms that differ from our standard arrangements and are less favorable than terms agreed with private sector customers, including preferential pricing or "most favored nation" terms and conditions or are contract provisions that are otherwise time-consuming and expensive to satisfy and monitor. In the United States, applicable federal contracting regulations change frequently and the President may issue executive orders requiring federal contractors to adhere to new compliance requirements after a contract is signed that could result in the loss of contracts for contractors who do not meet those requirements. If we undertake to meet special standards or requirements and do not meet them, we could be subject to significant liability from our customers or federal and state regulators and enforcement agencies. Even if we do meet these special standards or requirements, the additional costs associated with providing our **solution product offerings** to government and highly regulated customers could harm our operating results. In addition, engaging in sales activities with foreign governments introduces additional compliance risks specific to the FCPA, the United Kingdom Bribery Act and other similar statutory requirements prohibiting bribery and corruption in the jurisdictions in which we operate.

[Table of Contents](#)

Such entities may have statutory, contractual or other legal rights to terminate contracts with us or our partners for convenience or for other reasons. Any such termination may adversely affect our ability to contract with other government customers as well as our reputation, business, financial condition and results of operations.

We are subject to governmental export and import controls that could impair our ability to compete in international markets or subject us to liability if we violate such controls.

Our **solution is product offerings** are subject to U.S. export controls, including the Export Administration Regulations administered by the U.S. Commerce Department and economic sanctions administered by the Office of Foreign Assets Control, or OFAC, of the U.S. Treasury Department, and we incorporate encryption technology into certain of our **applications product offerings**. These encryption products and the underlying technology may be exported outside of the United States or accessed by foreign persons within the United States only with the required export authorizations.

Furthermore, our activities are subject to U.S. economic sanctions laws and regulations that generally prohibit the direct or indirect exportation or provision of products and services without the required export authorizations to countries, governments and individuals and entities targeted by U.S. embargoes or sanctions, except to the extent authorized by OFAC or exempt from sanctions. Obtaining the necessary export license or other authorization for a particular sale may not always be possible, and, even if the export license is ultimately granted, the process may be time-consuming and may result in the delay or loss of sales opportunities. Violations of U.S. sanctions or export control laws can result in significant fines or penalties and possible incarceration for responsible employees and managers could be imposed for criminal violations of these laws.

Other countries also regulate the import and export of certain encryption products and technology through import and export licensing requirements and have enacted laws that could limit our ability to distribute our **solution product offerings** or could limit our customers' ability to implement our **solution product offerings** in those countries. Changes in our **solution product offerings** or future changes in export and import regulations may create delays in the introduction of our **solution product offerings** in international markets, prevent our customers with international operations from deploying our **solution product offerings** globally, or, in some cases, prevent the export or import of our **solution product offerings** to certain countries, governments or persons altogether. From time to time, various governmental agencies have proposed additional regulation of encryption products and technology, including the escrow and government recovery of private encryption keys. Any change in export or import regulations, economic sanctions or related legislation, increased export and import controls, or change in the countries, governments, persons or technologies targeted by such regulations could result in decreased use of our **solution product offerings** by, or in our decreased ability to export or sell our **solution product offerings** to, existing or potential customers with international operations. Any decreased use of our **solution product offerings** or limitation on our ability to export or sell our **solution product offerings** would harm our business.

Risks Related to Information Technology and Cybersecurity

The unavailability of or change in the terms or nature of access to third-party technology could harm our business.

We license certain software from third parties and incorporate or integrate such components into and with our **solution product offerings**. Certain third-party software has become central to the operation and delivery of our **solution product offerings**. Any inability to license necessary third-party technology in the future, or maintain sufficient rights or reasonable terms under existing third-party technology that we rely upon, could have an adverse effect on our business or operating results and adversely affect our ability to compete.

A large portion of our third-party software license contracts have fixed durations and may be renewed only by mutual consent. There is no assurance that we will be able to renew these contracts as they expire or that such renewals will be on the same or substantially similar terms or on conditions that are commercially reasonable to us. If we fail to renew these contracts as they expire, we may be unable to offer certain aspects of our **solution product offerings** to our customers. In addition, all of our third-party software licenses are nonexclusive; and therefore, our competitors may obtain the right to license certain of the technology covered by these agreements to compete directly with us.

If certain of our third-party licensors were to change product offerings, cease actively supporting the technologies, fail to update and enhance the technologies to keep pace with changing industry standards, encounter technical difficulties in the continuing development of these technologies, significantly increase prices, terminate our licenses, cease operations, suffer significant capacity or supply chain constraints or suffer significant disruptions, we would need to seek alternative suppliers and incur additional internal or external development costs to ensure continued performance of our **solution** product offerings. Such alternatives may not be available on attractive terms or may not be as widely accepted or as effective as the current licenses provided by our existing suppliers. Furthermore, certain customers may require that we use or ensure that our **solution** product offerings are compatible with certain enterprise software offerings, such as Microsoft Office 365. If we fail to obtain licenses to use such third-party offerings or otherwise integrate our **solution** product offerings with such offerings, our business may be harmed. If the cost of licensing or maintaining the

[Table of Contents](#)

third-party intellectual property significantly increases, our operating earnings could significantly decrease. In addition, interruption in functionality of our **solution** product offerings as a result of changes in or with third-party licensors could adversely affect our commitments to customers, future sales of our **solution** product offerings and harm our business.

Elements of our **solution product offerings use open source software, which may restrict the functionality of our **solution** product offerings or require that we release the source code of certain applications subject to those licenses.**

Our **solution** incorporates product offerings incorporate software licensed under open source licenses and we expect to continue to incorporate software licensed under open source licenses in the future. Such open source licenses sometimes require that source code subject to the license be made available to the public and that any modifications or derivative works to open source software continue to be licensed under open source licenses. Few courts have interpreted open source licenses and the manner in which these licenses may be interpreted and enforced is therefore subject to some uncertainty. We rely on multiple software programmers to design our proprietary technologies and we do not exercise complete control over the development efforts of our programmers and we cannot be certain that our programmers have not incorporated open source software into our proprietary **solution** product offerings and technologies or that they will not do so in the future. There is a risk that open source licenses could be construed in a manner that imposes unanticipated conditions, restrictions or costs on our ability to provide or distribute our **software solution** product offerings. To that end, while we try to mitigate the likelihood of such risks, we may from time to time face claims from third parties alleging ownership of, or demanding release or general availability of, the open source software or derivative works that we developed using such software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation, which could be costly for us to defend and could adversely affect our core functionality and services. If we face such problems and attempt or are required to re-engineer our **solution** product offerings to mitigate them, it could require significant additional research and development resources and we may not be able to complete it successfully or in a timely manner. In addition to risks related to license requirements, usage of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Many of these risks could be difficult to eliminate or manage and could reduce or eliminate the value of our **solution** product offerings and technologies and materially and adversely affect our ability to sustain and grow our business.

Our actual or perceived failure to comply with privacy, data protection and information security laws, regulations and other non-regulatory obligations related to data privacy and security could lead to regulatory investigations or actions, litigation (including class claims), fines and penalties, disruptions of our business operations, reputational harm, loss of revenue or profits, loss of customer sales, or otherwise harm our business.

In the ordinary course of business, we collect, receive, store, process, generate, use, transfer, disclose, make accessible, protect, secure, dispose of, transmit, and share (collectively, process) personal information, client information, and other sensitive information, including proprietary and confidential business information, trade secrets, intellectual property, and sensitive third-party data. As a result, we are, or may become, subject to numerous federal, state, local and foreign laws and regulations, guidance, industry standards and other obligations regarding privacy, data protection, information security and the storing, sharing, use, processing, transfer, disclosure and protection of personal information and other content, the scope of which is changing, subject to differing interpretations and may be inconsistent among countries, or conflict with other rules. We are also subject to the terms of our privacy policies and obligations to third parties (including contractual) related to privacy, data protection and information security. We strive to comply with applicable laws, regulations, policies and other legal obligations relating to privacy, data protection and information security. However, the regulatory framework for privacy and data protection worldwide is unclear and evolving, and is likely to remain uncertain, for the foreseeable future. We expect that there will continue to be new laws, regulations and industry standards concerning privacy, data protection and information security proposed and enacted in various jurisdictions. There is a risk that the requirements of these laws and regulations, or of contractual or other obligations relating to data privacy or information security, will be interpreted or applied in a manner that is, or is alleged to be, inconsistent with our management and processing practices, our policies or procedures or the features of our **solution** product offerings. We may face challenges in addressing their requirements and making necessary changes to our policies and practices and may incur significant costs and expenses in an effort to do so.

Outside the United States, an increasing number of laws, regulations, and industry standards apply to privacy, data privacy protection and information security and impose strict requirements for processing personal data, information, including the European Union's General Data Protection Regulation, or EU GDPR and the United Kingdom's version of the GDPR or UK GDPR.

The EU GDPR and UK GDPR are wide-ranging in scope and impose numerous requirements, including requiring that consent of individuals to whom the personal information relates is obtained in certain circumstances, requiring additional disclosures to individuals regarding data processing activities, requiring that appropriate safeguards are implemented to protect the security and confidentiality of personal information, creating mandatory data breach notification requirements in certain circumstances and requiring that certain measures (including contractual requirements) are put in place when engaging third-party data processors. The EU GDPR, permits data protection authorities to impose large penalties for violations of the

[Table of Contents](#)

regulation, including potential fines of up to €20 million, 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. The EU GDPR also provides individuals with various rights in respect of their personal information, including rights of access, erasure, portability, rectification, restriction and objection and confers a private right of action on data subjects and consumer associations to lodge complaints with supervisory authorities (including

group actions), seek judicial remedies and obtain compensation for damages resulting from violations of the EU GDPR. The EU GDPR requirements may apply not only to third-party transactions, but also to transfers of information between us and our subsidiaries, including employee information. Furthermore, several jurisdictions have enacted measures related to the use of artificial intelligence and machine learning in products and services. For example, the proposed EU Artificial Intelligence Act (EUAIA) could impose onerous obligations related to the use of AI related systems if passed into law. Such regulations, and others that may be passed in other jurisdictions and may require us to change our business practices, or else be subject to regulatory action and/or fines.

Moreover, certain in the ordinary course of business, we may transfer personal information from Europe and other jurisdictions to the United States or other countries. Europe and other jurisdictions have enacted data localization laws and cross-border requiring data to be localized or limiting the transfer of personal information transfer laws to other countries. For example, absent appropriate safeguards, the EU GDPR generally restricts the transfer of personal information to countries outside the EEA absent certain safeguards. Laws in Switzerland and the UK similarly restrict personal information transfers outside of those jurisdictions to countries such as the United States of America that do not provide an adequate level of protection for personal information. Although there are currently various mechanisms that may be used to transfer personal data information from the EEA and UK to the United States in compliance with law, such as the EEA and UK's standard contractual clauses, the UK's International Data Transfer Agreement / Addendum, and the EU-U.S. Data Privacy Framework and the UK extension thereto (which allows for transfers to relevant U.S.-based organizations who self-certify compliance and participate in the Framework), these mechanisms are subject to legal challenges, and there is no assurance that we can satisfy or rely on these measures to lawfully transfer personal data information to the United States. If there is no lawful manner for us to transfer personal data information from the EEA, the UK, or other jurisdictions to the United States, or if the requirements for a legally-compliant transfer are too onerous, we could face significant adverse consequences, including the interruption or degradation of our operations, the need to relocate part of or all of our business or data processing activities to other jurisdictions at significant expense, increased exposure to regulatory actions, substantial fines and penalties, the inability to transfer data and work with partners, vendors and other third parties, and injunctions against our processing or transferring of personal data information necessary to operate our business. Some European regulators have prevented companies from transferring personal data information out of Europe for allegedly violating the GDPR's cross-border data transfer limitations. The United States is also increasingly scrutinizing certain data transfers and may also impose certain data localization requirements, particularly if we transfer personal information to, or process personal information of residents of, high risk or sanctioned jurisdictions.

In the United States, federal, state, and local governments have enacted numerous privacy, data privacy protection and information security, laws, including data breach notification laws, personal information privacy laws, and consumer protection laws. For example, California enacted the California Consumer Privacy Act of 2018, or CCPA, which imposes obligations on businesses to which it applies. For example, the CCPA gives California residents rights to access and require deletion of their personal information, opt out of certain personal information sharing and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations (up to \$7,500 per violation), as well as a private right of action for data breaches that may increase data breach litigation. Additionally, the California Privacy Rights Act, or CPRA, which became effective on January 1, 2023, modifies the CCPA, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. Other At least fourteen other states such as Virginia, Connecticut, Utah and Colorado have also passed comprehensive privacy laws that some of which go into effect in 2023 or 2024, 2024 and the coming years. If we become subject to these or other new state or federal data privacy laws, we may have to comply with additional obligations which may increase legal risk and compliance costs for us and third parties upon who with whom we rely, work.

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 privacy, data protection and information 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. Although we endeavor to comply with our published information security and privacy policies, certifications and documentation, we may at times fail to do so or may be perceived to have failed to do so. Moreover, despite our efforts, we may not be successful in achieving compliance if our employees or vendors do not comply with our published policies, certifications, and documentation. Any failure or perceived failure by us to comply with our policies, certifications and documentation, our data privacy- or information security-related obligations to customers or other third parties or any of our other legal obligations relating to data privacy or information security may result in significant consequences. These consequences may include, but are not limited to, governmental investigations or enforcement actions (e.g., investigations, fines, penalties, audits, inspections), litigation, claims or public statements against us by consumer advocacy groups or others, which could result in significant liability or cause our customers to lose trust in us, additional reporting requirements and/or oversight, bans on processing personal information, or orders to destroy or not use personal information, any of which could have an adverse effect on our reputation and business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, documentation, certifications, regulations and policies that are applicable to the businesses of our customers may limit the adoption and use of, and reduce the overall demand for, our solution, product offerings. Additionally, if third parties with whom we rely upon, work, such

[Table of Contents](#)

as vendors or developers, violate applicable data privacy or security laws or regulations, certifications, documentation or our policies, such violations may also put our customers' content at risk and could in turn have an adverse effect on our business.

Our employees and personnel use generative artificial intelligence (AI) technologies to perform their work, and the disclosure and use of personal information in generative AI technologies is subject to various privacy laws and other privacy 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 lawsuits. If we are unable to use generative AI, it could make our business less efficient and result in competitive disadvantages. We use AI and machine learning (ML), to assist us in making certain decisions, which is regulated by certain privacy 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 use AI, including generative AI, and ML technologies in our products and services (collectively, AI/ML technologies). The development and use of AI/ML present various privacy and security risks that may impact our business. AI/ML are subject to privacy, data protection and information security laws, as well as increasing regulation and scrutiny.

Several jurisdictions around the globe, including Europe and certain U.S. states, have proposed, enacted, or are considering laws governing the development and use of AI/ML, such as the EU's AI Act. We expect other jurisdictions will adopt similar laws. Additionally, certain privacy laws extend rights to consumers (such as the right to delete certain personal information) and regulate automated decision making, which may be incompatible with our use of AI/ML. These obligations may make it harder for us to conduct our business using AI/ML, lead to regulatory fines or penalties, require us to change our business practices, retrain our AI/ML, or prevent or limit our use of AI/ML. For example, the FTC has required other companies to turn over (or disgorge) valuable insights or trainings generated through the use of AI/ML where they allege the company has violated privacy and consumer protection laws. If we cannot use AI/ML or that use is restricted, our business may be less efficient, or we may be at a competitive disadvantage.

Any significant change to applicable laws, regulations or industry practices regarding the collection, use, retention, security or disclosure of our customers' data, or regarding the manner in which the express or implied consent of customers for the collection, use, retention or disclosure of such content is obtained, could increase our costs and require us to modify our **solution**, **product offerings**, possibly in a material manner, which we may be unable to complete and may limit our ability to store and process customer data or develop new applications and features. Preparing for and complying with these obligations requires us to devote significant resources and may necessitate changes to our services, information technologies, systems, and practices and to those of any third parties that process personal **data information** on our behalf.

Our business is reliant on revenue from behavioral, interest-based, or tailored advertising (collectively, "targeted advertising"), but delivering targeted advertisements is becoming increasingly difficult due to changes to our ability to gather information about user behavior through third party platforms, new laws and regulations, and consumer resistance.

Major technology platforms on which we rely to gather information about consumers have adopted or proposed measures to provide consumers with additional control over the collection, use, and sharing of their personal **data information** for targeted advertising purposes. For example, in 2021, Apple began allowing users to more easily opt-out of activity tracking across devices. In February 2022, Google announced similar plans to adopt additional privacy controls on its Android devices to allow users to limit sharing of their data with third parties and reduce cross-device tracking for advertising purposes.

Additionally, Google has announced that it intends to phase out third-party cookies in its Chrome browser, which could make it more difficult for us to target advertisements. Other browsers, such as Firefox and Safari, have already adopted similar measures. In addition, legislative proposals and present laws and regulations regulate the use of cookies and other tracking technologies, electronic communications, and marketing. For example, in the EEA and the UK, regulators are increasingly focusing on compliance with requirements related to the targeted advertising ecosystem. European regulators have issued significant fines in certain circumstances where the regulators alleged that appropriate consent was not obtained in connection with targeted advertising activities. It is anticipated that the ePrivacy Regulation and national implementing laws will replace the current national laws implementing the ePrivacy Directive, which may require us to make significant operational changes. In the United States, the CCPA, for example, grants California residents the right to opt-out of a company's sharing of personal **data information** for advertising purposes in exchange for money or other valuable consideration, and requires covered businesses to honor user-enabled browser signals from the Global Privacy Control.

Partially as a result of these developments, individuals are becoming increasingly resistant to the collection, use, and sharing of personal **data information** to deliver targeted advertising. Individuals are now more aware of options related to consent, "do not track" mechanisms (such as browser signals from the Global Privacy Control), and "ad-blocking" software to prevent the collection of their personal information for targeted advertising purposes. As a result, we may be required to change the way we market our products, and any of these developments or changes could materially impair our ability to reach new or existing customers or otherwise negatively affect our operations.

If our information technology systems or data, including the personal information and other sensitive information we process, or the information technology systems or data of third parties upon with whom we rely, work, are or were compromised, comprised or affected by a cybersecurity incident, we could experience adverse consequences, including, but not limited to, additional costs, loss of revenue, significant liabilities, harm to our brand, or material disruption of our operations.

operations and other adverse consequences.

In the ordinary course of business, we and the third parties with whom we work, collect, receive, store, process, generate, use, transfer, disclose, make accessible, protect, secure, dispose of, transmit and share (collectively, processing) potentially highly sensitive and confidential electronic documentation for use by our law firm and non-law firm customers in various legal matters, including litigation and governmental investigations. In addition, investigations and as a result, we collect and maintain data about individuals and customers, including personally identifiable information, as well as other confidential, privileged or proprietary information. We may use third-party service providers and sub-processors to help us deliver services to our customers. These vendors may store or process personal information or other sensitive information on our behalf. the third parties with whom we work face a variety of evolving threats. Due to the nature of our services, and the legal and regulatory context in which our services are utilized by customers, our ability to protect the confidentiality, availability and integrity of our customers' information is critical to our ability to attract and retain customers, generate revenue and the overall success of our business, and our failure or perceived failure to maintain adequate protections could materially affect our business.

