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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022

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 001-39113

BLACKSKY TECHNOLOGY INC.

(Exact name of registrant as specified in its charter)

Delaware	**47-1949578**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
13241 Woodland Park Road **Suite 300** **Herndon, Virginia**	**20171**
(Address of Principal Executive Offices)	**(Zip Code)**

(571) 267-1571

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
Class A common stock, par value $0.0001 per share	**BKSY**	**The New York Stock Exchange**
Warrants, each whole warrant exercisable for one share of Class A common stock at an exercise price of $11.50	**BKSY.W**	**The New York Stock Exchange**

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	▯	Smaller reporting company	▯
		Emerging growth company	▯

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

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

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

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

The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2022 was approximately $ 266,366,137. Shares of the registrant's Class A common stock held by each executive officer and director and by each other person who may be deemed to be an affiliate of the registrant have been excluded from this computation. This calculation does not reflect a determination that certain persons are affiliates of the registrant for any other purpose.

As of March 20, 2023, there were 138,734,688 shares of the registrant's Class A common stock, at $0.0001 par value, outstanding.

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SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which statements involve substantial risks and uncertainties. All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "potentially," "estimate," "continue," "anticipate," "plan," "intend," "could," "would," "expect" and similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements. Forward-looking statements included in this Annual Report on Form 10-K include, but are not limited to, statements regarding:

- our ability to retain or recruit key employees;
- our ability to grow distribution channels and partner ecosystems;
- our anticipated capital expenditures, liquidity, and our estimates regarding our capital requirements;
- our ability to integrate proprietary and third-party sensor data;
- our ability to add new satellites to our commercial operations;
- our ability to invest in our software, research and development capabilities;
- our ability to grow a third-party developer community;
- our ability to expand our services and offerings to customers both domestically and internationally;
- our ability to continue delivering data in a cost-effective manner;
- our ability to maintain and protect our brand;
- our ability to expand within our current customer base;
- our ability to compete with legacy satellite imaging providers and other emergent geospatial intelligence providers;
- our ability to maintain intellectual property protection for our products or avoid or defend claims of infringement;
- our ability to comply with laws and regulations applicable to our business;
- our expectations about market trends and needs;
- our estimates of market growth, future revenue, expenses, cash flows, capital requirements and additional financing;
- our expectations regarding our ability to progress toward becoming operating cash flow positive;
- our ability to manage the timing of capital expenditures to allow for additional flexibility to optimize our long-term liquidity requirements;
- our ability to optimize our cash spend to meet short and long-term operational needs;
- the volatility of the trading price of our common stock;
- the performance of our Spectra AI platform;
- our plans and expectations for our next generation satellites ("Gen-3");
- the impact of local, regional, national and international economic conditions and events;
- the effect of COVID-19 on the foregoing; and
- other factors including but not limited to those detailed under the section entitled "Risk Factors."

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part I, Item 1A. "Risk Factors" in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and trends discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, whether written or oral, except as required by law.

PART I

ITEM 1. BUSINESS

Overview

Founded in 2014, BlackSky is a leading provider of real-time geospatial intelligence. We deliver on-demand, high frequency imagery, monitoring and analytics of some of the most critical and strategic locations, economic assets, and events in the world. We design, own, and operate one of the industry’s leading low earth orbit (“LEO”) small satellite (“smallsat” or “smallsats”) constellations, optimized to capture imagery cost-efficiently where and when our customers need it. Our Spectra AI software platform processes data from BlackSky's constellation and from other third-party sensors to develop the critical insights and analytics that provide our customers with the actionable intelligence they require to execute on important decisions. U.S. government, allied nations, commercial businesses, and organizations around the world rely on our products. Our vision is to define a new category of space-based products and services: real-time geospatial and analytics driven intelligence delivered through an easy-to-use platform designed to empower a variety of customers to make decisions.

In the last few years, the market has been shifting away from static, low-frequency satellite imagery and geospatial solutions toward dynamic and on-demand, high-frequency imagery and advanced analytics that together deliver real-time geospatial intelligence. During this time, we have seen the number of commercial sensors on orbit expand from a handful of large, expensive commercial satellites to now hundreds and soon to be thousands of space-based sensors that are changing the way we see and understand our world. To capitalize on this paradigm shift, BlackSky has deployed a proprietary satellite constellation providing high-frequency, high-resolution imagery and built a fully operational software platform capable of integrating our proprietary data with the data from this proliferation of sensors and other third-party information, such as millions of GPS-enabled terrestrial data sources and Internet of Things ("IOT") connected devices. Our proprietary software platform, Spectra AI, then applies artificial intelligence ("AI") and machine learning ("ML") techniques to transform these raw data feeds into real-time actionable intelligence that provides customers with a first-to-know advantage.

Our mission is to enable customers to improve their decision-making processes by incorporating on-demand imagery and AI-driven analytics into their daily operations through our modern, easy-to-use, software-as-a-service ("SaaS") customer experience. We can deliver our proprietary, on-demand imagery at a lower cost than legacy providers due to our scalable software platform, our capital efficient constellation design, and adaptable pricing models, among other things.

Our Vertically Integrated Strategic Assets

The need for real-time geospatial intelligence is more important than ever. Recent global events, like the war in Ukraine or the earthquakes in Turkey and Syria, have demonstrated what customers can expect from the real-time geospatial intelligence that space-based technology can deliver. BlackSky is changing the way space is used to deliver vital, actionable intelligence through our two key strategic assets: our high-revisit earth observation smallsat constellation and our AI-enabled software platform.

Our Satellite Constellation

We design, develop, manufacture, and operate a constellation of proprietary high-resolution, high-revisit LEO smallsats. Our constellation is optimized to provide reliable and dynamic hourly monitoring of among the most strategic, high-value locations and assets where we believe approximately 90% of the world's gross domestic product occurs. Our current constellation images most locations between the latitudes of 55 degrees North and 55 degrees South, on-demand, providing our customers with insights and situational awareness throughout the day and as events unfold. Historically BlackSky imagery was available from dawn to dusk; recently we have introduced a night-time monitoring capability. Our satellites have agile pointing capabilities that enable our customers to task our constellation on-demand to collect specific locations of interest. We believe that the focus of our constellation on critical, strategic, and economic infrastructure and software that enables customer tasking of our constellation differentiates us from our competitors, who are dedicated primarily to mapping the entirety of the Earth on a routine basis and who, therefore, require a larger or more expensive constellation to support their mission. BlackSky's unique architecture delivers highly valued imagery and intelligence with a smaller, more capital efficient, and agile constellation.