Our information technology systems and those of third parties upon with whom we rely work are potentially vulnerable to breakdown or other damage or interruption from service interruptions, system malfunction, natural disasters, terrorism, war and telecommunication, electrical failures and electrical failures, security incidents. Cyberattacks and other malicious internet-based activity continue to increase and are

[Table of Contents](#)

increasingly difficult to detect, detect, respond to and mitigate. Other evolving threats to our information systems and data include, but are not limited to, social engineering attacks (including through phishing attacks), malicious code (such as viruses and worms), malware, denial-of-service attacks (such as credential stuffing), credential harvesting, personnel misconduct or error, and supply-chain attacks. In addition to traditional computer "hackers," threat actors, internal personnel, (such as through theft or misuse), sophisticated nation-state and nation-state supported actors and organized criminals now engage in attacks. We have and may also in the future experience a security incident or significant vulnerability, including without limitation, those resulting from acts, errors or omissions of our personnel (including those caused by our, or our vendors', employees or contractors), including inadvertent storage or disclosure of personal information, our confidential information, or our customers' confidential information, or coding errors, defect defects and bugs, or accidentally providing a customer with access to or copies of another customer's confidential information. Ransomware and cyber extortion attacks, including those perpetrated by organized criminal threat actors, nation-states, and nation-state-supported actors, are becoming increasingly prevalent and can lead to significant interruptions in our operations, loss of data and income, leaks and public disclosures of sensitive information, extortion of our customers, 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. Additionally, our employees are routinely working remotely, which may pose additional data security 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.

Future or past business transactions (such as acquisitions or integrations) could expose us to additional cybersecurity risks and vulnerabilities, as our systems could be negatively affected by vulnerabilities present in acquired or integrated entities' systems and technologies. Furthermore, we may discover security issues that were not found during due diligence of such acquired or integrated entities, and it may be difficult to integrate companies into our information technology environment and security program.

Any of these threats and issues may lead to a security incident and significant adverse consequences, including compromise of our system infrastructure or the loss, destruction, alteration, denial of access to, disclosure or dissemination of, or damage or unauthorized access to, our information technology systems, data (including trade secrets or other confidential information, intellectual property, proprietary business information and personal information) or data that is processed or maintained on our behalf, or other assets.

We rely on third-party service providers and technologies to operate critical business systems to process personal information, confidential information, customer information, intellectual property and other 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 work with third-parties 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 the third-parties with whom we work experience a security incident or other interruption, we could experience adverse consequences. 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. In addition, supply-chain attacks have increased in frequency and severity, and we cannot guarantee that third parties' infrastructure in our supply chain or our third-party partners' supply chains have not been compromised.

While we have implemented security measures designed to protect against security incidents, there can be no assurance that these measures will be effective. We may expend significant resources or modify our business activities to try to protect against security incidents. Additionally, 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 data. While we have implemented security measures

We take steps designed to protect against security incidents, there can be no assurance that these measures will be effective. We also take steps to detect, mitigate and remediate security vulnerabilities and in our information systems (such as our hardware and/or software, bugs, errors, or defects (including our own and including that of third party software parties upon which we use to provide our services, but we rely). We may not, be able to however, detect and remediate them all on a timely basis. Therefore, such vulnerabilities, bugs, errors or defects could be exploited, or result in the inadvertent disclosure of personal, confidential or customer information, before we detect them and after a security incident has occurred. Further, we may experience delays in developing and deploying remedial measures designed to address any such identified vulnerabilities, bugs, errors and vulnerabilities. Even if we have issued or otherwise made patches or information for vulnerabilities in our software applications, products or services, our customers may be unwilling or unable to deploy such patches and use such information effectively and in a timely manner. Vulnerabilities could be exploited and result in a security incident. These vulnerabilities, bugs, errors or defects alone, or a combination of them, could pose material risks to our business.

We also cannot guarantee Further, the cost to respond to a security breach and/or to mitigate any security vulnerabilities that may be identified could be significant, our vendors' security measures will efforts to address these issues may not be sufficient successful, and these issues could result in interruptions, delays, cessation of service, negative publicity, loss of customer trust, diminished use of our product offerings as well as other harms to protect against unauthorized access to or other compromise of personal information our business and our confidential competitive position. These adverse consequences could force us to spend money, divert management's time and attention, increase our costs of doing business, or proprietary information. adversely affect our reputation.

If we, or a the third party upon parties with whom we rely, work, experience a security incident or are perceived to have experienced a security incident, we may experience adverse consequences, which could include: government enforcement actions (for example, investigations, fines, penalties, audits, and inspections); additional reporting requirements and/or oversight; breach of our customer contracts, restrictions on processing information (including personal information); litigation (including class action claims); indemnification obligations; negative publicity; reputational harm; loss of customers; monetary fund diversions; diversion of management attention; restrict our ability to engage with new customers; interruptions in or the cessation of our operations (including availability of data); financial loss; competitive disadvantage; and other similar harms. A security incident could adversely affect customer data, Security incidents and attendant consequences may prevent or the availability of cause customers to stop using our services, for, some or all of customers, which could result in a material loss of customers and revenue, make it difficult for us to obtain new customers and require us to contract with our customers or potential deter new customers at less favorable terms (which could increase the time necessary to contract with customers and prospects, increase from using our risk of liability, services, and negatively impact our revenue). Further, the cost ability to respond to a security breach and/or to mitigate any security vulnerabilities that may be identified could be significant, grow and operate our efforts to address these issues may not be successful, and these issues could result in interruptions, delays, cessation of service, negative publicity, loss of customer trust, diminished use of our solution as well as other harms to our business and our competitive position. These adverse consequences could force us to spend money, divert management's time and attention, increase our costs of doing business, or adversely affect our reputation. business. We could be required to fundamentally change our business activities and practices or modify our solution product offerings and/or platform capabilities, which could have an adverse effect on our business. Additionally, there can be no assurance that the limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from liabilities or damages and in some cases our customer agreements do not limit our remediation costs or liability with respect to data breaches.

In addition to experiencing a security incident, third parties may gather, collect, or infer sensitive data 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 data of the Company or our customers could be leaked, disclosed, or revealed as a result of or in connection with our employees', personnel's, or vendors' use of generative AI technologies. Any sensitive information (including confidential, competitive, proprietary, or personal information) that we input into a third party generative AI/ML platform could be leaked or disclosed to others, including if sensitive information is used to train the third parties' AI/ML model. Additionally, where an AI/ML model ingests personal information and makes connections using such data, those technologies may reveal other personal or sensitive information generated by the model. Moreover, AI/ML models may create flawed, incomplete, or inaccurate outputs, some of which may appear correct. This may happen if the inputs that the model relied on were inaccurate, incomplete or flawed (including if a bad actor "poisons" the AI/ML with bad inputs or logic), or if the logic of the AI/ML is flawed (a so-called "hallucination"). We may use AI/ML outputs to make certain decisions. Due to these potential inaccuracies or

flaws, 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.

Notifications and follow-up actions related to a security incident could impact our reputation, result in a loss of customers and prospects, and cause us to incur significant costs, including legal expenses and remediation costs. We may have contractual and legal obligations under applicable data privacy and security laws to notify relevant stakeholders of security

[Table of Contents](#)

breaches. Such disclosures are costly, could lead to negative publicity, may cause our customers or prospective customers to lose confidence in the effectiveness of our security measures and require us to expend significant capital and other resources to respond to and/or alleviate problems caused by the actual or perceived security breach.

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

We use AI, including generative AI and large language models, in our operations, products and services, which could adversely affect our financial condition, results or reputation. The use of AI, and especially generative AI, 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 these technologies become a more important part of our operations, products and services over time.

AI may be difficult to deploy successfully, for example, because of the data or compute resources required to train or use AI. AI used in our operations, products, or services may produce biased, inaccurate or otherwise flawed results, and we or our customers may take action based on these flawed results. We may rely on third parties for development or access to AI systems that we incorporate into our operations, products or services. If these third-party AI systems become less effective, or if our access to these systems is limited or rationed, for example, due to excess demand, this may limit our ability to use AI in our operations, products or services. Additionally, limitations in the supply of hardware, such as GPUs or AI chips, may limit our ability to use AI or may cause our suppliers to limit or refuse access to AI systems run by them, which may limit our ability to use AI in our operations, products or services. Any or all of the issues described in this risk factor may cause customers or potential customers to be skeptical of our use of AI or to limit their use of AI, which may impair our ability to effectively compete in the market. We may be subject to legal liability as a result of the data used to train the AI systems that we use or if the AI we use does not perform as intended. Emerging ethical issues surround the use of AI. If our use of AI becomes controversial, we may be subject to reputational risk. Our or our customers' use of AI may result in disclosure of confidential company and customer data, reputational harm, privacy law violations, legal liability or other novel and urgent cybersecurity risks.

As a result of these challenges, we may not be able to successfully integrate AI into our operations, products or services to the extent or at the pace we desire despite spending significant time and financial resources trying to do so. Our investments in AI may be substantial and may be more expensive than anticipated. Our competitors may be more successful than we are at incorporating AI into their operations, products or services, which may impair our ability to effectively compete in the market.

Legal or regulatory regimes related to AI in different jurisdictions around the world may require us to modify our use of AI in ways that are expensive or that limit the effectiveness of our AI systems. Additionally, laws and regulations related to AI may change quickly or may be different or contradictory across different jurisdictions, which may increase the cost of operating in these jurisdictions and developing and maintaining our AI systems. For example, several jurisdictions, including Europe and certain U.S. states, have already proposed or enacted laws governing AI. Other jurisdictions may decide to adopt similar or more restrictive laws or regulations over time.

Risks Related to Tax and Accounting Matters

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

Our Portions of our net operating loss, or NOL, carryforwards could expire unused and be unavailable to offset future income tax liabilities. Our NOLs generated in tax years beginning on or prior to December 31, 2017 are only permitted to be carried forward for 20 years under applicable U.S. tax law. Under current law, our federal NOLs generated in tax years beginning after December 31, 2017 may be carried forward indefinitely, but the deductibility of such federal NOLs is limited to 80% of current year taxable income. It is uncertain if and to what extent various states will conform to the federal tax law.

In addition, under Section 382 of the U.S. Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an "ownership change" is generally subject to limitations on its ability to utilize its pre-change NOLs to offset post-change taxable income. We may have experienced ownership changes in the past and may experience ownership changes in the future as a result of subsequent shifts in our stock ownership (some of which shifts are outside our control). Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. For these reasons, we may not be able to utilize a material portion of the our NOLs, even if we were to achieve profitability.

[Table of Contents](#)

Our international operations may subject us to potential adverse tax consequences.

We are expanding our international operations and staff to better support our growth into international markets. Our corporate structure and associated transfer pricing policies contemplate future growth into the international markets and consider the functions, risks and assets of the various entities involved in the intercompany transactions. The amount of taxes we pay in different jurisdictions may depend on the application of the tax laws of the various jurisdictions, including the United States, to our international business activities; changes in tax rates; new or revised tax laws or interpretations of existing tax laws and policies; and our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for pricing intercompany

transactions pursuant to our intercompany arrangements or disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a challenge or disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations. Similarly, a taxing authority could assert that we are subject to tax in a jurisdiction where we believe we have not established a taxable connection, often referred to as a "permanent establishment" under international tax treaties, and such an assertion, if successful, could increase our expected tax liability in one or more jurisdictions. Our financial statements could fail to reflect adequate reserves to cover such a contingency.

Our results of operations may be harmed if we are required to collect sales or other related taxes for our subscriptions in jurisdictions where we have not historically done so.

We collect and remit sales tax in a number of jurisdictions where we, through our employees, have a presence and where we have determined, based on the U.S. Supreme Court decision in *South Dakota v. Wayfair, Inc.* and legal precedents in the jurisdiction, that we have "economic nexus" or sales of our **solution product offerings** are otherwise classified as taxable. The application of indirect taxes (such as sales and use tax, value-added tax, or VAT, goods and services tax, or GST, business tax and gross receipt tax) to businesses that transact online, such as ours, is a complex and evolving area. There is uncertainty as to what constitutes sufficient physical presence or nexus for a state or local jurisdiction to levy taxes, fees and surcharges for sales made over the internet and our characterization of our **solution product offerings** as not taxable in certain jurisdictions may not be accepted by state and local taxing authorities. As a result, it may be necessary to reevaluate whether our activities give rise to sales, use and other indirect taxes as a result of any nexus or transaction thresholds in those states in which we are not currently registered to collect and remit taxes. A successful assertion by a state, country, or other jurisdiction that we should have been or should be collecting additional sales, use, or other taxes could, among other things, result in substantial tax payments, create significant administrative burdens for us, discourage potential customers from subscribing to our **solution product offerings** due to the incremental cost of any such sales or other related taxes, or otherwise harm our business. We continue to analyze our exposure for such taxes and liabilities.

Additionally, we have not historically collected VAT or GST on sales of our **solution product offerings**, generally, because we make all of our sales through our office in the United States, and we believe, based on information provided to us by our customers, that most of our sales are made to business customers. Taxing authorities may challenge our position that we do not have sufficient nexus in a taxing jurisdiction or assert that our **solution product offerings** is subject to use, VAT, GST and other taxes, which could result in increased tax liabilities for us or our customers, which could harm our business.

The application of existing, new or future laws, whether in the United States or internationally, could harm our business. There have been, and will continue to be, substantial ongoing costs associated with complying with the various indirect tax requirements in the numerous markets in which we conduct or will conduct business.

Changes in our effective tax rate or tax liability may harm our business.

Effective January 1, 2022, legislation enacted in 2017, informally titled the Tax Cuts and Jobs Act, eliminated the option to deduct research and development expenses for tax purposes in the year incurred and requires taxpayers to capitalize and subsequently amortize such expenses over five years for research activities conducted in the United States and over 15 years for research activities conducted outside the United States. Although there have been legislative proposals to repeal or defer the capitalization requirement, there can be no assurance that such requirement will be repealed or otherwise modified. Our effective tax rate could be adversely impacted by several factors, including:

- Changes in the relative amounts of income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;
- Changes in tax laws, tax treaties and regulations or the interpretation of them, including federal income tax legislation proposed by Congress (which has not yet been enacted);

[Table of Contents](#)

- Changes to our assessment about our ability to realize our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax-planning strategies and the economic and political environments in which we do business;
- The outcome of current and future tax audits, examinations or administrative appeals; and
- Limitations or adverse findings regarding our ability to do business in some jurisdictions.

Should our effective tax rate rise, our business could be harmed.

Our financial results may be adversely affected by changes in accounting principles applicable to us.

U.S. GAAP is subject to interpretation by the Financial Accounting Standards Board, the SEC, and other various bodies formed to promulgate and interpret appropriate accounting principles. Changes in these accounting principles could adversely affect our financial results. Any difficulties in implementing these pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm our business.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as described in Note 2, "Summary of Significant Accounting Policies" in the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our condensed consolidated financial statements include those related to revenue recognition, allowance for credit losses, fair value of financial instruments, capitalization and amortization of **internal-use** capitalized software development costs, valuation of stock-based compensation, valuation of acquisitions, and the valuation allowance for deferred income taxes. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our common stock. Significant judgments, estimates and assumptions used

in preparing our condensed consolidated financial statements include, or may in the future include, those related to revenue recognition, stock-based compensation expense, income taxes, goodwill and intangible assets.

Risks Related to Being a Public Company

We will continue to incur increased costs as a result of operating as a public company and our management will be required to devote substantial time to compliance with our public company responsibilities and corporate governance practices.

As a public company, we have and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company, which we expect to further increase after we are no longer an "emerging growth company." The Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the New York Stock Exchange and other applicable securities rules and regulations impose various requirements on public companies. Our management and other personnel are expected to devote a substantial amount of time to compliance with these requirements, which may divert their attention from managing our business operations. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. We cannot predict or estimate the amount of additional costs we will incur as a public company, particularly once we are no longer an "emerging growth company," or the specific timing of such costs.

Our management team has limited experience managing a public company.

Our management team has limited experience managing a publicly traded company, interacting with public company investors and securities analysts and complying with the increasingly complex laws pertaining to public companies. These new obligations and constituents require significant attention from our management team and could divert their attention away from the day-to-day management of our business, which could harm our business, results of operations and financial condition.

[Table of Contents](#)

If we fail to develop and maintain effective internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations could be impaired.

We are required, pursuant to Section 404 of the Sarbanes-Oxley Act, or Section 404, to furnish a report by management on, among other things, the effectiveness of our internal controls over financial reporting. This assessment must include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In

addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal controls over financial reporting in our first annual report required to be filed with the SEC following the date we are no longer an "emerging growth company." Our compliance with Section 404 requires that we incur substantial expenses and expend significant management efforts. We have hired, and need to continue to hire, additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404.

Management has concluded that our internal control over financial reporting was effective as of December 31, 2022 December 31, 2023. However, our testing, or the subsequent testing by our independent public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. If we or our accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, it could harm our operating results, adversely affect our reputation, or result in inaccurate financial reporting. Furthermore, should any such deficiencies arise, we could be subject to lawsuits, sanctions or investigations by regulatory authorities, including SEC enforcement actions and we could be required to restate our financial results, any of which would require additional financial and management resources.

We may not be able to successfully manage the growth of our business if we are unable to improve our internal systems, processes and controls.

We need to continue to improve our internal systems, processes and controls to effectively manage our operations and growth. We may not be able to successfully implement and scale improvements to our systems and processes in a timely or efficient manner or in a manner that does not negatively affect our operating results. For example, we may not be able to effectively monitor certain extraordinary contract requirements or provisions that are individually negotiated by our sales force as the number of transactions continues to grow. In addition, our systems and processes may not prevent or detect all errors, omissions or fraud. We may experience difficulties in managing improvements to our systems, processes and controls or in connection with third-party software, which could impair our ability to offer our solution product offerings to our customers in a timely manner, causing us to lose customers, limit us to smaller deployments of our solution product offerings or increase our technical support costs.

We are an "emerging growth company" and we cannot be certain if the reduced reporting and disclosure requirements applicable to emerging growth companies make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including the auditor attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Pursuant to Section 107 of the JOBS Act, an emerging growth company may elect to use the extended transition period for complying with new or revised accounting standards until those standards would otherwise apply to private companies. However, we have irrevocably opted not to use the extended transition period for complying with any new or revised financial accounting standards, and as such, we are required to adopt new or revised standards at the same time as other public companies. As a result, our condensed consolidated financial statements may not be comparable to the financial statements of other emerging growth companies that elect to avail themselves of the exemption from new or revised accounting pronouncements as of public company effective dates.

We will remain an emerging growth company until the earliest of: (1) December 31, 2026; (2) the last day of the first fiscal year in which our annual gross revenue is \$1.235 billion or more; (3) the date on which we have, during the previous rolling three-year period, issued more than \$1 billion in non-convertible debt securities; and (4) the last day of the fiscal year in which the market value of our common stock held by non-affiliates exceeds \$700 million as of June 30 of such fiscal year.