In 2022, we achieved a baseline satellite constellation of 14 LEO smallsats that are currently in operation. In the first half of 2023, we plan to launch two additional satellites to primarily replace the two initial satellites that were deployed in 2018, which have been in operation for more than four years and are approaching their end of life. As the majority of our constellation was launched within the past 18 months, we believe we have sufficient capacity to meet existing customer requirements and support our customer's needs in the future. Under optimal conditions and measured from dawn until dusk, our constellation achieves a peak revisit rate of up to 15 revisits a day and an average revisit rate of eight to ten revisits a day or approximately every 60-90 minutes, which allows us to collect thousands of images a day. As our satellite constellation grows, we expect our revisit rate to improve, thereby increasing the amount of data we are able to collect and providing incremental utility to customers.

Our current satellites ("Gen-2") are purpose-built to serve our mission and form the foundation of our Spectra AI platform. Weighing about 55 kilograms each, these compact, high-tech satellites are comparable in size to a miniature refrigerator. Each satellite is equipped with a modern, commercially-derived optical telescope that collects imagery with a resolution between 80-100 centimeters. Launched into a Low Earth Orbit approximately 450 kilometers above the surface of the Earth, our constellation is optimally distributed to provide maximum coverage for our customers. We have strategically located our ground stations around the world to further accelerate our delivery capabilities. Our satellite design is further complemented by our autonomous tasking, mission planning, command and control services, and satellite health and safety monitoring embedded within Spectra AI. With these design advantages, we can distinguish landscape features such as roads and buildings, and gauge commercial activities and patterns such as movements from ships in ports, progress at construction sites, and changes in production by estimating the number of cars in a parking lot. U.S. and allied militaries rely on our services for high-revisit monitoring of airfields, vehicle depots, troop movements, and other high-value locations to detect changes in pattern-of-life.

We have designed our next generation satellites (“Gen-3”) to include significantly enhanced capabilities, such as improved imaging resolution to between 35-50 centimeters and short-wave infrared imaging technology for expanded imaging capabilities in low-light or nighttime. We anticipate launching our first Gen-3 satellites in 2024. We believe these Gen-3 advancements will improve our analytics and increase the value we can deliver to our customers.

We are vertically integrated and manufacture our satellites through LeoStella, a 50%-owned satellite manufacturing joint venture with Thales Alenia Space. LeoStella has capacity to manufacture up to 40 satellites per year. This vertical integration enables BlackSky to control our satellites through the entire design, manufacturing, and operation process and optimize performance per unit cost. The LeoStella partnership further allows us to learn from and leverage their manufacturing expertise and commercial best practices.

While our constellation and ground station infrastructure enables us to capture imagery at higher cadences and lower costs than many of the legacy providers, our software platform, Spectra AI, enables us to provide actionable intelligence to our customers.

Our Software Platform

BlackSky's Spectra AI software platform processes millions of observations a day from our proprietary satellite constellation and from multiple external data sources including imaging, radar and radio frequency satellites, environmental sensors, asset tracking sensors, IoT connected devices, internet-enabled narrative sources, and a variety of geotemporal data feeds. Spectra AI employs advanced, proprietary AI and ML techniques to process, analyze, and transform these data feeds into fully automated alerts, information, and insights for our customers. These critical insights provide customers with actionable intelligence that supports daily decision making.

Customers access Spectra AI's data and analytics through an easy-to-use web interface on their desktops or mobile devices. Through Spectra AI, customers can task BlackSky's constellation, which uses proprietary mission operations software that optimizes revisit rates and collection capabilities, and receive high-resolution imagery and analytics in, on average, under 90 minutes. Importantly, customers can set-up alerts so that Spectra AI automatically generates and distributes images from BlackSky satellites and analytics upon the occurrence of certain conditions or changes, giving customers a first-to-know advantage. Understanding the flexibility needed to engage a wide range of customers, the Spectra AI software gives customers the ability to order imagery from other providers. Customers can also access BlackSky products through application programming interfaces ("APIs"), which are typically embedded with customers or certain reseller channels such as Palantir Technologies.

As we collect data, we establish a baseline view of important conditions around the world. Incremental data enables us to detect and understand changes to or deviations from the baseline. Spectra AI leverages this data, much of it proprietary, to accelerate its learning using neural networks. We believe that Spectra AI will benefit from a "flywheel learning effect" as we continuously expand and enrich our proprietary data repository.

Designed with security and scalability in mind, Spectra AI is built on the Amazon Web Services platform. Spectra AI offers a full software stack that includes a data and sensor integration layer, an extract, transform, load ("ETL") layer, an analytics layer that hosts our AI and ML algorithms, an application layer for our customers, an API framework for developers, and our global intelligence database that captures sensor data.

Spectra AI has been operating for eight years and is continuously updated and refreshed. We have designed our software stack with a strong focus on API compatibility to enable developers to easily integrate our software with our customers' information technology platforms. Our goal is for customers to be able to access Spectra AI with minimal incremental technology investment. Software development is an important focus for our future as Spectra AI is the key to turning our geospatial data into actionable intelligence that improves and enhances our customers' business processes and decisions.

Our Key Services and Products

Our offerings support a broad range of applications including national and homeland security, supply chain intelligence, crisis management, critical infrastructure monitoring, economic intelligence, and others. We generate revenue by selling imagery and software analytics services through our Spectra AI platform and by providing professional and engineering services to customers on a project-by-project basis.

Imagery and Software Analytical Services

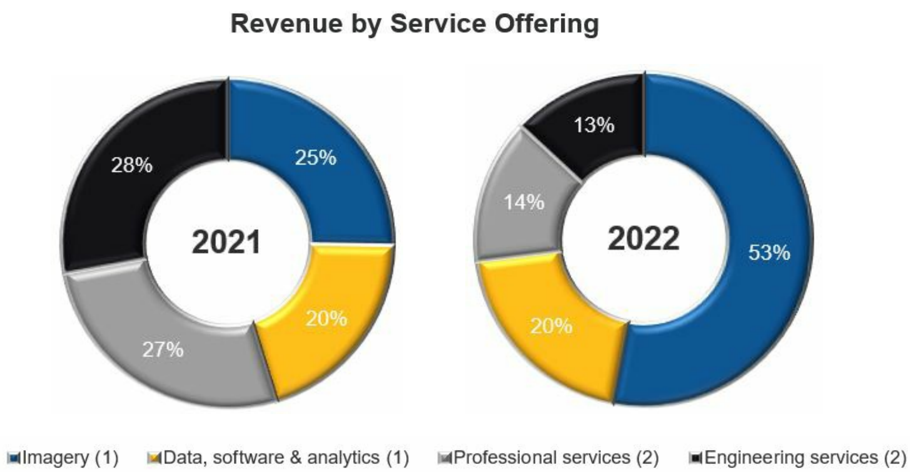
- *Imagery Services*: We offer high-revisit, high-resolution, on-demand satellite imaging services. Through our Spectra AI platform, customers can directly task our constellation to collect and deliver imagery over specific locations, sites, and regions that are critical to their operations. We offer customers several service level options, including basic subscription plans for on-demand tasking or multi-year assured access programs, where customers can secure priority access and imaging capacity over a region of interest on a take or pay basis.
- *Data, Software, and Analytics*: Our analytics are also offered on a subscription basis and provide customers with access to our site monitoring, event monitoring, and global data services. We provide services related to object, change and anomaly detection; site monitoring; and enhanced analytics through which we can detect key pattern-of-life changes in critical locations. These critical locations include infrastructure such as ports, airports, and construction sites; retail activity; commodities stockpiles; and other sites that contain critical commodities and supply chain inventory.

While we offer a variety of pricing and utilization options for our imagery and software analytical service offerings, most of our agreements are structured as subscription contracts, followed by usage-based pricing and transactional licenses. These options provide customers with flexibility to utilize our imagery and software analytical services in a manner that best suits their business needs. We offer pricing tiers that enable the customer to manage collection priorities. For example, during critical events, customers may pay a premium to prioritize their monitoring and collection requirements, while at other times, customers can select lower priority collections to allow for more economical utilization.

Professional and Engineering Services

We develop and deliver advanced launch vehicle, satellite, and payload systems for strategic customers that desire to leverage our capabilities in mission systems engineering and operations, ground station operations, software, analytics and systems development. Launch vehicle, satellite, and payload systems are typically sold to government customers under fixed price contracts that provide BlackSky with funded research and development to offset our capital investments. These contracts provide the benefit of accelerating technological developments for our own satellites and building long-term customer relationships that are often expanded into agreements for our imagery and data software services.

We also provide professional service solutions to support customer-specific software feature requests and the integration, testing, and training of our imagery and software analytical services into a customer's organizational processes and workflows. Finally, we offer software systems engineering development services to support the integration of high volume and mass quantities of data into customer's operating platforms.



(1) Included in imagery and software analytical services in our Consolidated Statements of Operations and Comprehensive Loss

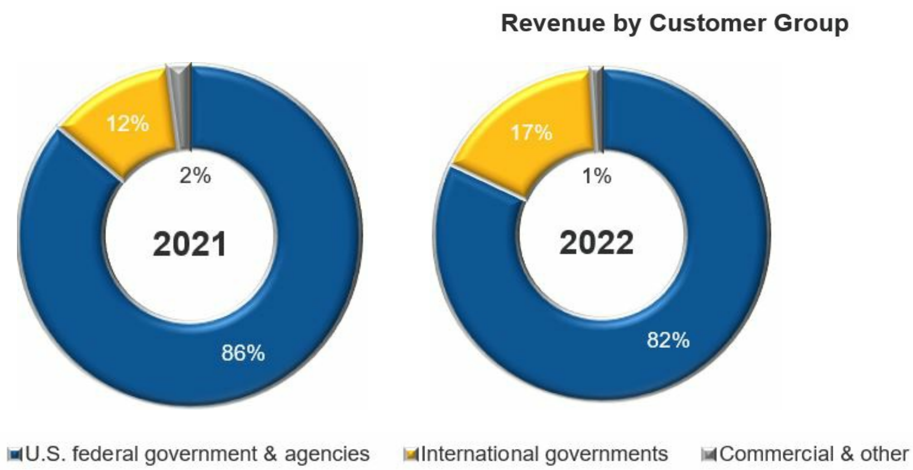
(2) Included in professional and engineering services in our Consolidated Statements of Operations and Comprehensive Loss

Our Customers

Many of the most important and demanding government and commercial organizations in the world, including United States defense and intelligence agencies and international ministries of defense, rely on the actionable intelligence we provide. To compete effectively in today's data-driven military battlefields and commercial market environments, governments and organizations of all sizes and industries face a growing need for timely and affordable geospatial intelligence and analytics to help shape critical decisions. To meet these customer demands, next generation geospatial intelligence platforms must have the ability to deliver situational awareness, location intelligence, and insights into events and activities as they unfold.

Our current customer base and market mix are weighted towards U.S. defense and intelligence customers, as we have a long history serving these agencies as a trusted mission partner. We believe there are significant opportunities to expand our imagery and software analytical services, as well as our professional and engineering service offerings, to a broad set of domestic and international customers. Management classifies our customer base predominantly into three categories:

- ***U.S. Federal Government & agencies***: We sell to multiple U.S. government agencies that span defense, intelligence, and federal and civilian agencies. Our intelligence customers include the National Reconnaissance Office ("NRO") and the National Geospatial-Intelligence Agency ("NGA"). In 2022, NRO awarded our largest imagery contract to date, valued at up to $1 billion over a 10-year period. We provide analytic services to the NGA under a 5-year $60 million contract. We also have won contracts across a range of other governmental customers including Department of Defense customers such as the Air Force, Army, and the Intelligence Advanced Research Projects Agency ("IARPA").
- ***International Governments and Organizations***: We sell to multiple foreign governments, agencies, and organizations worldwide. For example, an Asian customer recently awarded us a $10 million follow-on subscription contract to provide on-demand, high-resolution imagery services to an Asian government ally.
- ***Commercial and Other***: Currently, commercial and industrial customers represent a small but important emerging portion of our business. Our services and products can benefit customers in a variety of commercial and industrial infrastructure markets including, but not limited to, energy and utilities, insurance, commodities, mining, manufacturing, logistics, supply chain management, agriculture, environmental monitoring, disaster and risk management, engineering and construction, retail, and consumer behavior.



Our Competitive Differentiation

We believe that we are well-positioned to compete with legacy satellite imaging providers and other emerging geospatial intelligence providers. Our strategy to combine a high-revisit satellite constellation with an AI-enabled SaaS platform has been validated by contract awards from the most demanding customers. Our unique approach removes three important barriers that we believe have hindered the legacy industry from achieving a broader market adoption including: low-costs, ease of use through a modern software interface and platform, and assured access to imaging services where, when, and at the frequency customers need it. Key elements of our competitive differentiation include the following:

- ***Low-cost imagery capture***. Our constellation leverages the disruptive economics of small satellites to enable us to capture data in a more cost-effective manner than legacy satellite imagery providers and offer a variety of pricing models. Lower cost, more adaptable products allow us to expand the market for our services.
- ***High-revisit rate, dawn-to-dusk imagery collection***. We have optimized our constellation to deliver high-revisit collection capability of critical, strategic, and economic assets and locations where we estimate about 90% of the world's GDP occurs. Under ideal conditions and measured from dawn until dusk, we are capable of revisiting specific locations on Earth up to 15 times per day.
- ***On-demand satellite tasking capabilities***. Using our Spectra AI software platform, which can be accessed through a web-browser or via APIs, customers can easily task our constellation and receive high-resolution imagery and advanced analytics delivered to their email, in-house ERP system, or cloud environment in, on average, under 90 minutes. This first of its kind capability enables an expansion in the market for geospatial intelligence by eliminating the need for customers to deploy resources to design their own platform or employ geospatial analysts.
- ***Integration of proprietary and third-party sensor data***. By combining proprietary and third party data sources, we can increase the value of our database of sensor-based information at low cost and serve as a full-service geospatial data solution provider.
- ***Continuously growing proprietary intelligence data repository***. As our data repository grows, we expect to benefit from a flywheel effect whereby incremental data enhances our baseline understanding of the world, thereby enabling the delivery of increasingly valuable insights and analytics to our customers.
- ***Proprietary, cloud-based software stack.*** Our cloud-based software platform includes proprietary customer applications-such as an ETL layer, advanced AI/ML modules, and our API framework-that enhance Spectra AI's ability to scale quickly and efficiently deliver meaningful data.
- ***Vertical integration.*** We design our satellites and manufacture them at LeoStella, our satellite manufacturing joint venture. Control of the satellite production process from design through manufacturing enables us to upgrade our satellites during production and continuously improve our satellites' capabilities, as well as build and maintain our optimal constellation size at a relatively low cost.
- ***API kit for developers to build geospatial intelligence into next gen applications*** We support our customers with a robust, flexible API kit that enables them to integrate our capabilities into their existing platforms and applications with a low upfront financial and time investment.

Industry Overview

We operate in a large and growing geospatial market that includes both imaging services and analytic solutions. The industry has been evolving over time from a focus on static observation and mapping to a focus on dynamic, high-frequency monitoring capabilities that enable on-demand actionable intelligence. Geospatial intelligence is playing an increasingly critical role in decision-making for government agencies, commercial enterprises and organizations around the world. At the same time, a growing number of government defense and intelligence agencies are increasing their reliance on commercial satellite providers to complement their in-house geospatial data sources. According to Markets and Markets, an independent industry research firm, the global geospatial analytics market is projected to grow from about $67 billion in 2022 to about $120 billion by 2027, resulting in a compound annual growth rate of 12.2%.

Organizations like the U.S. Space Force, U.S. Army, and Space Development Agency are seeking to leverage commercial small satellite constellations for space-based defense and mission-critical intelligence, a priority in the U.S. defense budget. U.S. investments in space programs are outpacing broader defense spending and are viewed by those in government as vital to our country's national security and defense strategy. In late 2022, the U.S. Space Force and the Space Development Agency increased its fiscal year 2023 budget to over $26.3 billion, a 34% increase over fiscal year 2022 levels. We believe BlackSky's innovative architecture and operational capabilities are well aligned to support the U.S. government's space-based defense priorities.

The increase in demand for geospatial imaging and intelligence is coming at a time of limited supply growth. We believe that legacy satellite imaging providers may not be able to provide the capacity needed to meet the growing demand as their aging constellations are being replaced with lower capacity satellites. We believe the expansion of our capacity will be met by strong demand and that we are well positioned to capture a significant share of the growth in the space data and analytics market.

Compliance with Government Regulations

Our industry is highly regulated and our operations are subject to various foreign, federal, state, and local laws and regulations. We must comply with, and are affected by, laws and regulations relating to the formation, administration, and performance of U.S. government and foreign government contracts. Changes to or additional government regulations or policies relating to our business could increase regulatory uncertainty and may have an adverse effect on our business, financial condition and results of operations. For example, our business requires licenses and permits from the Federal Communications Commission (the “FCC”) and review by and/or coordination with other agencies of the U.S. Government, including the Department of Defense, the National Oceanic and Atmospheric Administration (“NOAA”) and the National Aeronautics and Space Administration (“NASA”), as well as foreign regulators, such as the New Zealand Space Agency. Additional information about the government regulations affecting our business and the risks relating to government contracts appears in “Risk Factors” in Item 1A of this Annual Report on Form 10-K.

Intellectual Property

We own an intellectual property (“IP”) portfolio that includes a significant amount of proprietary code and actively pursue internal development of proprietary software and other intellectual property. Our portfolio also includes trademarks, service marks, domain names, unpatented trade secrets, know-how, data, and software. While our IP rights in the aggregate are important to our operations, we do not believe that any particular trade secret, trademark, license, or other IP right is of such importance that its loss, expiration, or termination would have a material effect on our business.

Employees and Human Capital

As of December 31, 2022, we had 259 employees. BlackSky employs a highly technical workforce, with 58% of our employees working in engineering or operations functions and the remainder in our sales and general and administrative functions. Many of our employees bring significant experience from prior positions working for leading defense contractors, satellite manufacturers, other commercial and military aerospace and defense companies, and government agencies.

Since our inception, BlackSky has sought to recruit qualified and creative employees who possess diverse business capabilities and align with our core corporate values. Our human capital objectives include identifying, recruiting, retaining, incentivizing and integrating our existing and new employees, advisors, and consultants In addition to competitive salaries, the principal purposes of our cash and equity incentive plans are to attract, retain, and reward personnel through the granting of cash-based and stock-based incentive awards. We believe such plans increase stockholder value by motivating individuals to perform to the best of their abilities and achieve corporate objectives. As we move into the next stage of our growth, we are devoting more resources to our human capital, in particular sales talent; and are building the infrastructure necessary to support our workforce and promote communication, respect, and diversity across our team.

We are committed to a set of core corporate values. They include:

- ***People First***. We operate with respect and transparency. We provide a rich environment for people to grow, fulfill their ambitions and achieve their full potential.
- ***Accountability***. We are accountable to meeting and exceeding our commitments to customers and shareholders.
- ***Innovation***. We are innovators and thought leaders. We are passionate and relentless about solving problems that matter.
- ***Integrity***. We conduct ourselves ethically and honestly. Trust is paramount.

- ***Diversity***. We believe that diversity of background and opinion are essential to the strength of our culture. We are committed to an equitable and inclusive environment.
- ***Positive Impact***. We are here to contribute to a smarter and safer world. Our shared goal is to contribute to the good of society through the responsible use of our assets.
- ***Celebration***. We celebrate our wins and recognize the individual and collective accomplishments of our teams.

Corporate Information

On September 9, 2021, our predecessor company Osprey Technology Acquisition Corp. ("Osprey"), consummated its merger (the "Merger") with Osprey Technology Merger Sub, Inc., a wholly owned subsidiary of Osprey, and BlackSky Holdings, Inc. ("Legacy BlackSky"). Immediately following the Merger, Osprey changed its name to BlackSky Technology Inc. Legacy BlackSky survived the Merger and is now a wholly owned subsidiary of BlackSky Technology Inc. Unless the context otherwise requires, references in this Annual Report on Form 10-K to "BlackSky", "the Company", "we", "us" and "our" refer to the business and operations of Legacy BlackSky and its consolidated subsidiaries prior to the Merger and to BlackSky Technology Inc. and its consolidated subsidiaries, following the closing of the Merger.

Our corporate headquarters is located at 13241 Woodland Park Road, Suite 300, Herndon, VA 20171. Our website is located at www.blacksky.com. The contents of our website are not incorporated into this Annual Report on Form 10-K.