[Table of Contents](#)

We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Risks Related to Ownership of Our Common Stock

Insiders have substantial control over us and will be able to influence corporate matters.

Based on the number of shares outstanding as of **December 31, 2022** **March 31, 2024**, our officers, directors and their associated investment funds collectively beneficially owned a majority of our outstanding common stock. As a result, these stockholders are able to exercise significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of our company or its assets. This concentration of ownership will limit the ability of other stockholders to influence corporate matters and may cause us to make strategic decisions that could involve risks to you or that may not be aligned with your interests. This control may adversely affect the market price of our common stock.

Our stock price may be volatile, and the value of our common stock may decline.

The market price of our common stock may be highly volatile and may fluctuate or decline substantially as a result of a variety of factors, some of which are beyond our control, including:

- actual or anticipated fluctuations in our financial condition or results of operations;
- variance in our financial performance from expectations of securities analysts;
- changes in the pricing of our **solution; product offerings;**
- changes in our projected operating and financial results;
- announcements by us or our competitors of significant business developments, acquisitions or new offerings;
- changes in laws or regulations applicable to our **solution; product offerings;**
- significant data breaches, disruptions to or other incidents involving our software;
- our involvement in litigation, including currently ongoing litigation against us;
- future sales of our common stock by us or our stockholders;
- changes in senior management or key personnel;
- the trading volume of our common stock;
- changes in the anticipated future size and growth rate of our market; and
- **general economic, political and market conditions and overall fluctuations in general macroeconomic conditions, including conditions resulting from inflation, rising interest rates the financial markets in the United States and disruptions in access to bank deposits or lending commitments due to bank failures as well as the effects of global events, abroad, such as the COVID-19 pandemic and the Russia-Ukraine and Israel-Hamas wars.**

The market for technology stocks and the stock market in general have recently experienced significant price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies, including our own. These fluctuations have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may continue to negatively impact investor confidence and the market price of equity securities, including our common stock. In the past, following periods of volatility in the trading price of a company's securities, securities class action litigation has often been brought against that company. If the market price of our common stock is volatile, we may become the target of securities litigation. Securities litigation could result in substantial costs and divert our management's attention and resources from our business, and could have an adverse effect on our business, results of operations and financial condition.

In the past, following periods of volatility in the trading price of a company's securities, securities class action litigation has often been brought against that company. For example, in September 2023 **a** and November 2023, purported stockholder class action **lawsuit was lawsuits were** filed against us and certain of our current and former officers alleging violation of the federal securities laws for allegedly making materially false or misleading statements. **We While the class action lawsuit filed in November 2023 was dismissed in January 2024, the September 2023 matter remains pending, and we may be the target of additional litigation of this type in the future as well.** **future.** Securities litigation could result in substantial costs and divert our management's attention and resources from our business, and could have an adverse effect on our business, results of operations and financial condition.

Sales of our common stock in the public market could cause the market price of our common stock to decline.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. Many of our existing equity holders have substantial unrecognized gains on the value of the equity they hold, and therefore they may take steps to sell their shares or otherwise secure the unrecognized gains on those shares. We are unable to predict the timing of or the effect that such sales may have on the prevailing market price of our common stock.

In addition, there were **0.9 million** **0.5 million** shares of common stock issuable upon the exercise of options and **3.0 million** **5.2 million** shares of common stock issuable upon the vesting and settlement of restricted stock units and performance-based restricted stock units outstanding as of **September 30, 2023** **March 31, 2024**. We have registered all of the shares of common stock issuable upon the exercise of outstanding options or **vesting and settlement of restricted stock units and performance-based restricted stock units, as well as** other equity incentives we may grant in the future, for public resale under the Securities Act. The shares of common stock will become eligible for sale in the public market to the extent such options are exercised.

Further, as of **September 30, 2023** **March 31, 2024**, holders of a substantial number of shares of our capital stock had rights, subject to some conditions, to require us to file registration statements covering the sale of their shares or to include their shares in registration statements that we may file for ourselves or other stockholders.

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 March 2024, our board of directors approved a new stock repurchase program for up to **\$20.0 million** of our common stock, of which **\$2.7 million** was utilized as of March 31, 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 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 publish unfavorable or inaccurate research about our business, the market price and trading volume of our common stock could decline.

The market price and trading volume of our common stock is heavily influenced by the way analysts interpret our financial information and other disclosures. We do not have control over these analysts. If securities or industry analysts cease coverage of us, our stock price would be negatively affected. If securities or industry analysts do not publish research or reports about our business, downgrade our common stock, or publish negative reports about our business, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our stock price to decline and could decrease the trading volume of our common stock.

We do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid any cash dividends on our capital stock and we do not intend to pay any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our Board of Directors. Accordingly, holders of our common stock may need to rely on sales of their holdings of common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

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

- authorize our Board of Directors to issue, without further action by the stockholders, shares of undesignated preferred stock with terms, rights and preferences determined by our Board of Directors that may be senior to our common stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our Board of Directors, the chairperson of our Board of Directors or our **Chief Executive Officer**; **chief executive officer**;

- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our Board of Directors;
- establish that our Board of Directors is divided into three classes, with each class serving three-year staggered terms;

[Table of Contents](#)

- prohibit cumulative voting in the election of directors;
- provide that our directors may be removed for cause only upon the vote of at least 66 2/3% of our outstanding shares of voting stock;
- provide that vacancies on our Board of Directors may be filled only by a majority of directors then in office, even though less than a quorum; and
- require the approval of our Board of Directors or the holders of at least 66 2/3% of our outstanding shares of voting stock to amend our bylaws and certain provisions of our certificate of incorporation.

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. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally, subject to certain exceptions, prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder. Any of the foregoing provisions could limit the price that investors might be willing to pay in the future for shares of our common stock and they could deter potential acquirers of our company, thereby reducing the likelihood that you would receive a premium for your shares of our common stock in an acquisition.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law:

- any derivative claim or cause of action brought on our behalf;
- any claim or cause of action asserting a breach of fiduciary duty;
- any claim or cause of action against us arising under the Delaware General Corporation Law;
- any claim or cause of action arising under or seeking to interpret our amended and restated certificate of incorporation or our amended and restated bylaws; and
- any claim or cause of action against us that is governed by the internal affairs doctrine.

The provisions would not apply to suits brought to enforce a duty or liability created by the Exchange Act. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions.

Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation will further provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause or causes of action arising under the Securities Act, including all causes of action asserted against any defendant to such complaint. For the avoidance of doubt, this provision is intended to benefit and may be enforced by us, our officers and directors, the underwriters to any offering giving rise to such complaint and any other professional entity whose profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying the offering.

While the Delaware courts have determined that such choice of forum provisions are facially valid, 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 amended and restated 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.

These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees. If a court were to find either exclusive-forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could seriously harm our business.

[Table of Contents](#)

Our business and operations could be negatively affected as a result of currently ongoing securities litigation or if we become subject to any stockholder activism.

Our business and operations could be negatively affected as a result of currently ongoing securities litigation against us or if we become subject to any stockholder activism, which could cause us to incur significant expenses, hinder the execution of our business and growth strategy and impact the price of our common stock.

In the past, securities class action litigation often has been brought against a company following a decline in the market price of its securities. For example, in September 2023 and November 2023, purported stockholder class action lawsuits were filed against us and certain of our current and former officers alleging violation of the federal securities laws for allegedly making materially false or misleading statements. While the class action lawsuit filed in November 2023 was dismissed in January 2024, the September 2023 matter remains pending, and we may be the target of additional litigation of this type in the future.

In addition, stockholder activism, which could take many forms and arise in a variety of situations, has been increasing recently, and new universal proxy rules could significantly lower the cost and further increase the ease and likelihood of stockholder activism. This risk is especially relevant for us because technology companies have experienced significant stock price volatility in recent years. Volatility in our stock price or other reasons may in the future cause us to become the target of securities litigation or stockholder activism. Securities litigation, including currently ongoing securities litigation against us as well as any future securities litigation, and stockholder activism, including potential proxy contests, could result in substantial costs, including significant legal fees and other expenses, and divert our management and Board of Directors' attention and resources from our business. Additionally, securities litigation, including currently ongoing securities litigation against us and as well as any future securities litigation, and stockholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with customers and business partners, adversely affect our reputation, and make it more difficult to attract and retain qualified personnel. Our stock price could also be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any securities litigation, including currently ongoing securities litigation against us as well as any future securities litigation, and stockholder activism.

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

(a) Recent Sales of Unregistered Securities

None.

(b) Purchases of Equity Securities by the Issuer

The table below sets forth information regarding our purchases of our common stock during the three months ended March 31, 2024 (in thousands, except per share data):

	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program ⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program ⁽¹⁾
January 1, 2024 - January 31, 2024	—	\$ —	—	\$ —
February 1, 2024 - February 29, 2024	—	\$ —	—	\$ —
March 1, 2024 - March 31, 2024	343	\$ 7.89	343	\$ 17,290
Total	343		343	

(1) In March 2024, our Board of Directors authorized the repurchase of up to \$20.0 million of our outstanding shares of common stock. We may repurchase shares of common stock from time to time using a variety of methods which may include open market purchases or purchases through a Rule 10b5-1 trading plan, all in accordance with the Securities and Exchange Commission and other applicable legal requirements. The timing, prices and sizes of purchases will depend upon prevailing stock prices, general economic and market conditions and other considerations. The repurchase program does not have an end date and does not obligate us to acquire any particular amount of common stock. The repurchase program may be suspended or discontinued at any time at the Company's discretion.

(c) Use of Proceeds

On July 23, 2021, we completed our IPO of in which we issued and sold 7,700,000 shares of our common stock at the IPO price of \$32.00 per share, including the full exercise by the underwriters of their option to purchase up to an additional 500,000 shares of common stock from us and 200,000 shares of common stock from the selling stockholder named in the final prospectus, or the Prospectus, for our IPO, filed with the SEC on July 22, 2021 pursuant to Rule 424(b)(4) under the Securities Act, resulting in net proceeds to us of approximately \$223.2 million, after deducting underwriting discounts and commissions. We did not receive any of the proceeds from the sale of shares by the selling stockholder.

The offer and sale of all of the shares of our common stock in the IPO were registered under the Securities Act pursuant to our Registration Statement on Form S-1 (File No. 333-257435), which was declared effective by the SEC on July 20, 2021.

There has been no material change in the planned use of proceeds from our IPO from those disclosed in the prospectus. Prospectus.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None. Trading Arrangements

During the three months ended March 31, 2024, the Company's directors and officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted written plans intended to satisfy the affirmative defense conditions of Securities Exchange Act Rule 10b5-1(c) for the sale of the Company's securities as set forth in the table below.

Name	Position	Adoption Date	Total Shares of Common Stock to be Sold ⁽¹⁾	Expiration Date
Melanie Antoon	Executive Vice President, Chief Customer Officer	March 15, 2024	77,417	March 11, 2025

(1) Includes (i) 53,530 shares of common stock held by Ms. Antoon, and (ii) up to 23,887 shares subject to PSUs and RSUs previously granted to Ms. Antoon that may vest and be released to Ms. Antoon on or prior to February 16, 2025. The actual number of shares underlying such PSUs and RSUs that will be released to Ms. Antoon and sold under the Rule 10b5-1 trading arrangement will be net of the number of shares withheld to satisfy tax withholding obligations arising from the vesting of such shares and is not determinable at this time.

Table of Contents

Item 6. Exhibits

The following exhibits are included herein or incorporated herein by reference:

Exhibit number	Description	Incorporated by Reference				
		Schedule	Form	File Number	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of CS Disco, Inc.		8-K	001-40624	3.1	July 23, 2021
3.2	Amended and Restated Bylaws of CS Disco, Inc.		10-K	001-40624	3.2	February 24, 2023
10.1+*	Employment Agreement by and between the Registrant and Scott Hill.					
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.					
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.					
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.					
101.INS	XBRL Instance Document.					
101.SCH	XBRL Taxonomy Extension Schema Document.					
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					

EXHIBIT INDEX

Exhibit number	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of the Registrant, as currently in effect.	8-K	001-40624	3.1	July 23, 2021
3.2*	Amended and Restated Bylaws of the Registrant.	10-K	001-40624	3.2	February 24, 2023
10.1+*	Amended and Restated Employment Agreement by and between the Registrant and Melanie Antoon.				
10.2+*	Employment Agreement by and between the Registrant and Eric Friedrichsen.				
10.3+*	Employment Agreement by and between the Registrant and Karen Herckis.				
10.4*	Amended and Restated Non-Employee Director Compensation Policy.				

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.
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.
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.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

† + Indicates management contract or compensatory plan.

This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

+ Indicates management contract or compensatory plan.

Table of Contents

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.

CS DISCO, INC.

November May 9, 2023 2024

By: /s/ Scott Hill Eric Friedrichsen
 Name: Scott Hill Eric Friedrichsen
 Title: Chief Executive Officer
(Principal Executive Officer)

November May 9, 2023 2024

By: /s/ Michael S. Lafair
 Name: Michael S. Lafair
 Title: Executive Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)

74 72

Exhibit 10.1

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This **AMENDED AND RESTATED EMPLOYMENT AGREEMENT** (the "Agreement") is entered into by and between Scott Hill Melanie Antoon (the "Executive") and CS Disco, Inc. (the "Company"), to be effective upon the Start effectiveness of the registration statement for the Company's initial public offering of Company common stock (the "Effective Date (as defined below)"). This Agreement, when it is effective, amends and restates in its entirety the Employment Agreement between the Company and Executive dated September 9, 2019 (the "Existing Employment Agreement"). This Agreement shall be of no force or effect if the Effective Date does not occur by December 31, 2021.

1. EMPLOYMENT BY THE COMPANY.

1.1 Position. Subject to the terms set forth herein, the Company agrees to continue to employ Executive in the position of Chief Executive Officer, Senior Vice President of Professional Services, and Executive hereby accepts such position, beginning on September 11, 2023 (the "Start Date"). continued employment.

1.2 Duties. Executive will report to the Board of Directors Chief Revenue Officer of the Company (the "Board CRO"), performing such duties as are customarily associated with the Executive's position of Chief Executive Officer and such duties as are assigned to Executive from time to time, subject to the oversight and direction of the Board, CRO or the CRO's designee. During the term of Executive's employment with the Company, Executive will devote Executive's best efforts and substantially all of Executive's business time and attention to the business of the Company. Executive shall perform Executive's duties under this Agreement principally out of the Company's corporate headquarters in Austin, Texas. headquarters. In addition, Executive shall make such business trips to such places as may be necessary or advisable for the operations of the Company.

1.3 Company Policies and Benefits. The employment relationship between the parties shall continue to be subject to the Company's policies and procedures as they may be interpreted, adopted, revised or deleted from time to time in the Company's sole discretion. Executive will continue to be eligible to participate on the same basis as other executive officers of the Company similarly-situated Executives in the Company's benefit plans in effect from time to time during Executive's employment. All matters of eligibility for coverage or benefits under any benefit plan shall be determined in accordance with the provisions of such plan. The Company reserves the right to change, alter, or terminate any benefit plan in its sole discretion. Notwithstanding the foregoing, in the event that the terms of this Agreement differ from or are in conflict with the Company's policies and procedures, the terms of this Agreement shall control.

2. COMPENSATION.

2.1 Salary. Executive shall receive a monthly an annualized base salary of \$50,000, \$300,000, subject to review and increase (but not decrease) adjustment by the Company in its sole discretion, and payable subject to standard federal and state payroll withholding requirements in accordance with the Company's standard payroll practices ("Base Salary").

2.2 Equity Award Annual Discretionary Bonus. Executive will be granted restricted stock units ("RSUs") for 32,052 shares eligible to be awarded a discretionary annual cash bonus with a target of common stock of the Company. The RSUs will vest in a single installment, on the first Quarterly Date (as defined below) following the last day 50% of Executive's service Chief Executive Officer, for that number of shares equal to the product of 5,342 and the number of months of Executive's service as Chief Executive Officer (prorated with respect to any partial calendar month of service based on the number of days served during such month). "Quarterly Date" means each of February 16, May 16, August 16 and November 16. The RSUs will be then-current Base Salary, subject to the terms and condition of any applicable bonus plan and review and adjustment from time to time by the Company in its sole discretion, payable subject to standard payroll withholding requirements ("Target Bonus"). Whether or not Executive is awarded any bonus will be dependent upon (a) the actual achievement by Executive and the Company of the Company's 2021 Equity Incentive Plan applicable individual and corporate performance goals, as determined by the Board of Directors (the "Board") or Compensation Committee in its sole discretion, and (b) Executive's continuous performance of services to the Company through the date any such bonus is paid. The bonus may be greater or lesser than the Target Bonus and may be zero. The annual period over which performance is measured for purposes of this bonus is January 1 through December 31. The Board or Compensation Committee will determine in its sole discretion the extent to which Executive has achieved the performance goals upon which the bonus is based and the applicable award agreement thereunder, as approved amount of the bonus, if any. The Company will pay Executive this bonus, if any, by no later than March 15 of the Board, following calendar year.

2.3 Equity Awards. Executive has been granted various equity interests in the Company, which shall continue to be governed in all respects by the terms of the applicable equity agreements, grant notices and equity plans. Executive shall remain eligible for additional equity awards in the future as determined by the Board or Compensation Committee in its sole discretion.

2.4 Expense Reimbursement. The Company will reimburse Executive for reasonable business expenses in accordance with the Company's standard expense reimbursement policy, as the same may be modified from time to time. For the avoidance of doubt, to the extent that any reimbursements payable to Executive are subject to the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"): (a) any such reimbursements will be paid no later than December 31 of the year following the year in which the expense was incurred, (b) the

290992067.v6

amount of expenses reimbursed in one year will not affect the amount eligible for reimbursement in any subsequent year, and (c) the right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

3. CONFIDENTIAL INFORMATION, INVENTIONS, NON-COMPETITION AND NON-SOLICITATION OBLIGATIONS. As a condition of continued employment, Executive agrees to execute and abide by the Employee Confidential Information and Inventions Assignment Agreement attached as **Exhibit A** ("CIIA"). The CIIA contains provisions that are intended by the parties to survive and do survive any termination of this Agreement and the CIIA.

4. OUTSIDE ACTIVITIES DURING EMPLOYMENT. Except with the prior written consent of the Company, Executive will not, while employed by the Company, undertake or engage in any other employment, occupation or business enterprise that would interfere with Executive's responsibilities and the performance of Executive's duties hereunder. Notwithstanding anything to the contrary in the Agreement, Executive may: (a) devote reasonable time to volunteer services for and on behalf of such religious, educational, non-profit and/or other charitable organizations as Executive may wish to serve; (b) manage personal investments, including investments in, and service on the boards of, other business ventures provided that such ventures are not competitive with the Company's current or planned product offerings, except as otherwise approved by the Board or a Committee of the Board; (c) engage in teaching, writing, speaking engagements and

2

other similar creative pursuits; (d) own less than 1% of the total outstanding shares of a publicly-traded company; and (e) engage in such other activities as may be specifically approved in writing by the Company. Nothing permitted under this Section 4 shall be considered a violation of Executive's obligations under the CIIA.