Our Class A Common Stock ("Class A common stock") and warrants are listed on the New York Stock Exchange (the "NYSE") under the symbols "BKSY" and "BKSY.W", respectively.

Available Information

Our investor relations website is https://ir.blacksky.com. Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, registration statements, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are available free of charge on our investor relations website as soon as reasonably practicable after we file such material electronically with or furnish it to the Securities and Exchange Commission (the "SEC"). The SEC also maintains a website that contains our SEC filings at www.sec.gov. We use our investor relations website to post important information for investors, including news releases, analyst presentations, and supplemental financial information, and as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor our investor relations website, in addition to following press releases, SEC filings and public conference calls and webcasts.

ITEM 1A. RISK FACTORS

An investment in our Class A common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information contained in this Annual Report on Form 10-K, including the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, before deciding to invest in our Class A common stock. Additional risks and uncertainties that we are currently unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business or results of operations. If any of the following risks occur, our business, financial condition and operating results may be materially adversely affected. In that event, the trading price of our Class A common stock could decline, and you could lose all or part of your investment.

Summary Risk Factors

Our business is subject to numerous risks and uncertainties that you should consider before investing in our Class A common stock, as more fully described below this summary. The principal factors and uncertainties that could adversely affect our business include, among others:

- We have a limited history of operating at our current scale and under our current strategy, which makes it difficult to predict our future operating results, and we may not achieve our expected operating results in the future.
- We may not be able to sustain our revenue growth rate in the future.
- Our results of operations are subject to fluctuation from period to period and may not be an accurate indication of future performance; our operating results have, and may in the future, fall below our financial guidance or other projections or fail to meet the expectations of securities analysts and investors.
- The loss of one or more of our largest customers could adversely affect our results of operations.
- We have incurred significant losses each year since our inception, we expect our operating expenses to increase, and we cannot give assurances of our future profitability, if any.
- The market for our products and services has not been established with precision, is still emerging and may not achieve the growth potential we expect or may grow more slowly than expected.
- Our business with various governmental entities is subject to the policies, priorities, regulations, mandates, and funding levels of such governmental entities and may be negatively or positively impacted by any change thereto.
- Our ability to grow our business depends on the successful production, launch, commissioning and/or operation of our satellites and related ground systems, which is subject to many uncertainties, some of which are beyond our control.
- Our business involves significant risks and uncertainties that may not be covered by insurance. For example, if one or more of our satellite launches result in catastrophic failure or one or more of our in-orbit satellites or payloads fail, and we have not obtained insurance coverage, we could be required to record significant impairment charges for the satellite or payload.
- If our satellites fail to operate as intended, it could have a material adverse effect on our business, financial condition and results of operations.
- Currently we are dependent on LeoStella as the sole manufacturer of our satellites. Any significant disruption to LeoStella's operations or facilities could have a material adverse effect on our business, financial condition, and results of operations.
- Our business is capital intensive, and we may not be able to raise adequate capital to finance our business strategies, including funding future satellites, or we may be able to do so only on terms that significantly restrict our ability to operate our business.
- Our business is subject to a wide variety of additional extensive and evolving government laws and regulations. Failure to comply with such laws and regulations could have a material adverse effect on our business.

Risks Related to Our Business and Industry

We have a limited history of operating at our current scale and under our current strategy, which makes it difficult to predict our future operating results, and we may not achieve our expected operating results in the future.

We have a limited history of operating at our current scale and under our current strategy to define the future of real-time first-to-know insights, which makes it difficult to forecast our future results. You should consider and evaluate our prospects in light of the risks and uncertainty frequently encountered by growth stage companies in rapidly evolving markets. We have not achieved profitability, and we may not realize sufficient revenue to achieve profitability in future periods.

Further, in future periods, our revenue growth could slow or our revenue could decline for a number of reasons, including slowing demand for our platform, increased competition, changes to technology, a decrease in the growth of our overall market, or our failure to continue to take advantage of growth opportunities. We have also encountered, and will continue to encounter, risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described below. If our assumptions regarding these risks and uncertainties and our future revenue growth are incorrect or change, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations, and our business could suffer.

We may not be able to sustain our revenue growth rate in the future.

Although our revenue increased in 2022, there can be no assurances that revenue will continue to grow or do so at current rates, and you should not rely on the revenue of any prior quarterly or annual period as an indication of our future performance. Our revenue growth rate may decline in future periods. Many factors may contribute to declines in our revenue growth rate, including increased competition, slowing demand for our products and services from existing and new customers, increased regulatory burdens domestically or abroad, a failure by us to continue capitalizing on growth opportunities, terminations of existing contracts by our customers, and the maturation of our business, among others. If our revenue growth rate declines, our business, financial condition, and results of operations could be adversely affected.

Our results of operations are subject to fluctuation from period to period and may not be an accurate indication of future performance; our operating results have, and may in the future, fall below our financial guidance or other projections or fail to meet the expectations of securities analysts and investors.

Our results of operations, including cash flows, have fluctuated significantly in the past and are likely to continue to do so in the future. Accordingly, the results of any one quarter or measuring period should not be relied upon as an indication of future performance. Our quarterly results, financial position, and operations are likely to fluctuate as a result of a variety of factors, many of which are outside of our control, and as a result, may not fully reflect the underlying performance of our business. We have presented many of the factors that may cause our results of operations to fluctuate in this “Risk Factors” section. Fluctuations in our results of operations have, and may in the future, cause such results to fall below our financial guidance or other projections, or the expectations of analysts or investors, which could cause the trading price of our Class A common stock to decline.

Our financial performance is dependent on our ability to generate a sustainable order rate for products and services. This can be challenging and may fluctuate on an annual basis as the number of contracts awarded and as the timing of such awards vary. If we are unable to win new contracts or execute on existing contracts as expected, our business, results of operations and financial position could be further adversely affected.

The timing of our sales and related revenue recognition is difficult to predict because of the length and unpredictability of the sales cycle for our products and services. We are often required to spend significant time and resources to better educate and familiarize potential customers with the value proposition of our products and services. Therefore, our sales cycle is often long and can vary substantially from customer to customer. Further, decisions to purchase our imagery services can involve significant financial commitments, potential customers for larger monetary or specialized design/engineering contracts generally evaluate our systems, products and technologies at multiple levels within their organization, each of which often have specific requirements, and can involve their senior management and multiple internal approvals.

As a result of our long and unpredictable sales cycles, large individual sales have, in some cases, occurred in quarters subsequent to those we anticipated, or have not occurred at all. The loss or delay of one or more large sales transactions in a quarter would impact our results of operations and cash flow for that quarter and any future quarters in which revenue from that transaction is lost or delayed. In addition, downturns in new sales may not be immediately reflected in our revenue because we generally recognize revenue over the term of our contracts. The timing of customer billing and payment varies from contract to contract. A delay in the timing of receipt of such collections, or a default on a large contract, may negatively impact our liquidity for the period and in the future. Because a substantial portion of our expenses are relatively fixed in the short-term and require time to adjust, our results of operations and liquidity would suffer if revenue fell below our expectations in a particular period. In addition, our pricing model includes both subscription-based and fixed fee contracts, adding further variability to the timing of our revenue recognition across customer contracts.

Other factors that may cause fluctuations in our quarterly results of operations and financial position include, without limitation, those listed below:

- the number of satellites in our satellite constellation;
- satellite or geospatial data and analytics platform failures that reduce the planned network size below projected levels, which result in contract delays or cancellations;
- the cost of raw materials or supplied components for the manufacture and operation of our satellites;
- the timing and cost of, and level of investment in, research and development relating to our technologies;
- termination of one or more large contracts by customers, including for convenience;
- changes in the competitive dynamics of our industry;
- prolonged periods of unexpected weather patterns, natural disasters or other events that can impact image quality or force a cancellation or rescheduling of satellite launches; and
- general economic, regulatory, and market conditions, including the impact of the COVID-19 pandemic and other geopolitical uncertainty and instability,such as the ongoing geopolitical tensions related to Russia's actions in Ukraine, resulting sanctions imposed by the United States and other countries, and retaliatory actions taken by Russia in response to such sanctions.

The individual or cumulative effects of factors discussed above could result in large fluctuations and unpredictability in our quarterly and annual operating results. As a result, comparing our operating results on a period-to-period basis may not be meaningful. These factors make it difficult for us to accurately predict financial metrics for any particular period.

The variability and unpredictability of our quarterly results of operations, cash flows, or other operating metrics could also result in our failure to meet our expectations or those of analysts that cover us or investors with respect to revenue or other key 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 Class A common stock could fall, and we could face costly lawsuits, including securities class action suits.

The loss of one or more of our largest customers could adversely affect our results of operations.

We are dependent on a small number of customers for a large portion of our revenue. A significant decrease in the sales to or loss of any of our major customers would have a material adverse effect on our business, financial condition, and results of operations. In fiscal years 2022 and 2021, we had two and three customers, respectively, that each accounted for more than 10% of our total revenue and in the aggregate, accounted for 42% and 45% of our total net revenue, respectively. Customers in the defense market generally purchase our services in connection with government programs that have a limited duration, leading to fluctuating sales to any particular customer in this market from year to year. If we lose one or more of our major enterprise or government customers, or if we experience a significant reduction in business from one or more major enterprise or government customers, there is no assurance that we would be able to replace those customers to generate comparable revenue over a short time period, which could harm our operating results and profitability.

If existing customers do not make subsequent purchases from us or renew their contracts with us, our revenue could decline, and our results of operations would be adversely impacted.

We also derive a significant portion of our revenue from existing customers that expand their relationships with us. Increasing the size and number of the deployments of our existing customers is a major part of our growth strategy. We may not be effective in executing this or any other aspect of our growth strategy. We forecast the expected capacity utilization of our satellites based on our knowledge of the customers' needs at the time of forecast, which may not be accurate by the time of utilization due to a variety of factors outside of our control, including, but not limited to geopolitical factors, war, historical use, changes in budgets or priorities, and other customer specific events.

Our contract terms with our customers and resellers vary in length, may not provide for automatic renewal and may require the customer or reseller to opt-in to extend the term. Our customers and resellers have no obligation to renew, upgrade, or expand their contracts with us after the terms of their existing contracts have expired. In addition, many of our customer and reseller contracts permit the customer or reseller to terminate their contracts with us with notice periods of varying lengths, and our contracts with U.S. government customers may be terminated for convenience. If one or more of our customers or resellers terminate their contracts with us, whether for convenience, for default in the event of a breach by us, or for other reasons specified in our contracts, as applicable; if our customers or resellers elect not to renew their contracts with us; if our customers or resellers renew their contractual arrangements with us for shorter contract lengths; or if our customers or resellers otherwise seek to renegotiate terms of their existing contracts on terms less favorable to us, our business, financial condition, and results of operations could be adversely affected.

Our ability to renew or expand our customer relationships may decrease or vary as a result of a number of factors, including our customers' satisfaction or dissatisfaction with our geospatial data and analytics platform and/or our products and services, the frequency and severity of errors or disruptions in our platform and/or our products and services, our pricing, the effects of general economic conditions, competitive offerings or alternatives, or reductions in our customers' spending levels. Our business, financial condition, and results of operations would also be adversely affected if we face difficulty collecting our accounts receivable from our customers or if we are required to refund customer prepayments and deposits.

Achieving renewal or expansion of deployments may require us to increasingly engage in sophisticated and costly sales efforts that may not result in additional sales. In addition, our customers' decisions to expand the use of our products and services depends on a number of factors, including general economic conditions, the functioning of our products and services, and our customers' satisfaction with our products and services. If our efforts to expand within our existing customer base are not successful, our business may suffer. Moreover, we forecast the expected capacity utilization of our satellites based on our knowledge of the customers' needs at the time of forecast, which may not be accurate by the time of utilization due to a variety of factors outside of our control, including, but not limited to geopolitical factors, war, historical use, changes in budgets or priorities, and other customer specific events.

We rely on the significant experience and specialized expertise of our senior management, engineering, sales and operational staff and must retain and attract qualified and highly skilled personnel in order to grow our business successfully.

Our performance is substantially dependent on the continued services and performance of our senior management and our highly qualified team of engineers and data scientists, many of whom have numerous years of experience, specialized expertise in our business, and security clearances required for certain defense projects. If we are not successful in hiring and retaining highly qualified engineers and data scientists, we may not be able to extend or maintain our engineering and data science expertise, and our future product development efforts could be adversely affected. Competition for hiring these employees is intense, especially regarding engineers and data scientists with specialized skills and security clearances required for our business, and we may be unable to hire and retain enough engineers and data scientists to implement our growth strategy.

Certain U.S. government contracts require us, and some of our employees, to maintain national security clearances. Obtaining and maintaining national security clearances for employees involves a lengthy process, and it is difficult to identify, recruit, and retain employees who already hold national security clearances. Further, some of our contracts contain provisions requiring us to staff an engagement with personnel that the customer considers key to our successful performance under the contract. In the event we are unable to provide these key personnel or acceptable substitutions, the customer may terminate the contract. As a result, if we are unable to recruit and retain a sufficient number of qualified employees, we may lose revenue and our ability to maintain and grow our business could be limited.

Our future success also depends on the successful execution of our strategy to increase our sales to existing customers, identify and engage new customers, and enter new U.S. and non-U.S. markets, which strategy will depend, among other things, on our ability to successfully build and expand our sales organization and operations. Identifying, recruiting, training, and managing sales personnel requires significant time, expense, and attention, including from our senior management and other key personnel, which could adversely impact our business, financial condition, and results of operations in the short and long term.