5. NO CONFLICT WITH EXISTING OBLIGATIONS. Executive represents that Executive's performance of all the terms of this Agreement and continued service as an executive of the Company do not and will not breach any agreement or obligation of any kind made, during or prior to Executive's employment by the Company, including agreements or obligations Executive may have with prior employers or entities for which Executive has provided services. Executive has not entered into, and Executive agrees that Executive will not enter into, any agreement or obligation, either written or oral, in conflict herewith.

6. AT-WILL EMPLOYMENT TERMINATION OF EMPLOYMENT; CHANGE IN CONTROL.

6.1 At-Will Employment. The parties acknowledge that Executive's employment relationship with the Company shall continue to be at-will. Either Executive or the Company may terminate the employment relationship for any reason whatsoever at any time, with or without cause or advance notice. Upon termination of Executive's employment for any reason, Executive shall be entitled to the following: (a) Executive's accrued but unpaid salary through the date of termination, (b) any unreimbursed business expenses incurred by Executive payable in accordance with the Company's standard expense reimbursement policies, and (c) benefits owed to Executive under any qualified retirement plan or health and welfare benefit plan in which Executive was a participant in accordance with applicable law and the provisions of such plan and (d)

vesting of (collectively, the **RSUs** as provided above. **"Accrued Obligations"**). Executive will not be eligible to receive any severance benefits, except as expressly provided in this Agreement.

6.2 Termination for Cause; Death; Disability; Resignation Without Good Reason. If, at any time, the Company terminates Executive's employment for Cause, or if either party terminates Executive's employment as a result of Executive's death or disability, or if Executive resigns without Good Reason, Executive will receive the **Accrued Obligations** set forth in Section 6.1 and will not be entitled to any other form of compensation from the Company, including any severance benefits.

6.3 Termination Without Cause or Resignation for Good Reason During Change in Control Period. If at any time during a Change in Control Period, the Company terminates Executive's employment without Cause or Executive resigns for Good Reason, provided such termination or resignation constitutes a Separation from Service (as defined under Treasury Regulation Section 1.409A-1(h), without regard to any alternative definition thereunder, a **"Separation from Service"**), then subject to Executive's compliance with the terms of this Agreement and subject to the preconditions set forth in Section 6.5, the Company will provide Executive with the following severance benefits:

(a) Base Salary. Executive shall receive a cash payment in an amount equal to twelve (12) months (the **"Severance Period"**) of payment of Executive's then current base salary. This severance payment will be paid to Executive in a lump sum cash payment no later than the second regular payroll date following the later of (i) the effective date of the Release or (ii) the

3

effective time of the applicable Change in Control, but in any event not later than March 15 of the year following the year in which Executive's Separation from Service occurs.

(b) Bonus Payment. Executive will be entitled to a payment equal to 100% of the annual target cash bonus established for Executive, if any, pursuant to the annual performance bonus or annual variable compensation plan established by the Board (or any authorized committee or designee thereof) for the year in which Executive's termination or resignation occurs. If at the time of such termination or resignation Executive is eligible for the annual target cash bonus for the year in which the termination or resignation occurs, but the target percentage (or target dollar amount, if specified as such in the applicable bonus plan) for such bonus has not yet been established for such year, the target percentage shall be the target percentage established for Executive for the preceding year (but adjusted, if necessary for Executive's position for the year in which the termination or resignation occurs). For the avoidance of doubt, the amount of the annual target bonus to which Executive is entitled under this Section 6.3(b) will be calculated (1) assuming all articulated performance goals for such bonus (including, but not limited to, corporate and individual performance, if applicable), for the year of the termination or resignation were achieved at target levels; (2) as if Executive had provided services for the entire year for which the bonus relates; and (3) ignoring any reduction in Executive's base salary that would give rise to Executive's right to resignation for Good Reason (such bonus to which Executive is entitled under this Section 6.3(b), the **"Annual Target Bonus Severance Payment"**). The Annual Target Bonus Severance Payment shall be paid in a lump sum cash payment no later than the second regular payroll date following the later of (i) the effective date of the Release or (ii) the effective time of the applicable Change in Control, but in any event not later than March 15 of the year following the year in which Executive's Separation from Service occurs.

(c) Payment of Continued Group Health Plan Benefits. If Executive timely elects continued group health plan continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (**"COBRA"**) following Executive's termination or resignation date, the Company shall pay directly to the carrier the full amount of Executive's COBRA premiums on behalf of Executive for Executive's continued coverage under the Company's group health plans, including coverage for Executive's eligible dependents, until the earliest of (i) the end of the Severance Period following the date of Executive's termination or resignation, (ii) the expiration of Executive's eligibility for the continuation coverage under COBRA, or (iii) the date when Executive becomes eligible for substantially equivalent health insurance coverage in connection with new employment (such period from Executive's termination or resignation date through the earliest of (i) through (iii), the **"COBRA Payment Period"**). Upon the conclusion of such period of insurance premium payments made by the Company, Executive will be responsible for the entire payment of premiums (or payment for the cost of coverage) required under COBRA for the duration of Executive's eligible COBRA coverage period, if any. Furthermore, for any month for which the Company is required under federal or state law, including, but not limited to, the American Rescue Plan Act of 2021, to subsidize Executive's COBRA payments, Executive will: (1) be required to pay Executive's monthly COBRA premiums, (2) the Company will pay directly to Executive the monthly amount of Executive's COBRA premium, and (3) the Company will subsidize Executive's COBRA premiums as required under the applicable law. For purposes of this Section, (1) references to COBRA shall be deemed to refer also to

analogous provisions of state law and (2) any applicable insurance premiums that are paid by the Company shall not include any amounts payable by Executive under an Internal Revenue Code Section 125 health care reimbursement plan, which

4

amounts, if any, are Executive's sole responsibility. Executive agrees to promptly notify the Company as soon as Executive becomes eligible for health insurance coverage in connection with new employment or self-employment.

Notwithstanding the foregoing, if at any time the Company determines, in its sole discretion, that it cannot provide the COBRA premium benefits without potentially incurring financial costs or penalties under applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then in lieu of paying COBRA premiums directly to the carrier on Executive's behalf, the Company will instead pay Executive on the last day of each remaining month of the COBRA Payment Period a fully taxable cash payment equal to the value of Executive's monthly COBRA premium for the first month of COBRA coverage, subject to applicable tax withholding (such amount, the "**Special Severance Payment**"), such Special Severance Payment to be made without regard to Executive's election of COBRA coverage or payment of COBRA premiums and without regard to Executive's continued eligibility for COBRA coverage during the COBRA Payment Period. Such Special Severance Payment shall end upon expiration of the COBRA Payment Period. Executive is not obligated to use such Special Severance Payment for COBRA premiums.

(d) Equity Acceleration. The vesting and exercisability of each outstanding unvested stock option and other stock award, as applicable, that Executive holds covering Company common stock as of the date of Executive's termination or resignation (each, an "**Equity Award**") that was granted to Executive on or after the Effective Date shall be accelerated in full and any reacquisition or repurchase rights held by the Company in respect of Company common stock issued pursuant to any such Equity Award granted to Executive shall lapse in full. With respect to any such outstanding Equity Award that is subject to performance-vesting, unless otherwise provided in the individual grant notice and award agreement evidencing such award, each such performance-vesting award shall accelerate vesting at 100% of the target level of performance or, if greater, based on actual performance measured as of the effective time of such Change in Control, as determined by the Board (or any authorized committee or designee thereof) in its sole discretion. To the extent Executive's termination or resignation occurs prior to the Change in Control, the acceleration set forth in this Section 6.3(d) shall be contingent and effective upon the Change in Control and Executive's Equity Awards will remain outstanding following Executive's termination or resignation to give effect to such acceleration as necessary. For the avoidance of doubt, any Equity Awards that were granted prior to the Effective Date shall remain subject to the terms under which such Equity Awards were granted, including the award documentation or Executive's employment or other written agreement governing such award (without regard to any amendment or restatement of such agreement), that may apply upon a change in control and/or termination of Executive's service; provided that such Equity Awards shall be subject to the terms of Section 6.6 of this Agreement below.

6.4 Termination Without Cause or Resignation for Good Reason Outside of Change in Control Period. If at any time outside of a Change in Control Period, the Company terminates Executive's employment without Cause or Executive resigns for Good Reason, provided such termination or resignation constitutes a Separation from Service, then subject to Executive's compliance with the terms of this Agreement and subject to the preconditions set forth in Section 6.5, the Company will provide Executive with the following severance benefits:

5

(a) the base salary cash payment described in Section 6.3(a) above, but the Severance Period for purposes of calculating such benefits shall be six (6) months; and

(b) the COBRA benefits described in Section 6.3(c) above, but the Severance Period for purposes of calculating such benefits shall be six (6) months.

For the avoidance of doubt, in no event shall Executive be entitled to benefits under both Section 6.3 and this Section 6.4. If Executive is eligible for severance benefits under both Section 6.3 and this Section 6.4, Executive shall receive the cash and COBRA benefits set forth in Section 6.3 and

such benefits shall be reduced by any comparable benefits previously provided to Executive under Section 6.4.

6.5 Conditions to Receipt of Severance. Executive's receipt of the severance benefits set forth in this Section 6 is conditioned upon: (i) Executive continuing to comply with Executive's obligations under Executive's CIIA; and (ii) Executive delivering to the Company an effective, general release of claims in the form attached hereto as **Exhibit B** (the "Release") within the applicable time period set forth therein.

6.6 Change in Control Acceleration Upon Acquiror's Failure to Assume, Continue or Substitute. If (i) in connection with a Change in Control, any outstanding unvested Equity Award that Executive holds will not be assumed or continued by the successor or acquiror entity (or its parent company) in such Change in Control or substituted for a similar award of the successor or acquiror entity (or its parent company) (a "Terminating Award") and (ii) Executive's continued employment with the Company has not terminated as of immediately prior to the effective time of such Change in Control, then Executive will become vested, with respect to any then unvested portion of such Terminating Award, effective immediately prior to, but subject to the consummation of such Change in Control. With respect to any such outstanding Terminating Award that is subject to performance-vesting, unless otherwise provided in the individual grant notice and award agreement evidencing such award, such performance-vesting award will accelerate vesting at 100% of the target level of performance or, if greater, based on actual performance measured as of the effective time of such Change in Control, as determined by the Board (or any authorized committee or designee thereof) in its sole discretion. For the avoidance of doubt, the benefits under this Section 6.6 are contingent on a Change in Control and do not require Executive's termination of service. In addition, Executive may be eligible for benefits under this Section 6.6 in addition to benefits under Section 6.3 or Section 6.4 and in such case, Executive shall receive benefits under both sections, without duplication.

7. **DEFINITIONS.**

7.1 Cause. For purposes of this Agreement, "**Cause**" shall mean the occurrence of any of the following: (A) Executive's embezzlement or wrongful diversion of funds of Company or any affiliate or client of the Company confirmed by an outside auditor, or proven commission of any other fraud against the Company or any affiliate or client of the Company which materially adversely affects the Company; (B) Executive's being convicted of (or pleading guilty or no contest to) a felony or any crime of moral turpitude; (C) Executive's commission of gross negligence or an act of willful malfeasance, or gross and deliberate disregard of Executive's duties and responsibilities; (D) Executive's material violation of the Company's EEO/harassment policy; or

6

(E) Executive's material violation of the CIIA, provided that the Company has delivered to Executive written notice describing such material breach with specificity and Executive has not cured the same within thirty (30) days following receipt of such notice.

7.2 Change in Control. For purposes of this Agreement, "**Change in Control**" has the meaning ascribed to such term in the Equity Plan.

7.3 Change in Control Period. For purposes of this Agreement, "**Change in Control Period**" is defined as the period commencing three (3) months prior to the effective time of a Change in Control and ending twelve (12) months following the effective time of a Change in Control.

7.4 Equity Plan. For purposes of this Agreement, "**Equity Plan**" means the CS Disco, Inc. 2021 Equity Incentive Plan, as amended from time to time, or any successor plan thereto.

7.5 Good Reason. For purposes of this Agreement, "**Good Reason**" means the occurrence of any one of the following events without Executive's written consent: (A) a reduction in Executive's base salary, except when it is with Executive's consent or part of an overall similar reduction for similarly-situated executives; (B) a material reduction in Executive's incentive compensation (provided, for clarity, that any reduction in the actual amount of annual cash bonus paid to Executive shall not constitute Good Reason); (C) a significant reduction in Executive's responsibilities with respect to management of Company or in Executive's authority or status within Company (provided, however, that a reduction in Executive's responsibilities or authority following a Change in Control shall not constitute Good Reason if (x) there is no demotion in Executive's position or reduction of the scope of Executive's duties within the Company that existed before the Change in Control or (y) Executive is given a position of materially similar or greater overall scope and responsibility within the acquiring company (taking into appropriate consideration that a nominally lower hierarchical role in a larger company may involve similar or greater scope and responsibility than a nominally higher role in the hierarchy of a smaller company); (D) Executive is required to relocate Executive's principal place of employment with the Company (or successor to

the Company, if applicable) to a place that increases Executive's one-way commute by more than fifty (50 miles) as compared to Executive's then-current principal place of employment immediately prior to such relocation (excluding regular travel in the ordinary course of business); or (E) a material breach by the Company of any material provision of this Agreement or any other agreement between Executive and the Company. Notwithstanding the foregoing or any other provision of this Agreement to the contrary, "Good Reason" shall not exist if Executive has not provided the Company and the Board written notice of the circumstances constituting "Good Reason" within thirty (30) days of the initial occurrence of the event, allowed the Company thirty (30) days to cure such circumstances, and terminated Executive's employment for Good Reason within ninety (90) days following the initial occurrence of the condition(s) specified in such notice, in the event such condition(s) remained uncured.

8. SECTION 409A. It is intended that all of the payments payable under this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect

7

(collectively, "**Section 409A**") provided under Treasury Regulations Sections 1.409A-1(b)(4) and 1.409A-1(b)(9), and this Agreement will be construed in a manner that complies with Section 409A. For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive's right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. Notwithstanding any provision to the contrary in this letter, if Executive is deemed by the Company at the time of Executive's Separation from Service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i), and if any of the payments upon Separation from Service set forth herein and/or under any other agreement with the Company are deemed to be "deferred compensation", then to the extent delayed commencement of any portion of such payments is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) and the related adverse taxation under Section 409A, such payments shall not be provided to Executive prior to the earliest of (i) the expiration of the six-month period measured from the date of Executive's Separation from Service with the Company, (ii) the date of Executive's death or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of such applicable Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this paragraph shall be paid in a lump sum to Executive, and any remaining payments due shall be paid as otherwise provided herein or in the applicable agreement. No interest shall be due on any amounts so deferred.

9. SECTION 280G. If any payment or benefit Executive will or may receive from the Company or otherwise (a "**Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then any such Payment shall be equal to the Reduced Amount. The "**Reduced Amount**" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount (i.e., the amount determined by clause (x) or by clause (y)), after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive's receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction shall occur in the manner (the "**Reduction Method**") that results in the greatest economic benefit for Executive. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "**Pro Rata Reduction Method**").

Notwithstanding any provisions in this Section above to the contrary, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, shall be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows: (A) as a first priority, the modification shall preserve to the greatest extent possible, the greatest economic benefit for Executive as determined on an after-tax basis; (B) as a second priority, Payments that are contingent on future events (e.g., being terminated without Cause), shall be reduced (or eliminated) before Payments that are not contingent on future events; and (C) as a third priority, Payments that are "deferred compensation" within the meaning of Section 409A shall

8

be reduced (or eliminated) before Payments that are not deferred compensation within the meaning of Section 409A.

The Company shall appoint a nationally recognized accounting or law firm to make the determinations required by this Section. The Company shall bear all expenses with respect to the determinations by such accounting or law firm required to be made hereunder. If Executive receives a Payment for which the Reduced Amount was determined pursuant to clause (x) above and the Internal Revenue Service determines thereafter that some portion of the Payment is subject to the Excise Tax, Executive agrees to promptly return to the Company a sufficient amount of the Payment (after reduction pursuant to clause (x) above) so that no portion of the remaining Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) above, Executive shall have no obligation to return any portion of the Payment pursuant to the preceding sentence.

10. GENERAL PROVISIONS.

7.110.1 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

7.210.2 Waiver. If either party should waive any breach of any provisions of this Agreement, it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

7.310.3 Complete Agreement. This Agreement, including its Exhibits and any agreements referenced herein, constitutes the entire agreement between Executive and the Company with regard to the subject matter hereof and supersedes any prior oral discussions or written communications and agreements concerning such subject ~~matters~~, except Executive's obligation to repay the Company for a certain relocation bonus under Section 2.b. of the Existing Employment Agreement (which obligation shall survive and continue). This Agreement is entered into without reliance on any promise or representation other than those expressly contained herein, and it cannot be modified or amended except in writing signed by Executive and an authorized officer of the Company.

7.410.4 Counterparts. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement.

7.510.5 Successors and Assigns. The Company shall assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any Company or other entity with or into which the Company may hereafter merge or consolidate or to which the Company may transfer all or substantially all of its assets, if in any such case said Company or other entity shall by operation of law or expressly in writing assume all obligations of the Company hereunder as fully as

if it had been originally made a party hereto, but may not otherwise assign this Agreement or its rights and obligations hereunder. The Executive may not assign or transfer this Agreement or any rights or obligations hereunder, other than to the Executive's estate upon Executive's death.

7.610.6 Choice of Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the internal laws of the State of Texas.

7.7 Indemnification Agreement. Notwithstanding anything to the contrary herein, the terms and conditions of any existing indemnification agreement or obligation continue in full force and effect.

7.810.7 Resolution of Disputes. To ensure the timely and economical resolution of disputes that may arise in connection with Executive's employment with the Company, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance, negotiation, execution, or interpretation of this Agreement, the CIIA, or Executive's employment, or the termination of Executive's employment, including but not limited to all statutory claims, will be resolved pursuant to the Federal Arbitration Act, 9 U.S.C. §1-16, and to the fullest extent permitted by law, by final, binding and confidential arbitration by a single arbitrator by Judicial Arbitration and Mediation Services Inc. ("JAMS") under the then applicable JAMS rules (at the following web address: <https://www.jamsadr.com/rules-employment-arbitration/>). **By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.** In addition, all claims, disputes, or causes of action under this provision, whether by Executive or the Company, must be brought in an individual capacity, and shall not be brought as a plaintiff (or claimant) or class member in any purported class or representative proceeding, nor joined or consolidated with the claims of any other person or entity. The arbitrator may not consolidate the claims of more than one person or entity, and may not preside over any form of representative or class proceeding. To the extent that the preceding sentences regarding class claims or proceedings are found to violate applicable law or are otherwise found unenforceable, any claim(s) alleged or brought on behalf of a class shall proceed in a court of law rather than by arbitration. The Company acknowledges that Executive will have the right to be represented by legal counsel at any arbitration proceeding. Questions of whether a claim is subject to arbitration under this Agreement shall be decided by the arbitrator. Likewise, procedural questions which grow out of the dispute and bear on the final disposition are also matters for the

arbitrator. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; (b) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award; and (c) be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. Unless otherwise required by applicable law, or JAMS rules, Executive and the Company shall equally share all JAMS' arbitration fees. Each party is responsible for its own attorneys' fees. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any awards or orders in such arbitrations may be entered and enforced as judgments in the federal and state courts of any competent jurisdiction.

[Remainder of page intentionally left blank.]

10

The parties have executed this Amended and Restated Employment Agreement on the day and year first written above.

CS DISCO, INC.

By:/s/ Krishna Srinivasan
Krishna Srinivasan
Chairman, Board of Directors

By: /s/ Kiwi Camara

Kiwi Camara

Chief Executive Officer

Executive:

/s/ Scott Hill

Scott Hill EXECUTIVE:

By: /s/ Melanie Antoon

Melanie Antoon

11

Exhibit A

EMPLOYEE CONFIDENTIAL INFORMATION AND INVENTIONS ASSIGNMENT AGREEMENT

Exhibit B

RELEASE

To be signed on or within twenty-one (21) days after the Separation Date

My employment with CS Disco, Inc. ("Company") ended in all capacities on _____ (the "Separation Date"). I hereby confirm that I have been paid all compensation owed to me by Company for all hours worked; I have received all leave and leave benefits and protections for which I was eligible, pursuant to Company's policies, applicable law, or otherwise; and I have not suffered any on-the-job injury or illness for which I have not already filed a workers' compensation claim.

If I choose to enter into this Release and allow it to become effective by its terms, Company will provide me with certain severance benefits pursuant to the terms of the Employment Agreement between me and Company dated ____, 202__ (the "Agreement"). I understand that I am not entitled to such severance benefits unless I return this fully-executed Release to Company within twenty-one (21) days after the Separation Date, allow this Release to become fully effective and non-revocable by its terms, and otherwise remain in compliance with all of my legal and contractual obligations to Company. (Capitalized terms used but not defined in this Release shall have the meaning ascribed to them in the Agreement.)

In exchange for the severance benefits under my Agreement, I hereby generally and completely release Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively, the "Released Parties") from any and all claims, liabilities and obligations, both known and unknown, arising from or in any way related to events, acts, conduct, or omissions occurring prior to or at the time that I sign this Release, including but not limited to claims arising from or in any way related to my employment with Company or the termination of that employment (collectively, the "Released Claims"). By way of example, the Released claims include, but are not limited to: (1) all claims related to my compensation or benefits from Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in Company; (2) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (3) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (4) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, [the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA")], and Texas state law.

Notwithstanding the foregoing, the following are not included in the Released Claims (the "Excluded Claims"): (1) claims arising after the date on which I sign this Release; (2) claims for reimbursement of properly incurred business expenses through the Separation Date submitted to Company for reimbursement within thirty (30) days after the Separation Date; (3) rights I may have as a Company shareholder; (4) claims for or rights to indemnification pursuant to this Agreement, the Company's articles of incorporation and bylaws, any fully executed indemnification agreement with Company, insurance policy(ies) or applicable law; and (5) claims which cannot be waived as a matter of law. I understand that nothing in this Release prevents me from filing, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or any other government agency, except that I acknowledge and agree that I am hereby waiving my right to any monetary benefits in connection with any such claim, charge or proceeding (except for such benefits with respect to proceedings before the Securities and Exchange Commission). I hereby represent and warrant that, other than the Excluded Claims, I am not aware of any claims that I have or may have, against any parties released above, that are not included in the Released Claims.

[Include if applicable: I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA, and that the consideration given for this Release is in addition to anything of value

to which I was already entitled. I further acknowledge that I have been advised, as required by the ADEA, that: (a) my waiver and release does not apply to any rights or claims that may arise after the date I sign this Release; (b) I have been advised that I have the right to consult with an attorney prior to executing this Release (although I may choose voluntarily not to do so); (c) I have been given twenty-one (21) days to consider this Release (although I may choose voluntarily to sign it earlier); (d) I have seven (7) days following my execution of this Release to revoke my acceptance of it (with such revocation to be delivered in writing to the Chair of the Board within the 7-day revocation period); and (e) this Release will not be effective until the date upon which the revocation period has expired without revocation, which will be the eighth day after I sign it ("Effective Date").]

I further agree: (a) not to voluntarily (except in response to legal compulsion) assist any third party in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceedings against Company, its affiliates, officers, directors, employees or agents; and (b) to reasonably cooperate with Company by voluntarily (without legal compulsion) providing accurate and complete information, in connection with Company's actual or contemplated defense, prosecution or investigation of any claims or demands by or against third parties, or other matters, arising from events, acts, or omissions that occurred during my employment with Company. I hereby certify that I have returned (or if not capable of return, deleted), without retaining any reproductions (in whole or in part), all information, materials and other property of Company, including but not limited to any embodiment (in any medium) of any confidential or proprietary information of Company (including but not limited to any such embodiments on any personally-owned electronic or other storage device such as a cellular phone).

This Release, together with the Agreement (including all Exhibits and documents incorporated therein by reference), constitutes the complete, final and exclusive embodiment of the entire agreement between me and Company with regard to this subject matter. Notwithstanding anything in this Agreement to the contrary, insofar as any stock options, grants, or award agreements contemplate certain rights and obligations that are not extinguished by termination of employment, those rights and obligations shall continue notwithstanding this Agreement. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained in the Release or the Agreement, and it entirely supersedes any other such promises, warranties or representations, whether oral or written.

Reviewed, Understood and Agreed:

By: _____ Date: _____

Exhibit 10.2

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (the "Agreement") is entered into by and between Eric Friedrichsen (the "Executive") and CS Disco, Inc. (the "Company").

1. EMPLOYMENT BY THE COMPANY.

1.1 Position. Subject to the terms set forth herein, the Company agrees to employ Executive in the position of President and Chief Executive Officer, and Executive hereby accepts such employment, starting on April 29, 2024 (the "**Start Date**").

1.2 Duties. Executive will report to the Board of Directors of the Company (the "**Board**"), performing such duties as are customarily associated with Executive's position and such duties as are assigned to Executive from time to time, subject to the oversight and direction of the Board. During the term of Executive's employment with the Company, Executive will devote Executive's best efforts and substantially all of Executive's business time and attention to the business of the Company. Executive shall perform Executive's duties under this Agreement principally out of Executive's home office in Colorado, provided that Executive shall make such business trips to such places as may be necessary or advisable for the operations of the Company, including regular visits to the Company's headquarters in Austin, Texas. The Board will appoint Executive to the Board, effective on the Start Date.

1.3 Company Policies and Benefits. The employment relationship between the parties shall be subject to the Company's policies and procedures as they may be interpreted, adopted, revised or deleted from time to time in the Company's sole discretion. Executive will be eligible to participate on the same basis as similarly situated executive officers in the Company's benefit plans in effect from time to time during Executive's employment. All matters of eligibility for coverage or benefits under any benefit plan shall be determined in accordance with the provisions of such plan. The Company reserves the right to change, alter, or terminate any benefit plan in its sole discretion. Notwithstanding the foregoing, in the event that the terms of this Agreement differ from or are in conflict with the Company's policies and procedures, the terms of this Agreement shall control.

2. COMPENSATION.

2.1 Salary. Executive shall receive an annualized base salary of \$550,000, subject to review and adjustment by the Company in its sole discretion, and payable subject to standard federal and state payroll withholding requirements in accordance with the Company's standard payroll practices ("**Base Salary**").

2.2 Annual Discretionary Bonus. Executive will be eligible to be awarded a discretionary annual cash bonus with a target of 100% of Executive's then-current Base Salary, subject to the terms and condition of any applicable bonus plan and review and adjustment from time to time by the Company in its sole discretion, payable subject to standard payroll withholding requirements ("**Target Bonus**"). Whether or not Executive is awarded any bonus will be dependent upon (a) the actual achievement by Executive and the Company of the applicable individual and corporate performance goals, as determined by the Board or Compensation Committee in its sole discretion, and (b) Executive's continuous performance of services to the Company through the date any such bonus is

paid; provided, however, a termination by the Company without Cause or by the Executive for Good Reason after the end of the applicable calendar year, but prior to the payment date, shall not excuse payment of the bonus. The bonus may be greater or lesser than the Target Bonus and may be zero. The annual period over which performance is measured for purposes of this bonus is January 1 through December 31, although Executive's annual discretionary bonus for 2024, if any, will be prorated based on Executive's Start Date. The Board or Compensation Committee will determine in its sole discretion the extent to which Executive has achieved the performance goals upon which the bonus is based and the amount of the bonus, if any. The Company will pay Executive this bonus, if any, by no later than March 15 of the following calendar year.

2.3 Initial Equity Award. Subject to the commencement of Executive's employment with the Company, Executive will be granted restricted stock units ("**RSUs**") to be issued 1,023,780 shares of common stock of the Company. The RSUs will vest over approximately four years as follows, subject to Executive's continued service as President and Chief Executive Officer of the Company, as of each vesting date (except as provided in to Sections 6.3 and 6.4 below): (i) 25% of the RSUs will vest on May 16, 2025, and (ii) the remaining 75% of the RSUs will vest in equal 1/16th installments on each standard Company quarterly vesting date thereafter (August 16, November 16, February 16, and May 16). The RSUs will be subject to the terms of the Equity Plan and the applicable award agreement thereunder.

2.4 Annual Equity Awards. Beginning in 2025, and subject to the sole discretion and determination of the Board or a committee of the Board, Executive will be eligible for RSU or PRSU refresh grants.

2.5 Expense Reimbursement. The Company will reimburse Executive for reasonable business expenses in accordance with the Company's standard expense reimbursement policy, as the same may be modified from time to time. For the avoidance of doubt, to the extent that any reimbursements payable to Executive are subject to the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**") (a) any such reimbursements will be paid no later than December 31 of the year following the year in which the expense was incurred, (b) the amount of

expenses reimbursed in one year will not affect the amount eligible for reimbursement in any subsequent year, and (c) the right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

2.6 Clawback Rights. Incentive and equity compensation granted under applicable plans will be subject to recoupment in accordance with the company's existing clawback policy or any other customary clawback policy that the Company maintains or adopts.

3. CONFIDENTIAL INFORMATION, INVENTIONS, NON-COMPETITION AND NON-SOLICITATION OBLIGATIONS. As a condition of employment, Executive agrees to execute and abide by the Employee Confidential Information and Inventions Assignment Agreement attached as *Exhibit A* ("CIIA"). The CIIA contains provisions that are intended by the parties to survive and do survive any termination of this Agreement and the CIIA.

4. OUTSIDE ACTIVITIES DURING EMPLOYMENT. Except with the prior written consent of the Company, Executive will not, while employed by the Company, undertake or engage in any other employment, board of directors service, occupation or business enterprise. Notwithstanding anything to the contrary in the Agreement, Executive may: (a) devote reasonable time to volunteer

services for and on behalf of such religious, educational, non-profit and/or other charitable organizations as Executive may wish to serve; (b) manage personal investments, including investments in other business ventures provided that such ventures are not competitive with the Company's current or planned product offerings; (c) engage in teaching, writing, speaking engagements and other similar creative pursuits; (d) own less than 1% of the total outstanding shares of a publicly-traded company; and (e) engage in such other activities as may be specifically approved in writing by the Company. Nothing permitted under this Section 4 shall be considered a violation of Executive's obligations under the CIIA.

5. NO CONFLICT WITH EXISTING OBLIGATIONS. Executive represents that Executive's performance of all the terms of this Agreement and service as an executive of the Company do not and will not breach any agreement or obligation of any kind made, during or prior to Executive's employment by the Company, including agreements or obligations Executive may have with prior employers or entities for which Executive has provided services. Executive has not entered into, and Executive agrees that Executive will not enter into, any agreement or obligation, either written or oral, in conflict herewith.

6. TERMINATION OF EMPLOYMENT; CHANGE IN CONTROL.

6.1 At-Will Employment. The parties acknowledge that Executive's employment relationship with the Company shall be at-will. Either Executive or the Company may terminate the employment relationship for any reason whatsoever at any time, with or without Cause or advance notice. Upon termination of Executive's employment for any reason, Executive shall be entitled to the following: (a) Executive's accrued but unpaid salary through the date of termination, (b) any unreimbursed business expenses incurred by Executive payable in accordance with the Company's standard expense reimbursement policies, and (c) benefits owed to Executive under any qualified retirement plan or health and welfare benefit plan in which Executive was a participant in accordance with applicable law and the provisions of such plan (collectively, the "*Accrued Obligations*"). Executive will not be eligible to receive any severance benefits, except as expressly provided in this Agreement.

6.2 Termination for Cause; Death; Disability; Resignation Without Good Reason. If, at any time, the Company terminates Executive's employment for Cause, or if either party terminates Executive's employment as a result of Executive's death or disability, or if Executive resigns without Good Reason, Executive will receive the Accrued Obligations set forth in Section 6.1 and will not be entitled to any other form of compensation from the Company, including any severance benefits.

6.3 Termination Without Cause or Resignation for Good Reason During Change in Control Period. If at any time during a Change in Control Period, the Company terminates Executive's employment without Cause or Executive resigns for Good Reason, provided such termination or resignation constitutes a Separation from Service (as defined under Treasury Regulation Section 1.409A-1(h), without regard to any alternative definition thereunder, a "*Separation from Service*"), then subject to Executive's compliance with the terms of this Agreement and subject to the preconditions set forth in Section 6.5, the Company will provide Executive with the following severance benefits:

(a) Base Salary. Executive shall receive a cash payment in an amount equal to twelve (18) months (the "*Severance Period*") of payment of Executive's then current base salary. This severance payment will be paid to Executive in a lump sum cash payment no later than the second

regular payroll date following the later of (i) the effective date of the Release or (ii) the effective time of the applicable Change in Control, but in any event not later than March 15 of the year following the year in which Executive's Separation from Service occurs.

(b) Bonus Payment. Executive will be entitled to a payment equal to 150% of the annual target cash bonus established for Executive, if any, pursuant to the annual performance bonus or annual variable compensation plan established by the Board (or any authorized committee or designee thereof) for the year in which Executive's termination or resignation occurs. If at the time of such termination or resignation Executive is eligible for the annual target cash bonus for the year in which the termination or resignation occurs, but the target percentage (or target dollar amount, if specified as such in the applicable bonus plan) for such bonus has not yet been established for such year, the target percentage shall be the target percentage established

for Executive for the preceding year (but adjusted, if necessary for Executive's position for the year in which the termination or resignation occurs). For the avoidance of doubt, the amount of the annual target bonus to which Executive is entitled under this Section 6.3(b) will be calculated (1) assuming all articulated performance goals for such bonus (including, but not limited to, corporate and individual performance, if applicable), for the year of the termination or resignation were achieved at target levels; (2) as if Executive had provided services for the entire year for which the bonus relates; and (3) ignoring any reduction in Executive's base salary that would give rise to Executive's right to resignation for Good Reason (such bonus to which Executive is entitled under this Section 6.3(b), the "**Annual Target Bonus Severance Payment**"). The Annual Target Bonus Severance Payment shall be paid in a lump sum cash payment no later than the second regular payroll date following the later of (i) the effective date of the Release or (ii) the effective time of the applicable Change in Control, but in any event not later than March 15 of the year following the year in which Executive's Separation from Service occurs.

(c) Payment of Continued Group Health Plan Benefits. If Executive timely elects continued group health plan continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("**COBRA**") following Executive's termination or resignation date, the Company shall pay directly to the carrier the full amount of Executive's COBRA premiums on behalf of Executive for Executive's continued coverage under the Company's group health plans, including coverage for Executive's eligible dependents, until the earliest of (i) the end of the Severance Period following the date of Executive's termination or resignation, (ii) the expiration of Executive's eligibility for the continuation coverage under COBRA, or (iii) the date when Executive becomes eligible for substantially equivalent health insurance coverage in connection with new employment (such period from Executive's termination or resignation date through the earliest of (i) through (iii), the "**COBRA Payment Period**"). Upon the conclusion of such period of insurance premium payments made by the Company, Executive will be responsible for the entire payment of premiums (or payment for the cost of coverage) required under COBRA for the duration of Executive's eligible COBRA coverage period, if any. Furthermore, for any month for which the Company is required under federal or state law, including, but not limited to, the American Rescue Plan Act of 2021, to subsidize Executive's COBRA payments, Executive will: (1) be required to pay Executive's monthly COBRA premiums, (2) the Company will pay directly to Executive the monthly amount of Executive's COBRA premium, and (3) the Company will subsidize Executive's COBRA premiums as required under the applicable law. For purposes of this Section, (1) references to COBRA shall be deemed to refer also to analogous provisions of state law and (2) any applicable insurance premiums that are paid by the Company shall not include any amounts payable by Executive under an Internal Revenue Code Section 125 health care reimbursement plan, which amounts, if any, are Executive's sole responsibility. Executive agrees to

promptly notify the Company as soon as Executive becomes eligible for health insurance coverage in connection with new employment or self-employment.

Notwithstanding the foregoing, if at any time the Company determines, in its sole discretion, that it cannot provide the COBRA premium benefits without potentially incurring financial costs or penalties under applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then in lieu of paying COBRA premiums directly to the carrier on Executive's behalf, the Company will instead pay Executive on the last day of each remaining month of the COBRA Payment Period a fully taxable cash payment equal to the value of Executive's monthly COBRA premium for the first month of COBRA coverage, subject to applicable tax withholding (such amount, the "**Special Severance Payment**"), such Special Severance Payment to be made without regard to Executive's election of COBRA coverage or payment of COBRA premiums and without regard to Executive's continued eligibility for COBRA coverage during the COBRA Payment Period. Such Special Severance Payment shall end upon expiration of the COBRA Payment Period. Executive is not obligated to use such Special Severance Payment for COBRA premiums.

(d) Equity Acceleration. The vesting and exercisability of each outstanding unvested restricted stock unit and other stock award, as applicable, that Executive holds covering Company common stock as of the date of Executive's termination or resignation (each, an "**Equity Award**") shall be accelerated in full. With respect to any such outstanding Equity Award that is subject to performance vesting, unless otherwise provided in the individual grant notice and award agreement evidencing such award, each such performance-vesting award shall accelerate vesting at 100% of the target level of performance or, if greater, based on actual performance measured as of the effective time of such Change in Control, as determined by the Board (or any authorized committee thereof) in its sole discretion. To the extent Executive's termination or resignation occurs prior to the Change in Control, the acceleration set forth in this Section 6.3(d) shall be contingent and effective upon the Change in Control and Executive's Equity Awards will remain outstanding following Executive's termination or resignation to give effect to such acceleration as necessary.