In order to successfully scale our sales model, we must, and we intend to, increase the size of our direct sales force, both in the United States and outside of the United States, to generate additional revenue from new and existing customers. If we do not hire and retain a sufficient number of qualified sales personnel, our future revenue growth and business could be adversely impacted. It may take a significant period of time before our sales personnel are fully trained and productive, and there is no guarantee we will be successful in adequately training and effectively deploying our sales personnel. Our business would be adversely affected if our efforts to build, expand, train, and manage our sales organization are not successful. Any future sales organization changes may result in a temporary reduction of productivity, which could negatively affect our rate of growth. In addition, any significant change to the way we structure the compensation of our sales organization may be disruptive and may affect our revenue growth. If we are unable to attract, hire, develop, retain, and motivate qualified sales personnel, if our new sales personnel are unable to achieve sufficient sales productivity levels in a reasonable period of time or at all, if our marketing programs are not effective or if we are unable to effectively build, expand, and manage our sales organization and operations, our sales and revenue may grow more slowly than expected or materially decline, and our business may be significantly harmed.

We may not be able to convert our orders in backlog into revenue.

Backlog is typically subject to large variations from quarter to quarter and comparisons of backlog from period to period are not necessarily indicative of future revenue. The contracts comprising our backlog may not result in actual revenue in any particular period or at all, and the actual revenue from such contracts may differ from our backlog estimates. The timing of receipt of revenue, if any, on projects included in backlog could change because many factors affect the scheduling of projects. Cancellation of or adjustments to contracts may occur. Additionally, all U.S. government contracts included in backlog may be terminated at the convenience of the U.S. government. If a U.S. government contract is terminated before completion of all of the contracted work, we may not receive all potential revenue from these orders.

The failure to realize all amounts in our backlog could adversely affect our future revenue and gross margins. As a result, our backlog as of any particular date may not be an accurate indicator of our future earnings. Furthermore, the presentation of our financial results requires us to make estimates and assumptions that may affect revenue recognition. In some instances, we could reasonably use different estimates and assumptions, and changes in estimates are likely to occur from period to period. Accordingly, actual results could differ significantly from our estimates.

We could incur significant unanticipated costs if we do not accurately estimate and execute the costs of fixed-price engagements.

Certain of our products and services contracts are fixed-price contracts, rather than contracts in which payment to us is determined on a time and materials or other basis. Our failure to estimate accurately the resources and schedule required for a project, or our failure to complete our contractual obligations in a manner consistent with the project plan upon which our fixed-price contract was based, could adversely affect our overall profitability and could have a material adverse effect on our business, financial condition, and results of operations. We are consistently entering into long-term contracts for large projects that magnify this risk. We have been required to commit unanticipated additional resources to complete certain projects, which has resulted in losses on those contracts. In addition, we may fix the price for some projects at an early stage of the project engagement, which could result in a fixed price that is too low. Therefore, any changes from our original estimates could adversely affect our business, financial condition, and results of operations.

If we do not establish relationships with high-impact distributors and resellers, or if we fail to optimize relationships with existing members of our distribution channel, or if our distribution channel members suffer financial losses due to adverse economic conditions or otherwise, our ability to generate revenue will be adversely affected.

We expect our revenue derived from indirect channel sales to increase in the near future. Our ability to effectively distribute our products and services depends in part upon the financial and business condition of our distributor and reseller network. The robustness of our distributor and reseller network depends on our ability to establish relationships with high-impact distributors and resellers, our ability to structure products bundles, business terms, promote system integrations, and optimize the effectiveness of our distributor and reseller network. Distributors and resellers may not be highly capitalized and experience difficulties during times of economic contraction. If our distributors and resellers were to become insolvent, they would not be able to maintain their business and sales or provide customer support services, which would negatively impact our business and revenue.

Over time, we have modified and will continue to modify aspects of our relationship with our distributors and resellers, such as their incentive programs, pricing to them, and our distribution model to motivate and reward them for aligning their businesses with our strategy and business objectives. Changes in these relationships and underlying programs could negatively impact our distributors' and resellers' business, which could harm our business. Further, our distributors and resellers may lose confidence in our business, move to competitive products, or may not have the skills or ability to support customers. The loss of or a significant reduction in business with those distributors or resellers could harm our business. In particular, if one or more of such distributors or resellers were unable to meet their obligations with respect to accounts payable to us, we could be forced to write off such accounts and may be required to delay the recognition of revenue on future sales to the affected customers. These events could have a material adverse effect on our financial results.

There can be no assurance that we will be successful in developing and marketing, on a timely basis, new products or product enhancements or that the new products will adequately address the changing needs of the marketplace or that we will successfully manage the transition from existing products. There can be no assurance that errors will not be found in any new or enhanced products. Certain products require a higher level of sales and support expertise or external validation. Failure of our sales channel and sales representatives, particularly the independent channel partners, to obtain this expertise and to sell the new product offerings effectively could have an adverse impact on our sales in future periods. We do not have a comprehensive network of resellers, value added resellers, and similar entities and we may not be successful in developing a global sales network with qualified and experienced channel partners. Any of these problems may result in the loss of or delay in customer acceptance, diversion of product development resources, damage to our reputation, or increased service costs, any of which could have a material adverse effect on our business, financial position, results of operations and cash flows.

The market for our products and services has not been established with precision, is still emerging and may not achieve the growth potential we expect or may grow more slowly than expected.

The market for our products and services has not been established with precision as the commercialization of space is a relatively new development and is rapidly evolving. Our views of the total addressable market are based on a number of third-party reports and management estimates, which may or may not accurately reflect future market size and growth. As a result, our views of the total addressable market may prove to be incorrect.

We face intense competition that may cause us to have to either reduce our prices for our products and services or to lose market share.

We operate in highly competitive industries that are evolving and many of our competitors are larger and have substantially greater resources than we have. Our products and services compete with satellite and aerial imagery and related products and services offered by a range of private and government providers. Our current or future competitors may have superior technologies or greater financial, personnel and other resources than we have. The value of our products and services may also be diluted by related products and services that are available free of charge.

Competition in our imagery services business is highly diverse, and while our competitors offer different products, there is often competition for contracts that are part of governmental budgets. Our major existing and potential competitors for our products and services include commercial satellite imagery companies, state-owned imagery providers, aerial imagery companies, free sources of imagery and unmanned aerial vehicles. We also face competition from companies that provide geospatial data analytic information and services to the U.S. government, including defense prime contractors.

Our competitors or potential competitors could, in the future, offer satellite-based imagery or other products and services with more attractive features than our products and services. The emergence of new remote imaging technologies or the continued growth of low-cost imaging satellites could negatively affect our marketing efforts. More importantly, if competitors develop and launch satellites or other imagery-content sources with more advanced capabilities and technologies than ours, or offer products and services at lower prices than ours, our business and results of operations could be harmed. Due to competitive pricing pressures, such as new product introductions by us or our competitors or other factors, the selling price of our products and services may further decrease. If we are unable to offset decreases in our average selling prices by increasing our sales volumes or by adjusting our product mix, our revenue and operating margins may decline and our financial position may be harmed.