6.4 Termination Without Cause or Resignation for Good Reason Outside of Change in Control Period. If at any time outside of a Change in Control Period, the Company terminates Executive's employment without Cause or Executive resigns for Good Reason, provided such termination or resignation constitutes a Separation from Service, then subject to Executive's compliance with the terms of this Agreement and subject to the preconditions set forth in Section 6.5, the Company will provide Executive with the following severance benefits:

- (a)** the base salary cash payment described in Section 6.3(a) above;
- (b)** the COBRA benefits described in Section 6.3(c) above; and
- (c)** the equity acceleration described in Section 6.3(d) above, provided that any outstanding Equity Award that is subject to time-based vesting will not accelerate in full and shall only accelerate by the amount that would have vested in the 12 months following the Executive's separation date had Executive continued to serve as President and Chief Executive Officer through such date.

For the avoidance of doubt, in no event shall Executive be entitled to benefits under both Section 6.3 and this Section 6.4. If Executive is eligible for severance benefits under both Section 6.3 and this Section 6.4, Executive shall receive the cash and COBRA benefits set forth in Section 6.3 and such benefits shall be reduced by any comparable benefits previously provided to Executive under Section 6.4.

6.5 Conditions to Receipt of Severance. Executive's receipt of the severance benefits set forth in this Section 6 is conditioned upon: (i) Executive continuing to comply with Executive's obligations under Executive's CIIA; (ii) Executive's compliance with Section 6.7; and (iii) Executive delivering to the Company an effective, general release of claims in the form attached hereto as **Exhibit B** (the "Release") within the applicable time period set forth therein.

6.6 Change in Control Acceleration Upon Acquiror's Failure to Assume, Continue or Substitute. If (i) in connection with a Change in Control or a Corporate Transaction (as defined in the Equity Plan), any outstanding unvested Equity Award that Executive holds (an "**Unvested Award**") is not assumed or continued by the successor or acquiror entity (or its parent company) in such Change in Control or substituted for a similar award (which, for the avoidance of doubt, requires that the similar award (a) have the same embedded value as the predecessor award (comparing its value as of immediately prior and immediately following such assumption or substitution), (b) have vesting terms that are not less favorable to Executive than the predecessor award, and (c) settle exclusively in cash or marketable securities) of the successor or acquiror entity (or its parent company); and (ii) Executive's continued employment with the Company has not terminated as of immediately prior to the effective time of such Change in Control or Corporate Transaction (as applicable), then the Unvested Award will vest in full, effective immediately prior to, but subject to the consummation of such Change in Control or Corporate Transaction (as applicable). With respect to any such outstanding Unvested Award that is subject to performance-vesting, unless otherwise provided in the individual grant notice and award agreement evidencing such award, such performance-vesting award will accelerate vesting at 100% of the target level of performance or, if greater, based on actual performance measured as of the effective time of such Change in Control or Corporate Transaction (as applicable), as determined by the Board (or any authorized committee or designee thereof) in its sole discretion. For the avoidance of doubt, the benefits under this Section 6.6 are contingent on a Change in Control or Corporate Transaction (as applicable) and do not require Executive's termination of service. In addition, Executive may be eligible for benefits under this Section 6.6 in addition to benefits under Section 6.3 or Section 6.4 and in such case, Executive shall receive benefits under both sections, without duplication.

6.7 Resignation from the Board. Upon termination of Executive's service as President and Chief Executive Officer for any reason, Executive shall resign from the Board, effective upon such termination of service.

7. DEFINITIONS.

7.1 Cause. For purposes of this Agreement, "**Cause**" shall mean the occurrence of any of the following: (A) Executive's embezzlement or wrongful diversion of funds of Company or any affiliate or client of the Company confirmed by an outside auditor, or proven commission of any other fraud against the Company or any affiliate or client of the Company that materially adversely affects the Company; (B) Executive's being convicted of (or pleading guilty or no contest to) a felony or any crime of moral turpitude; (C) Executive's commission of gross negligence or an act of willful malfeasance, or gross and deliberate disregard of Executive's duties and responsibilities; (D) Executive's material violation of the Company's EEO/harassment policy; or (E) Executive's material violation of the CIIA, provided that the Company has delivered to Executive written notice describing such material breach

with specificity and Executive has not cured the same within thirty (30) days following receipt of such notice.

7.2 Change in Control. For purposes of this Agreement, "**Change in Control**" has the meaning ascribed to such term in the Equity Plan.

7.3 Change in Control Period. For purposes of this Agreement, "**Change in Control Period**" is defined as the period commencing three months prior to the effective time of a Change in Control and ending 12 months following the effective time of a Change in Control.

7.4 Equity Plan. For purposes of this Agreement, "**Equity Plan**" means the CS Disco, Inc. 2021 Equity Incentive Plan, as amended from time to time, or any successor plan thereto.

7.5 Good Reason. For purposes of this Agreement and to supersede and replace any similar definition set forth in any equity award between Executive and the Company now and in the future unless otherwise explicitly agreed therein, "**Good Reason**" means the occurrence of any one of the following events without Executive's written consent: (A) a reduction in Executive's base salary, except when it is with Executive's consent or part of an overall similar reduction for similarly-situated executives; (B) a material reduction in Executive's incentive compensation (provided, for clarity, that any reduction in the actual amount of annual cash bonus paid to Executive shall not constitute Good Reason); (C) a change in Executive's reporting relationship such that Executive no longer reports to the Board (provided, however, that a change following a Change in Control shall not constitute Good Reason); (D) a significant reduction in Executive's responsibilities with respect to management of Company or in Executive's authority or status within Company (provided, however, that a reduction in Executive's responsibilities or authority following a Change in Control shall not constitute Good Reason if (x) there is no demotion in Executive's position or reduction of the scope of Executive's duties within the Company that existed before the Change in Control or (y) Executive is given a position of materially similar or greater overall scope and responsibility within the acquiring company (taking into appropriate consideration that a nominally lower hierarchical role in a larger company may involve similar or greater scope and responsibility than a

nominally higher role in the hierarchy of a smaller company); (E) Executive is required to relocate Executive's principal place of employment with the Company (or successor to the Company, if applicable) to a place that increases Executive's one-way commute by more than 50 miles as compared to Executive's then-current principal place of employment immediately prior to such relocation (excluding regular travel in the ordinary course of business); or (F) a material breach by the Company of any material provision of this Agreement or any other agreement between Executive and the Company. Notwithstanding the foregoing or any other provision of this Agreement to the contrary, "Good Reason" shall not exist if Executive has not provided the Company and the Board written notice of the circumstances constituting "Good Reason" within 90 days of the initial occurrence of the event, allowed the Company 30 days to cure such circumstances, and terminated Executive's employment for Good Reason within 120 days following the initial occurrence of the condition(s) specified in such notice, in the event such condition(s) remained uncured.

8. SECTION 409A. It is intended that all of the payments payable under this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect (collectively, "**Section 409A**") provided under Treasury Regulations Sections 1.409A-1(b)(4) and 1.409A-1(b)(9), and this Agreement will be construed in a manner that complies with Section 409A. For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)),

Executive's right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. Notwithstanding any provision to the contrary in this letter, if Executive is deemed by the Company at the time of Executive's Separation from Service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i), and if any of the payments upon Separation from Service set forth under any agreement with the Company are deemed to be "deferred compensation", then to the extent delayed commencement of any portion of such payments is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) and the related adverse taxation under Section 409A, such payments shall not be provided to Executive prior to the earliest of (i) the expiration of the six-month period measured from the date of Executive's Separation from Service with the Company, (ii) the date of Executive's death or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of such applicable Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this paragraph shall be paid in a lump sum to Executive, and any remaining payments due shall be paid as otherwise provided herein or in the applicable agreement. No interest shall be due on any amounts so deferred.

9. SECTION 280G. If any payment or benefit Executive will or may receive from the Company or otherwise (a "**Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then any such Payment shall be equal to the Reduced Amount. The "**Reduced Amount**" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount (i.e., the amount determined by clause (x) or by clause (y)), after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive's receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction shall occur in the manner (the "**Reduction Method**") that results in the greatest economic benefit for Executive. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "**Pro Rata Reduction Method**").

Notwithstanding any provisions in this Section above to the contrary, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, shall be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows: (A) as a first priority, the modification shall preserve to the greatest extent possible, the greatest economic benefit for Executive as determined on an after-tax basis; (B) as a second priority, Payments that are contingent on future events (e.g., being terminated without Cause), shall be reduced (or eliminated) before Payments that are not contingent on future events; and (C) as a third priority, Payments that are "deferred compensation" within the meaning of Section 409A shall be reduced (or eliminated) before Payments that are not deferred compensation within the meaning of Section 409A.

The Company shall appoint a nationally recognized accounting or law firm to make the determinations required by this Section. The Company shall bear all expenses with respect to the determinations by such accounting or law firm required to be made hereunder. If Executive receives a Payment for which the Reduced Amount was determined pursuant to clause (x) above and the Internal

Revenue Service determines thereafter that some portion of the Payment is subject to the Excise Tax, Executive agrees to promptly return to the Company a sufficient amount of the Payment (after reduction pursuant to clause (x) above) so that no portion of the remaining Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) above, Executive shall have no obligation to return any portion of the Payment pursuant to the preceding sentence.

10. GENERAL PROVISIONS.

10.1 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in

any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

10.2 Waiver. If either party should waive any breach of any provisions of this Agreement, it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

10.3 Complete Agreement. This Agreement, including its Exhibit and any agreements referenced herein, constitutes the entire agreement between Executive and the Company with regard to the subject matter hereof and supersedes any prior oral discussions or written communications and agreements concerning such subject matters. This Agreement is entered into without reliance on any promise or representation other than those expressly contained herein, and it cannot be modified or amended except in writing signed by Executive and an authorized officer of the Company.

10.4 Counterparts. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement.

10.5 Successors and Assigns. The Company shall assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any Company or other entity with or into which the Company may hereafter merge or consolidate or to which the Company may transfer all or substantially all of its assets, if in any such case said Company or other entity shall by operation of law or expressly in writing assume all obligations of the Company hereunder as fully as if it had been originally made a party hereto, but may not otherwise assign this Agreement or its rights and obligations hereunder. The Executive may not assign or transfer this Agreement or any rights or obligations hereunder, other than to the Executive's estate upon Executive's death.

10.6 Choice of Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the internal laws of the State of Texas.

10.7 Indemnification Agreement; D&O Coverage. The Company will enter into an indemnification agreement with Executive in the form attached as ***Exhibit C***. At all times during his service as an officer and director and for at least six years thereafter, the Company shall provide that Executive is covered by the Company's D&O insurance on the same basis as other active officers and directors (without regard to whether his service has previously terminated).

10.8 Resolution of Disputes. To ensure the timely and economical resolution of disputes that may arise in connection with Executive's employment with the Company, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance, negotiation, execution, or interpretation of this Agreement, the CIIA, or Executive's employment, or the termination of Executive's employment, including but not limited to all statutory claims, will be resolved pursuant to the Federal Arbitration Act, 9 U.S.C. §1-16 (the "FAA"), and to the fullest extent permitted by law, by final, binding and confidential arbitration by a single arbitrator conducted in Austin, Texas by Judicial Arbitration and Mediation Services Inc. ("JAMS") under the then applicable JAMS rules appropriate to the relief being sought (the applicable rules are available at the following web addresses: (i) <https://www.jamsadr.com/rules-employment-arbitration/> and (ii) <https://www.jamsadr.com/rules-comprehensive-arbitration/>). By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding. In addition, all claims, disputes, or causes of action under this provision, whether by Executive or the Company, must be brought in an individual capacity, and shall not be brought as a plaintiff (or claimant) or class member in any purported class or representative proceeding, nor joined or consolidated with the claims of any other person or entity. The arbitrator may not consolidate the claims of more than one person or entity, and may not preside over any form of representative or class proceeding. To the extent that the preceding sentences regarding class claims or proceedings are found to violate applicable law or are otherwise found unenforceable, any claim(s) alleged or brought on behalf of a class shall proceed in a court of law rather than by arbitration. The Company acknowledges that Executive will have the right to be represented by legal counsel at any arbitration proceeding. Questions of whether a claim is subject to arbitration under this Agreement shall be decided by the arbitrator. However, procedural questions that grow out of the dispute and bear on the final disposition are matters for the arbitrator. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; (b) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award; and (c) be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. Executive and the Company shall equally share all JAMS' arbitration fees. To the extent JAMS does not collect or Executive otherwise does not pay to JAMS an equal share of all JAMS' arbitration fees for any reason, and the Company pays JAMS Executive's share, Executive acknowledges and agrees that the Company shall be entitled to recover from Executive half of the JAMS arbitration fees invoiced to the parties (less any amounts Executive paid to JAMS) in a federal or state court of competent jurisdiction. Except as modified in the CIIA, each party is responsible for its own attorneys' fees. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any awards or orders in such arbitrations may be entered and enforced as judgments in the federal and state courts of any competent jurisdiction.

[Remainder of page intentionally left blank.]

The parties have executed this Employment Agreement as of the dates indicated below.

CS DISCO, INC.

By: /s/ Krishna Srinivasan

Krishna Srinivasan

Chairman, Board of Directors

Dated: April 9, 2024

EXECUTIVE:

By: /s/ Eric Friedrichsen

Eric Friedrichsen

Dated: April 9, 2024

Exhibit A

EMPLOYEE CONFIDENTIAL INFORMATION AND INVENTIONS ASSIGNMENT AGREEMENT

Exhibit B

RELEASE

To be signed on or within 21 days after the Separation Date

My employment with CS Disco, Inc. ("Company") ended in all capacities on _____ (the "Separation Date"). I hereby confirm that I have been paid all compensation owed to me by Company for all hours worked; I have received all leave and leave benefits and protections for which I was eligible, pursuant to Company's policies, applicable law, or otherwise; and I have not suffered any on-the-job injury or illness for which I have not already filed a workers' compensation claim.

If I choose to enter into this Release and allow it to become effective by its terms, Company will provide me with certain severance benefits pursuant to the terms of the Employment Agreement between me and Company dated ____, 202__ (the "Agreement"). I understand that I am not entitled to such severance benefits unless I return this fully-executed Release to Company within twenty-one (21) days after the Separation Date, allow this Release to become fully effective and non-revocable by its terms, and otherwise remain in compliance with all of my legal and contractual obligations to Company. (Capitalized terms used but not defined in this Release shall have the meaning ascribed to them in the Agreement.)

In exchange for the severance benefits under my Agreement, I hereby generally and completely release Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively, the "Released Parties") from any and all claims, liabilities and obligations, both known and unknown, arising from or in any way related to events, acts, conduct, or omissions occurring prior to or at the time that I sign this Release, including but not limited to claims arising from or in any way related to my employment with Company or the termination of that employment (collectively, the "Released Claims"). By way of example, the Released claims include, but are not limited to: (1) all claims related to my compensation or benefits from Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in Company; (2) all claims for breach of contract,

wrongful termination, and breach of the implied covenant of good faith and fair dealing; (3) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (4) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), and Texas state law.

Notwithstanding the foregoing, the following are not included in the Released Claims (the "**Excluded Claims**"): (1) claims arising after the date on which I sign this Release; (2) claims for reimbursement of properly incurred business expenses through the Separation Date submitted to Company for reimbursement within 30 days after the Separation Date; (3) rights I may have as a Company stockholder; (4) claims for or rights to indemnification pursuant to this Agreement, the Company's articles of incorporation and bylaws, any fully executed indemnification agreement with Company, insurance policy(ies) or applicable law; and (5) claims that cannot be waived as a matter of law. I understand that nothing in this Release prevents me from filing, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or any other government agency, except that I acknowledge and agree that I am hereby waiving my right to any monetary benefits in connection with any such claim, charge or proceeding (except for such benefits with respect to proceedings before the Securities and Exchange Commission). I hereby represent and warrant that, other than the Excluded Claims, I am not aware of any claims that I have or may have, against any parties released above, that are not included in the Released Claims.

I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA, and that the consideration given for this Release is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised, as required by the ADEA, that: (a) my waiver and release does not apply to any rights or claims that may arise after the date I sign this Release; (b) I have been advised that I have the right to consult with an attorney prior to executing this Release (although I may choose voluntarily not to do so); (c) I have been given 21 days to consider this Release (although I may choose voluntarily to sign it earlier); (d) I have seven days following my execution of this Release to revoke my acceptance of it (with such revocation to be delivered in writing to the Chair of the Board within the seven-day revocation period); and (e) this Release will not be effective until the date upon which the revocation period has expired without revocation, which will be the eighth day after I sign it ("Effective Date").

I further agree: (a) not to voluntarily (except in response to legal compulsion) assist any third party in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceedings against Company, its affiliates, officers, directors, employees or agents; and (b) to reasonably cooperate with Company by voluntarily (without legal compulsion) providing accurate and complete information, in connection with Company's actual or contemplated defense, prosecution or investigation of any claims or demands by or against third parties, or other matters, arising from events, acts, or omissions that occurred during my employment with Company. I hereby certify that I have returned (or if not capable of return, deleted), without retaining any reproductions (in whole or in part), all information, materials and other property of Company, including but not limited to any embodiment (in any medium) of any confidential or proprietary information of Company (including but not limited to any such embodiments on any personally-owned electronic or other storage device such as a cellular phone).

This Release, together with the Agreement (including all Exhibits and documents incorporated therein by reference), constitutes the complete, final and exclusive embodiment of the entire agreement between me and Company with regard to this subject matter. Notwithstanding anything in this Agreement to the contrary, insofar as any stock options, grants, or award agreements contemplate certain rights and obligations that are not extinguished by termination of employment, those rights and obligations shall continue notwithstanding this Agreement. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained in the Release or the Agreement, and it entirely supersedes any other such promises, warranties or representations, whether oral or written.

Reviewed, Understood and Agreed:

By: Date:

Exhibit C

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (the “**Agreement**”) is entered into by and between Karen Herckis (the “**Executive**”) and CS Disco, Inc. (the “**Company**”), to be effective upon the Start Date (as defined below).

1. EMPLOYMENT BY THE COMPANY.

1.1 Position. Subject to the terms set forth herein, the Company agrees to promote Executive to the position of Senior Vice President, Human Resources, and Executive hereby accepts such position, to start on June 1, 2023 (the “**Start Date**”).

1.2 Duties. Executive will perform such duties as are customarily associated with Executive’s position and such duties as are assigned to Executive from time to time. During the term of Executive’s employment with the Company, Executive will devote Executive’s best efforts and substantially all of Executive’s business time and attention to the business of the Company. Executive shall perform Executive’s duties under this Agreement principally out of the Company’s New York, New York office. In addition, Executive shall make such business trips to such places as may be necessary or advisable for the operations of the Company.

1.3 Company Policies and Benefits. The employment relationship between the parties shall be subject to the Company’s policies and procedures as they may be interpreted, adopted, revised or deleted from time to time in the Company’s sole discretion. Executive will be eligible to participate on the same basis as similarly-situated Executives in the Company’s benefit plans in effect from time to time during Executive’s employment. All matters of eligibility for coverage or benefits under any benefit plan shall be determined in accordance with the provisions of such plan. The Company reserves the right to change, alter, or terminate any benefit plan in its sole discretion. Notwithstanding the foregoing, in the event that the terms of this Agreement differ from or are in conflict with the Company’s policies and procedures, the terms of this Agreement shall control.

2. COMPENSATION.

2.1 Salary. Executive shall receive an annualized base salary of \$300,000, subject to review and adjustment by the Company in its sole discretion, and payable subject to standard federal and state payroll withholding requirements in accordance with the Company’s standard payroll practices (“**Base Salary**”).

2.2 Annual Discretionary Bonus. Executive will be eligible to be awarded a discretionary annual cash bonus with a target of 40% of Executive’s then-current Base Salary, subject to the terms and condition of any applicable bonus plan and review and adjustment from time to time by the Company in its sole discretion, payable subject to standard payroll withholding requirements (“**Target Bonus**”). For calendar year 2023, the Target Bonus pursuant to this Agreement shall be prorated for the portion of the year during which Executive is performing services subject to this Agreement and for the remainder of the year at Executive’s prior target

amount. Whether or not Executive is awarded any bonus will be dependent upon (a) the actual achievement by Executive and the Company of the applicable individual and corporate performance goals, as determined by the Board of Directors (the “**Board**”) or Compensation Committee in its sole discretion, and (b) Executive’s continuous performance of services to the Company through the date any such bonus is paid. The bonus may be greater or lesser than the Target Bonus and may be zero. The Board or Compensation Committee will determine in its sole discretion the extent

to which Executive has achieved the performance goals upon which the bonus is based and the amount of the bonus, if any. The Company will pay Executive this bonus, if any, by no later than March 15 of the following calendar year.

2.3 Equity Awards. Subject to the approval of the Board (or an authorized committee thereof), Executive will be granted restricted stock units ("RSUs") to be issued shares of common stock of the Company with a grant date fair value of approximately \$472,028, as calculated by the Company. The number of shares that may be issued under the RSUs will be determined by the Board at the time of grant, by reference to the value of the Company's common stock, in accordance with Company practices in place on the date of grant of the RSUs. The RSUs will vest in equal quarterly installments on the quarterly vesting dates over approximately four years following the grant date, subject to Executive's continued services with the Company. The applicable quarterly vesting dates will be determined by the Board. The RSUs will be subject to the terms of the Equity Plan and the applicable award agreement thereunder, as approved by the Board.

2.4 Expense Reimbursement. The Company will reimburse Executive for reasonable business expenses in accordance with the Company's standard expense reimbursement policy, as the same may be modified from time to time. For the avoidance of doubt, to the extent that any reimbursements payable to Executive are subject to the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"): (a) any such reimbursements will be paid no later than December 31 of the year following the year in which the expense was incurred, (b) the amount of expenses reimbursed in one year will not affect the amount eligible for reimbursement in any subsequent year, and (c) the right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

3. CONFIDENTIAL INFORMATION, INVENTIONS, NON-COMPETITION AND NON-SOLICITATION OBLIGATIONS. As a condition of employment, Executive agrees to execute and abide by the Employee Confidential Information and Inventions Assignment Agreement attached as **Exhibit A ("CIIA")**. The CIIA contains provisions that are intended by the parties to survive and do survive any termination of this Agreement and the CIIA.

4. OUTSIDE ACTIVITIES DURING EMPLOYMENT. Except with the prior written consent of the Company, Executive will not, while employed by the Company, undertake or engage in any other employment, occupation or business enterprise that would interfere with Executive's responsibilities and the performance of Executive's duties hereunder. Notwithstanding anything to the contrary in the Agreement, Executive may: (a) devote reasonable time to volunteer services for and on behalf of such religious, educational, non-profit and/or other charitable organizations as Executive may wish to serve; (b) manage personal investments, including investments in, and service on the boards of, other business ventures provided that such ventures are not competitive with the Company's current or planned product offerings, except as otherwise approved by the Board or a Committee of the Board; (c) engage in teaching, writing, speaking engagements and

2

other similar creative pursuits; (d) own less than 1% of the total outstanding shares of a publicly-traded company; and (e) engage in such other activities as may be specifically approved in writing by the Company. Nothing permitted under this Section 4 shall be considered a violation of Executive's obligations under the CIIA.

5. NO CONFLICT WITH EXISTING OBLIGATIONS. Executive represents that Executive's performance of all the terms of this Agreement and service as an executive of the Company do not and will not breach any agreement or obligation of any kind made, during or prior to Executive's employment by the Company, including agreements or obligations Executive may have with prior employers or entities for which Executive has provided services. Executive has not entered into, and Executive agrees that Executive will not enter into, any agreement or obligation, either written or oral, in conflict herewith.

6. TERMINATION OF EMPLOYMENT; CHANGE IN CONTROL.

6.1 At-Will Employment. The parties acknowledge that Executive's employment relationship with the Company shall be at-will. Either Executive or the Company may terminate the employment relationship for any reason whatsoever at any time, with or without Cause or advance notice. Upon termination of Executive's employment for any reason, Executive shall be entitled to the following: (a) Executive's accrued but unpaid salary through the date of termination, (b) any unreimbursed business expenses incurred by Executive payable in accordance with the Company's standard expense reimbursement policies, and (c) benefits owed to Executive under any qualified retirement plan or health and welfare benefit plan in which Executive was a participant in accordance with applicable law and the provisions of such plan (collectively, the "Accrued Obligations"). Executive will not be eligible to receive any severance benefits, except as expressly provided in this Agreement.

6.2 Termination for Cause; Death; Disability; Resignation Without Good Reason. If, at any time, the Company terminates Executive's employment for Cause, or if either party terminates Executive's employment as a result of Executive's death or disability, or if Executive resigns without Good Reason, Executive will receive the Accrued Obligations set forth in Section 6.1 and will not be entitled to any other form of compensation from the Company, including any severance benefits.

6.3 Termination Without Cause or Resignation for Good Reason During Change in Control Period. If at any time during a Change in Control Period, the Company terminates Executive's employment without Cause or Executive resigns for Good Reason, provided such termination or resignation constitutes a Separation from Service (as defined under Treasury Regulation Section 1.409A-1(h), without regard to any alternative definition thereunder, a "**Separation from Service**"), then subject to Executive's compliance with the terms of this Agreement and subject to the preconditions set forth in Section 6.5, the Company will provide Executive with the following severance benefits:

(a) Base Salary. Executive shall receive a cash payment in an amount equal to twelve (12) months (the "**Severance Period**") of payment of Executive's then current base salary. This severance payment will be paid to Executive in a lump sum cash payment no later than the second regular payroll date following the later of (i) the effective date of the Release or (ii) the

3

effective time of the applicable Change in Control, but in any event not later than March 15 of the year following the year in which Executive's Separation from Service occurs.

(b) Bonus Payment. Executive will be entitled to a payment equal to 100% of the annual target cash bonus established for Executive, if any, pursuant to the annual performance bonus or annual variable compensation plan established by the Board (or any authorized committee or designee thereof) for the year in which Executive's termination or resignation occurs. If at the time of such termination or resignation Executive is eligible for the annual target cash bonus for the year in which the termination or resignation occurs, but the target percentage (or target dollar amount, if specified as such in the applicable bonus plan) for such bonus has not yet been established for such year, the target percentage shall be the target percentage established for Executive for the preceding year (but adjusted, if necessary for Executive's position for the year in which the termination or resignation occurs). For the avoidance of doubt, the amount of the annual target bonus to which Executive is entitled under this Section 6.3(b) will be calculated (1) assuming all articulated performance goals for such bonus (including, but not limited to, corporate and individual performance, if applicable), for the year of the termination or resignation were achieved at target levels; (2) as if Executive had provided services for the entire year for which the bonus relates; and (3) ignoring any reduction in Executive's base salary that would give rise to Executive's right to resignation for Good Reason (such bonus to which Executive is entitled under this Section 6.3(b), the "**Annual Target Bonus Severance Payment**"). The Annual Target Bonus Severance Payment shall be paid in a lump sum cash payment no later than the second regular payroll date following the later of (i) the effective date of the Release or (ii) the effective time of the applicable Change in Control, but in any event not later than March 15 of the year following the year in which Executive's Separation from Service occurs.

(c) Payment of Continued Group Health Plan Benefits. If Executive timely elects continued group health plan continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("**COBRA**") following Executive's termination or resignation date, the Company shall pay directly to the carrier the full amount of Executive's COBRA premiums on behalf of Executive for Executive's continued coverage under the Company's group health plans, including coverage for Executive's eligible dependents, until the earliest of (i) the end of the Severance Period following the date of Executive's termination or resignation, (ii) the expiration of Executive's eligibility for the continuation coverage under COBRA, or (iii) the date when Executive becomes eligible for substantially equivalent health insurance coverage in connection with new employment (such period from Executive's termination or resignation date through the earliest of (i) through (iii), the "**COBRA Payment Period**"). Upon the conclusion of such period of insurance premium payments made by the Company, Executive will be responsible for the entire payment of premiums (or payment for the cost of coverage) required under COBRA for the duration of Executive's eligible COBRA coverage period, if any. Furthermore, for any month for which the Company is required under federal or state law, including, but not limited to, the American Rescue Plan Act of 2021, to subsidize Executive's COBRA payments, Executive will: (1) be required to pay Executive's monthly COBRA premiums, (2) the Company will pay directly to Executive the monthly amount of Executive's COBRA premium, and (3) the Company will subsidize Executive's COBRA premiums as required under the applicable law. For purposes of this Section, (1) references to COBRA shall be deemed to refer also to analogous provisions of state law and (2) any applicable insurance premiums that are paid by the Company shall not include any amounts payable by Executive under an Internal Revenue Code Section 125 health care reimbursement plan, which

4

amounts, if any, are Executive's sole responsibility. Executive agrees to promptly notify the Company as soon as Executive becomes eligible for health insurance coverage in connection with new employment or self-employment.

Notwithstanding the foregoing, if at any time the Company determines, in its sole discretion, that it cannot provide the COBRA premium benefits without potentially incurring financial costs or penalties under applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then in lieu of paying COBRA premiums directly to the carrier on Executive's behalf, the Company will instead pay Executive on the last day of each remaining month of the COBRA Payment Period a fully taxable cash payment equal to the value of Executive's monthly COBRA premium for the first month of COBRA coverage, subject to applicable tax withholding (such amount, the "**Special Severance Payment**"), such Special Severance Payment to be made without regard to Executive's election of COBRA coverage or payment of COBRA premiums and without regard to Executive's continued eligibility for COBRA coverage during the COBRA Payment Period. Such Special Severance Payment shall end upon expiration of the COBRA Payment Period. Executive is not obligated to use such Special Severance Payment for COBRA premiums.

(d) Equity Acceleration. The vesting and exercisability of each outstanding unvested stock option and other stock award, as applicable, that Executive holds covering Company common stock as of the date of Executive's termination or resignation (each, an "**Equity Award**") that was granted to Executive on or after the Start Date shall be accelerated in full and any reacquisition or repurchase rights held by the Company in respect of Company common stock issued pursuant to any such Equity Award granted to Executive shall lapse in full. With respect to any such outstanding Equity Award that is subject to performance-vesting, unless otherwise provided in the individual grant notice and award agreement evidencing such award, each such performance-vesting award shall accelerate vesting at 100% of the target level of performance or, if greater, based on actual performance measured as of the effective time of such Change in Control, as determined by the Board (or any authorized committee or designee thereof) in its sole discretion. To the extent Executive's termination or resignation occurs prior to the Change in Control, the acceleration set forth in this Section 6.3(d) shall be contingent and effective upon the Change in Control and Executive's Equity Awards will remain outstanding following Executive's termination or resignation to give effect to such acceleration as necessary.

6.4 Termination Without Cause or Resignation for Good Reason Outside of Change in Control Period. If at any time outside of a Change in Control Period, the Company terminates Executive's employment without Cause or Executive resigns for Good Reason, provided such termination or resignation constitutes a Separation from Service, then subject to Executive's compliance with the terms of this Agreement and subject to the preconditions set forth in Section 6.5, the Company will provide Executive with the following severance benefits:

(a) the base salary cash payment described in Section 6.3(a) above, but the Severance Period for purposes of calculating such benefits shall be six (6) months; and

(b) the COBRA benefits described in Section 6.3(c) above, but the Severance Period for purposes of calculating such benefits shall be six (6) months.

For the avoidance of doubt, in no event shall Executive be entitled to benefits under both Section 6.3 and this Section 6.4. If Executive is eligible for severance benefits under both Section 6.3 and this Section 6.4, Executive shall receive the cash and COBRA benefits set forth in Section 6.3 and such benefits shall be reduced by any comparable benefits previously provided to Executive under Section 6.4.

6.5 Conditions to Receipt of Severance. Executive's receipt of the severance benefits set forth in this Section 6 is conditioned upon: (i) Executive continuing to comply with Executive's obligations under Executive's CIIA; and (ii) Executive delivering to the Company an effective, general release of claims in the form attached hereto as **Exhibit B** (the "**Release**") within the applicable time period set forth therein.

6.6 Change in Control Acceleration Upon Acquiror's Failure to Assume, Continue or Substitute. If (i) in connection with a Change in Control, any outstanding unvested Equity Award that Executive holds will not be assumed or continued by the successor or acquiror entity (or its parent company) in such Change in Control or substituted for a similar award of the successor or acquiror entity (or its parent company) (a "Terminating Award") and (ii) Executive's continued employment with the Company has not terminated as of immediately prior to the effective time of such Change in Control, then Executive will become vested, with respect to any then unvested portion of such Terminating Award, effective immediately prior to, but subject to the consummation of such Change in Control. With respect to any such outstanding Terminating Award that is subject to performance-vesting, unless otherwise provided in the individual grant notice and award agreement evidencing such award, such performance-vesting award will accelerate vesting at 100% of the target level of performance or, if greater, based on actual performance measured as of the effective time of such Change in Control, as determined by the Board (or any authorized committee or designee thereof) in its sole discretion. For the avoidance of doubt, the benefits under this Section 6.6 are contingent on a Change in Control and do not require Executive's termination of service. In addition, Executive may be eligible for benefits under this Section 6.6 in addition to benefits under Section 6.3 or Section 6.4 and in such case, Executive shall receive benefits under both sections, without duplication.

7. DEFINITIONS.

7.1 Cause. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (A) Executive's embezzlement or wrongful diversion of funds of Company or any affiliate or client of the Company confirmed by an outside auditor, or proven commission of any other fraud against the Company or any affiliate or client of the Company which materially adversely affects the Company; (B) Executive's being convicted of (or pleading guilty or no contest to) a felony or any crime of moral turpitude; (C) Executive's commission of gross negligence or an act of willful malfeasance, or gross and deliberate disregard of Executive's duties and responsibilities; (D) Executive's material violation of the Company's EEO/harassment policy; or (E) Executive's material violation of the CIIA, provided that the Company has delivered to Executive written notice describing such material breach with specificity and Executive has not cured the same within thirty (30) days following receipt of such notice.

7.2 Change in Control. For purposes of this Agreement, "Change in Control" has the meaning ascribed to such term in the Equity Plan.

6

7.3 Change in Control Period. For purposes of this Agreement, "Change in Control Period" is defined as the period commencing three (3) months prior to the effective time of a Change in Control and ending twelve (12) months following the effective time of a Change in Control.

7.4 Equity Plan. For purposes of this Agreement, "Equity Plan" means the CS Disco, Inc. 2021 Equity Incentive Plan, as amended from time to time, or any successor plan thereto.

7.5 Good Reason. For purposes of this Agreement, "Good Reason" means the occurrence of any one of the following events without Executive's written consent: (A) a reduction in Executive's base salary, except when it is with Executive's consent or part of an overall similar reduction for similarly-situated executives; (B) a material reduction in Executive's incentive compensation (provided, for clarity, that any reduction in the actual amount of annual cash bonus paid to Executive shall not constitute Good Reason); (C) a significant reduction in Executive's responsibilities with respect to management of Company or in Executive's authority or status within Company (provided, however, that a reduction in Executive's responsibilities or authority following a Change in Control shall not constitute Good Reason if (x) there is no demotion in Executive's position or reduction of the scope of Executive's duties within the Company that existed before the Change in Control or (y) Executive is given a position of materially similar or greater overall scope and responsibility within the acquiring company (taking into appropriate consideration that a nominally lower hierarchical role in a larger company may involve similar or greater scope and responsibility than a nominally higher role in the hierarchy of a smaller company); (D) Executive is required to relocate Executive's principal place of employment with the Company (or successor to the Company, if applicable) to a place that increases Executive's one-way commute by more than fifty (50) miles as compared to Executive's then-current principal place of employment immediately prior to such relocation (excluding regular travel in the ordinary course of business); or (E) a material breach by the Company of any material provision of this Agreement or any other agreement between Executive and the Company. Notwithstanding the foregoing or any other provision of this Agreement to the contrary, "Good Reason" shall not exist if Executive has not provided the Company and the Board written notice of the circumstances constituting "Good Reason" within thirty (30) days of the initial occurrence of the

event, allowed the Company thirty (30) days to cure such circumstances, and terminated Executive's employment for Good Reason within ninety (90) days following the initial occurrence of the condition(s) specified in such notice, in the event such condition(s) remained uncured.

8. SECTION 409A. It is intended that all of the payments payable under this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect (collectively, "**Section 409A**") provided under Treasury Regulations Sections 1.409A-1(b)(4) and 1.409A-1(b)(9), and this Agreement will be construed in a manner that complies with Section 409A. For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive's right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. Notwithstanding any provision to the

7

contrary in this letter, if Executive is deemed by the Company at the time of Executive's Separation from Service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i), and if any of the payments upon Separation from Service set forth under any agreement with the Company are deemed to be "deferred compensation", then to the extent delayed commencement of any portion of such payments is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) and the related adverse taxation under Section 409A, such payments shall not be provided to Executive prior to the earliest of (i) the expiration of the six-month period measured from the date of Executive's Separation from Service with the Company, (ii) the date of Executive's death or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of such applicable Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this paragraph shall be paid in a lump sum to Executive, and any remaining payments due shall be paid as otherwise provided herein or in the applicable agreement. No interest shall be due on any amounts so deferred.

9. SECTION 280G. If any payment or benefit Executive will or may receive from the Company or otherwise (a "**Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then any such Payment shall be equal to the Reduced Amount. The "**Reduced Amount**" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount (i.e., the amount determined by clause (x) or by clause (y)), after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive's receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction shall occur in the manner (the "**Reduction Method**") that results in the greatest economic benefit for Executive. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "**Pro Rata Reduction Method**").

Notwithstanding any provisions in this Section above to the contrary, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, shall be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows: (A) as a first priority, the modification shall preserve to the greatest extent possible, the greatest economic benefit for Executive as determined on an after-tax basis; (B) as a second priority, Payments that are contingent on future events (e.g., being terminated without Cause), shall be reduced (or eliminated) before Payments that are not contingent on future events; and (C) as a third priority, Payments that are "deferred compensation" within the meaning of Section 409A shall be reduced (or eliminated) before Payments that are not deferred compensation within the meaning of Section 409A.

The Company shall appoint a nationally recognized accounting or law firm to make the determinations required by this Section. The Company shall bear all expenses with respect to the determinations by such accounting or law firm required to be made hereunder. If Executive receives

8

a Payment for which the Reduced Amount was determined pursuant to clause (x) above and the Internal Revenue Service determines thereafter that some portion of the Payment is subject to the Excise Tax, Executive agrees to promptly return to the Company a sufficient amount of the Payment (after reduction pursuant to clause (x) above) so that no portion of the remaining Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) above, Executive shall have no obligation to return any portion of the Payment pursuant to the preceding sentence.

10. GENERAL PROVISIONS.

10.1 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

10.2 Waiver. If either party should waive any breach of any provisions of this Agreement, it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

10.3 Complete Agreement. This Agreement, including its Exhibit and any agreements referenced herein, constitutes the entire agreement between Executive and the Company with regard to the subject matter hereof and supersedes any prior oral discussions or written communications and agreements concerning such subject matters. This Agreement is entered into without reliance on any promise or representation other than those expressly contained herein, and it cannot be modified or amended except in writing signed by Executive and an authorized officer of the Company.

10.4 Counterparts. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement.

10.5 Successors and Assigns. The Company shall assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any Company or other entity with or into which the Company may hereafter merge or consolidate or to which the Company may transfer all or substantially all of its assets, if in any such case said Company or other entity shall by operation of law or expressly in writing assume all obligations of the Company hereunder as fully as if it had been originally made a party hereto, but may not otherwise assign this Agreement or its rights and obligations hereunder. The Executive may not assign or transfer this Agreement or any rights or obligations hereunder, other than to the Executive's estate upon Executive's death.

10.6 Choice of Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the internal laws of the State of New York.

10.7 Resolution of Disputes. To ensure the timely and economical resolution of disputes that may arise in connection with Executive's employment with the Company, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance, negotiation, execution, or interpretation of this Agreement, the CIIA, or Executive's employment, or the termination of Executive's employment, including but not limited to all statutory claims, with the exception of discrimination and harassment claims, will be resolved pursuant to the Federal Arbitration Act, 9 U.S.C. §1-16 (the "FAA"), and to the fullest extent permitted by law, by final, binding and confidential arbitration by a single arbitrator conducted in New York, New York by Judicial Arbitration and Mediation Services Inc. ("JAMS") under the then applicable JAMS rules appropriate to the relief being sought (the applicable rules are available at the following web addresses: (i) <https://www.jamsadr.com/rules-employment-arbitration/> and (ii) <https://www.jamsadr.com/rules-comprehensive-arbitration/>) ; provided, however, this arbitration provision not apply to any action or claim that cannot be subject to mandatory arbitration as a matter of law, including, without limitation, claims involving allegations of sexual harassment and discrimination, to the extent such claims are not permitted by applicable law(s) to be submitted to mandatory arbitration and the applicable law(s) are not preempted by the FAA or otherwise invalid (collectively, the "Excluded Claims"). A hard copy of the rules will be provided to Executive upon request. By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or

administrative proceeding. In addition, all claims, disputes, or causes of action under this provision, whether by Executive or the Company, must be brought in an individual capacity, and shall not be brought as a plaintiff (or claimant) or class member in any purported class or representative proceeding, nor joined or consolidated with the claims of any other person or entity. The arbitrator may not consolidate the claims of more than one person or entity, and may not preside over any form of representative or class proceeding. To the extent that the preceding sentences regarding class claims or proceedings are found to violate applicable law or are otherwise found unenforceable, any claim(s) alleged or brought on behalf of a class shall proceed in a court of law rather than by arbitration. The Company acknowledges that Executive will have the right to be represented by legal counsel at any arbitration proceeding. Questions of whether a claim is subject to arbitration under this Agreement shall be decided by a federal court in the State of New York. However, procedural questions which grow out of the dispute and bear on the final disposition are matters for the arbitrator. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; (b) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award; and (c) be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. Executive and the Company shall equally share all JAMS' arbitration fees. To the extent JAMS does not collect or Executive otherwise does not pay to JAMS an equal share of all JAMS' arbitration fees for any reason, and the Company pays JAMS Executive's share, Executive acknowledges and agrees that the Company shall be entitled to recover from Executive half of the JAMS arbitration fees invoiced to the parties (less any amounts Executive paid to JAMS) in a federal or state court of competent jurisdiction. Except as modified in the CIIA, each party is responsible for its own attorneys' fees. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any awards or orders in such arbitrations may be entered and enforced as judgments in the federal and state courts of any competent jurisdiction. To the extent a New York federal court determines that any applicable law prohibits mandatory arbitration of Excluded Claims, if Executive intends to bring multiple claims, including one or more Excluded Claims, the Excluded Claim(s) may be publicly filed with a court, while any other claims will remain subject to mandatory arbitration.

[Remainder of page intentionally left blank.]

10

The parties have executed this Employment Agreement as of the dates indicated below.

CS DISCO, INC.

By: /s/ Michael S. Lafair
Michael S. Lafair
Executive Vice President, Chief Financial Officer

Dated: May 30, 2023

EXECUTIVE:

By: /s/ Karen Herckis
Karen Herckis

Dated: May 30, 2023

Exhibit A

EMPLOYEE CONFIDENTIAL INFORMATION AND INVENTIONS ASSIGNMENT AGREEMENT

Exhibit B

RELEASE

To be signed on or within twenty-one (21) days after the Separation Date

My employment with CS Disco, Inc. ("Company") ended in all capacities on _____ (the "Separation Date"). I hereby confirm that I have been paid all compensation owed to me by Company for all hours worked; I have received all leave and leave benefits and protections for which I was eligible, pursuant to Company's policies, applicable law, or otherwise; and I have not suffered any on-the-job injury or illness for which I have not already filed a workers' compensation claim.

If I choose to enter into this Release and allow it to become effective by its terms, Company will provide me with certain severance benefits pursuant to the terms of the Employment Agreement between me and Company dated ____, 202__ (the "Agreement"). I understand that I am not entitled to such severance benefits unless I return this fully-executed Release to Company within twenty-one (21) days after the Separation Date, allow this Release to become fully effective and non-revocable by its terms, and otherwise remain in compliance with all of my legal and contractual obligations to Company. (Capitalized terms used but not defined in this Release shall have the meaning ascribed to them in the Agreement.)

In exchange for the severance benefits under my Agreement, I hereby generally and completely release Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively, the "Released Parties") from any and all claims, liabilities and obligations, both known and unknown, arising from or in any way related to events, acts, conduct, or omissions occurring prior to or at the time that I sign this Release, including but not limited to claims arising from or in any way related to my employment with Company or the termination of that employment (collectively, the "Released Claims"). By way of example, the Released claims include, but are not limited to: (1) all claims related to my compensation or benefits from Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in Company; (2) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (3) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (4) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, [the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA")], the New York State Human Rights Law, the New York Executive Law, the New York Civil Practice Law and Rules, the New York Judiciary Law, the New York Corrections Law, the New York Labor Law, the New York Civil Rights Law, the New York City Administrative Code, the New York City Human Rights Law, the New York Hours of Labor Law, the New York Wage Payment Law, the New York Minimum Wage Act, the New York Whistleblower Law, and the New York Off-Duty Conduct Lawful Activities Discrimination Law, the Connecticut Minimum Wage and Overtime Law, the Connecticut Fair Employment Practices Act, the Connecticut Human Rights and Opportunities Act, the Connecticut Equal Pay Law, the Connecticut Family and Medical Leave Act, the Connecticut Maximum Hours and Overtime Law, the Connecticut WARN Law, the Connecticut Whistleblower Protection Law, and the Connecticut Paid Sick Leave Law.

Notwithstanding the foregoing, the following are not included in the Released Claims (the "Excluded Claims"): (1) claims arising after the date on which I sign this Release; (2) claims for reimbursement of properly incurred business expenses through the Separation Date submitted to Company for reimbursement within thirty (30) days after the Separation Date; (3) rights I may have as a Company shareholder; (4) claims for or rights to indemnification pursuant to this Agreement, the Company's articles

of incorporation and bylaws, any fully executed indemnification agreement with Company, insurance policy(ies) or applicable law; and (5) claims which cannot be waived as a matter of law. I understand that nothing in this Release prevents me from filing, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or any other government agency, except that I acknowledge and agree that I am hereby waiving my right to any monetary benefits in connection with any such claim, charge or proceeding (except for such benefits with respect to proceedings before the Securities and Exchange Commission). I hereby represent and warrant that, other than the Excluded Claims, I am not aware of any claims that I have or may have, against any parties released above, that are not included in the Released Claims.

[Include if applicable: I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA, and that the consideration given for this Release is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised, as required by the ADEA, that: (a) my waiver and release does not apply to any rights or claims that may arise after the date I sign this Release; (b) I have been advised that I have the right to consult with an attorney prior to executing this Release (although I may choose voluntarily not to do so); (c) I have been given twenty-one (21) days to consider this Release (although I may choose voluntarily to sign it earlier); (d) I have seven (7) days following my execution of this Release to revoke my acceptance of it (with such revocation to be delivered in writing to the Chair of the Board within the 7-day revocation period); and (e) this Release will not be effective until the date upon which the revocation period has expired without revocation, which will be the eighth day after I sign it ("Effective Date").]

I further agree: (a) not to voluntarily (except in response to legal compulsion) assist any third party in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceedings against Company, its affiliates, officers, directors, employees or agents; and (b) to reasonably cooperate with Company by voluntarily (without legal compulsion) providing accurate and complete information, in connection with Company's actual or contemplated defense, prosecution or investigation of any claims or demands by or against third parties, or other matters, arising from events, acts, or omissions that occurred during my employment with Company. I hereby certify that I have returned (or if not capable of return, deleted), without retaining any reproductions (in whole or in part), all information, materials and other property of Company, including but not limited to any embodiment (in any medium) of any confidential or proprietary information of Company (including but not limited to any such embodiments on any personally-owned electronic or other storage device such as a cellular phone). I further acknowledge and agree that I do not possess any claim or allegation, either asserted or otherwise, involving harassment or discrimination, that may be subject to or covered under N.Y. C.P.L.R. § 5003-b and N.Y. General Obligations Law § 5-336.

This Release, together with the Agreement (including all Exhibits and documents incorporated therein by reference), constitutes the complete, final and exclusive embodiment of the entire agreement between me and Company with regard to this subject matter. Notwithstanding anything in this Agreement to the contrary, insofar as any stock options, grants, or award agreements contemplate certain rights and obligations that are not extinguished by termination of employment, those rights and obligations shall continue notwithstanding this Agreement. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained in the Release or the Agreement, and it entirely supersedes any other such promises, warranties or representations, whether oral or written.

Reviewed, Understood and Agreed:

By: Date:

Exhibit 10.4

CS Disco, Inc.

Amended and Restated Non-Employee Director Compensation Policy

Each member of the Board of Directors (the "**Board**") who is not also serving as an employee of or consultant to CS Disco, Inc. (the "**Company**") or any of its subsidiaries (each such member, an "**Eligible Director**") will receive the compensation described in this Amended and Restated Non-Employee Director Compensation Policy (this "**Policy**") for his or her Board service effective as of the date this Policy is approved by the Compensation Committee of the Board (the "**Effective Date**"). This Policy is effective as of the Effective Date (with changes in cash compensation being deemed effective as of April 1, 2024) and may be amended at any time in the sole discretion of the Board or the Compensation Committee of the Board. In addition, an Eligible Director may decline all or any portion of his or her compensation by giving notice to the Company prior to the date cash may be paid or equity awards are to be granted, as the case may be.

A. Annual Cash Compensation

All annual cash fees are vested upon payment and are payable to Eligible Directors in equal quarterly installments in arrears on the last day of each of the Company's fiscal quarters in which the service occurred (each such date, the "**Retainer Accrual Date**"). If an Eligible Director joins the Board or a committee of the Board other than the first day of a fiscal quarter of the Company, each annual retainer set forth below will be pro-rated based on days served in the applicable fiscal year, with the pro-rated amount paid for the first fiscal quarter that the Eligible Director provides the service and regular full quarterly payments thereafter; provided, however, that if the Eligible Director leaves service prior to the last day of a fiscal quarter, the fee for such fiscal quarter will be pro-rated.

1. Annual Board Service Retainer:
 - a. All Eligible Directors: \$35,000
 - b. Independent Chair of the Board Service Retainer (in addition to Eligible Director Service Retainer): \$42,500
2. Annual Committee Chair Service Retainer:
 - a. Chair of the Audit Committee: \$20,000
 - b. Chair of the Compensation Committee: \$12,000
 - c. Chair of the Nominating and Corporate Governance Committee: \$8,000
3. Annual Committee Member Service Retainer (not applicable to Committee Chairs):
 - a. Member of the Audit Committee: \$10,000
 - b. Member of the Compensation Committee: \$6,000
 - c. Member of the Nominating and Corporate Governance Committee: \$4,000

Notwithstanding the foregoing, no Eligible Director who (i) is affiliated or associated with any of the Company's fund investors and (ii) was serving on the Board as of the Effective Date shall be eligible for cash compensation as set forth above until the date of the Annual Meeting held in 2026.

1

B. Equity Compensation

The equity compensation set forth below will be granted under the Company's 2021 Equity Incentive Plan or any successor plan (the "Plan"). All equity compensation granted under this Policy will be in the form of RSUs (as defined in the Plan). All RSUs granted under this Policy will vest as described below subject to the Eligible Director's Continuous Service (as defined in the Plan) through such vesting dates on the terms specified below; provided, however, that all RSUs granted under this Policy will accelerate and vest in full upon a Change in Control (as defined in the Plan), subject in each case to the Eligible Director's Continuous Service through such date.

1. **Initial Grant.** For each Eligible Director who is first elected or appointed to the Board following the Effective Date, on the date of such Eligible Director's initial election or appointment to the Board (or, if such date is not a market trading day, the first market trading day thereafter) (the "**Initial Grant Date**"), such Eligible Director will be automatically, and without further action by the Board or Compensation Committee of the Board, granted RSUs (the "**Initial Grant RSUs**"). The Initial Grant RSUs will have an aggregate grant date fair value, as calculated in accordance with Financial Accounting Standards Board, Accounting Standards Codification Topic 718, Compensation—Stock Compensation ("**FASB ASC Topic 718**"), that is equal to \$300,000. The Initial Grant RSUs will vest in 12 equal quarterly installments measured from the Initial Grant Date. Vesting of the Initial Grant RSUs is subject in all cases to the Eligible Director's Continuous Service (as defined in the Plan) through each such applicable vesting date.
2. **Refresher Grants.** On the date of each annual meeting of the Company stockholders held after the Effective Date (an "**Annual Meeting**"), each Eligible Director who: (i) has served as a non-employee member of the Board for at least six months prior to such Annual Meeting and (ii) continues to serve as a non-employee member of the Board following such Annual Meeting, will be automatically, and without further action by the Board or Compensation Committee of the Board, granted RSUs (the "**Refresher Grant RSUs**") on such date (the "**Refresher Grant Date**"); provided, however, that no Eligible Director who (i) is affiliated or associated with any of the Company's fund investors and (ii) was serving on the Board as of the Effective Date shall be eligible for a Refresher Grant RSU until the date of the Annual Meeting held in 2026. The Refresher Grant RSUs will have an aggregate grant date fair value, as calculated in accordance with FASB ASC Topic 718, that is equal to \$150,000. The Refresher Grant RSUs will vest in four equal quarterly installments measured from the Refresher Grant Date, provided that the Refresher Grant RSUs shall become fully vested as of the day immediately preceding the next Annual Meeting, if sooner. Vesting of the Refresher Grant RSUs is subject in all cases to the Eligible Director's Continuous Service (as defined in the Plan) through each such applicable vesting date.
3. **Elections to Receive a Retainer Grant in Lieu of Cash Retainer.** Each Eligible Director may elect to receive all of his or her Annual Board Service Retainer payable under A(1)(a) above, beginning with the first calendar year that commences after the Effective Date and any subsequent calendar year, into an RSU Award (each, a "**Retainer Grant**") in accordance with this Section 3 (such election, a "**Retainer Grant Election**"). If an Eligible Director timely makes a Retainer Grant Election pursuant to this Section 3, the Retainer Grant shall be automatically granted to each Eligible Director on January 1 of each year (or if such date is not a market trading day, the first market trading day).

2

thereafter) and will have an aggregate grant date fair value, as calculated in accordance with FASB ASC Topic 718, equal to the amount of Annual Board Service Retainer otherwise expected to be payable to such Eligible Director for the upcoming calendar year under A(1)(a) above. The Retainer Grant will vest in four equal installments on each Retainer Accrual Date during the year, subject to the Eligible Director's Continuous Service (as defined in the Plan) through each such applicable vesting date. An Eligible Director may only make a Retainer Grant Election before the start of the calendar year to which such election relates and during a period in which the Company is not in a quarterly or special blackout period and the Eligible Director is not aware of any material non-public information. Each Retainer Grant Election must be timely submitted to the Company's Chief Financial Officer (or such other individual as the Company designates) in writing and subject to any other conditions specified by the Board or Compensation Committee of the Board. An Eligible Director who fails to make a timely Retainer Grant Election will not receive a Retainer Grant and instead will receive the Annual Board Service Retainer payable under A(1)(a) above in cash.

C. Compensation Limits

Notwithstanding the foregoing, the aggregate value of all compensation granted or paid, as applicable, to any individual for service as a Non-Employee Director (as defined in the Plan) shall in no event exceed the limits set forth in Section 3(d) of the Plan.

Adopted by the Compensation Committee: April 23, 2024

3

Exhibit 31.1

**CERTIFICATION PURSUANT TO RULES 13a-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Scott Hill, Eric Friedrichsen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CS Disco, 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 information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows for 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):

- 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
- 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.

Date: **November 9, 2023** May 9, 2024

By: **/s/ Scott Hill** Eric Friedrichsen

Name: **Scott Hill** Eric Friedrichsen

Title: **Chief Executive Officer**
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION PURSUANT TO RULES 13a-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Lafair, certify that:

- I have reviewed this Quarterly Report on Form 10-Q of CS Disco, Inc.;
- 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;
- Based on my knowledge, the financial statements, and other information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows for the registrant as of, and for the periods presented in this report;
- 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:
 - 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;
 - 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;
 - 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
 - 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
- 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):
 - 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
 - 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.

Date: **November 9, 2023** May 9, 2024

By: **/s/ Michael S. Lafair**

Name: **Michael S. Lafair**

Title: **Executive Vice President, 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**

In connection with the Quarterly Report on Form 10-Q of CS Disco, Inc. (the "Company") for the period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2023 May 9,
2024

By: /s/ Scott Hill Eric Friedrichsen
Name: Scott Hill Eric Friedrichsen
Title: Chief Executive Officer
(Principal Executive Officer)

Date: November 9, 2023 May 9,
2024

By: /s/ Michael S. Lafair
Name: Michael S. Lafair
Title: Executive Vice President, Chief Financial Officer
(Principal Accounting and Financial Officer)

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.