The U.S. government and foreign governments may develop, construct, launch and operate their own imagery satellites with capabilities similar to ours, which could reduce their need to rely on us and other commercial suppliers. In addition, such governments could sell or provide free of charge Earth imagery from their satellites and thereby compete with our products and services. Also, governments may at times make our imagery freely available for humanitarian purposes, which could impair our revenue growth with non-governmental organizations.

In addition, some of our foreign competitors currently benefit from, and others may benefit in the future from, subsidies and other protective measures by their home countries where governments are providing financial support, including significant investments in the development of new technologies. Government support of this nature greatly reduces the commercial risks associated with satellite development activities for these competitors. This market environment may result in increased pressures on our pricing and other competitive factors.

Some of our competitors have made or could make acquisitions of businesses that allow them to offer more competitive and comprehensive solutions. As a result of such acquisitions, our current or potential competitors may be able to accelerate the adoption of new technologies that better address customer needs, devote greater resources to bring these products and services to market, initiate or withstand substantial price competition, or develop and expand their product and service offerings more quickly than we do. These competitive pressures in our market or our failure to compete effectively may result in fewer orders, reduced revenue and margins, and loss of market share. In addition, industry consolidation may impact customers' perceptions of the viability of smaller or even mid-size companies and consequently customers' willingness to purchase from such firms.

We may not compete successfully against our current or potential competitors. If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, financial condition, and results of operations could be adversely affected. In addition, companies competing with us may have a different pricing or distribution model. Increased competition could result in fewer customer orders, price reductions, reduced margins, and loss of market share, any of which could harm our business and results of operations.

We have incurred significant losses each year since our inception, we expect our operating expenses to increase, and we cannot give assurances of our future profitability, if any.

We have incurred significant losses each year since our inception and we may never achieve or maintain profitability. As of December 31, 2022, we had an accumulated deficit of $545.1 million. As we continue to expand our business, and the breadth of our operations, upgrade our infrastructure, expand into new markets, invest in research and development, invest in sales and marketing, including expanding our sales organization, and incur costs associated with general administration, including expenses related to being a public company and hiring additional employees, we expect that our costs of revenue and operating expenses will continue to increase. As we seek to grow our customer base, we may also incur increased losses because the costs associated with acquiring and growing our customers and with research and development are generally incurred upfront, while our revenue from customer contracts is generally recognized over the contract term. We may not be able to increase our revenue at a rate sufficient to offset increases in our costs of revenue and operating expenses in the near term or at all, which would prevent us from achieving or maintaining profitability in the future. Any failure by us to achieve, and then sustain or increase, profitability on a consistent basis could adversely affect our business, financial condition, and results of operations. If we are unable to become profitable, we may not be able to execute our business plan, our prospects may be harmed, and our stock price may be adversely affected and decline.

The global COVID-19 pandemic has created operational challenges that have negatively affected our business and operations.

As a result of the COVID-19 pandemic, our workforce has been operating in a hybrid environment. We are monitoring and evaluating the impacts on our operations and work force from the transition to a hybrid work environment, such as our ability to sustain productivity and the mental health of our workforce, to maintain and grow our culture in a hybrid environment, to comply with regulations and laws for workers we have hired in new states, to mitigate the physical and cybersecurity risks that stem from a decentralized work environment, and to manage the continued delays in the supply chain. The longer-term impacts of the various operational challenges associated with the transition to a hybrid work environment could continue to harm our business and results of operations.

Risks Related to Our Operations

Any significant disruption in or unauthorized access to our computer systems or those of third parties that we utilize in our operations, including those relating to cybersecurity or arising from cyber-attacks, could result in a loss or degradation of service, unauthorized disclosure of data, or theft or tampering of intellectual property, any of which could materially adversely impact our business.

Our operations, products, solutions, analysis and intellectual property are inherently at risk of loss, inappropriate access or use, or tampering by both insider threats and external bad actors. In particular, as a defense contractor, we face various cyber and other security threats, including attempts to gain unauthorized access to sensitive information and networks; insider threats; threats to the safety of our directors, officers and employees; threats to the security and viability of our facilities, infrastructure and supply chain; and threats from state-sponsored and otherwise sophisticated actors, terrorist acts or other acts of aggression. Our customers and partners (including our supply chain and joint ventures and our service providers) face similar threats and growing requirements. Customer or partner proprietary, classified, or sensitive information stored on our networks is at risk. Although we utilize various procedures and controls to monitor and mitigate the risk of these threats, there can be no assurance that these procedures and controls will be sufficient. We have suffered incidents of physical intrusions to our facilities in the past. Any further incidents or other security breaches or incidents suffered by us or those on which we rely could lead to losses or unauthorized disclosure of sensitive information or capabilities; unauthorized access to infrastructure or equipment theft or loss of, or unauthorized access to, use of, or other processing of data; harm to personnel, infrastructure or products; regulatory actions; and/or financial liabilities. Further, any such event, or any perception any such event has occurred, could result in private claims, demands and litigation, regulatory investigations and other proceedings, fines, penalties, and other liabilities as well as potential damage to our reputation as a government contractor and provider of cyber-related or cyber-protected goods and services.

Cyber and other security threats are continuously evolving and include, but are not limited to: malicious software, destructive malware, attempts to gain unauthorized access to data, disruption or denial of service attacks, phishing and other social engineering attacks, and other physical and electronic security breaches and incidents that could lead to disruptions in mission critical systems; unauthorized release of confidential, personal or otherwise protected information (our information or that of our employees, customers or partners); corruption of data, networks or systems; harm to individuals; and loss of assets. Threats to and vulnerabilities in our systems and infrastructure and those of our partners may result from human error, fraud or malice on the part of our employees, third-party service providers and other partners or by malicious third parties, including state-sponsored organizations with significant financial and technological resources, or from accidental technological failure. Some actors now engage and are expected to continue to engage in cyber-attacks, including without limitation nation-state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. During times of war and other major conflicts, we, and the third parties upon which we rely, may be vulnerable to a heightened risk of these attacks, including retaliatory cyber-attacks, that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our goods and services. In addition, we could be impacted by cyber threats or other disruptions or vulnerabilities found in products we use or in our partners' or customers' systems that are used in connection with our business. Any of these events, if not prevented or effectively mitigated, could damage our reputation, require remedial actions and other actions in response, and lead to loss of business and harm to our market position, regulatory investigations and proceedings, potential claims, litigation, and other proceedings, fines, penalties, and liability and other financial losses. We may face difficulties or delays in identifying, responding to, and otherwise mitigating security breaches and incidents, and in the event of any security event, we may be required or find it appropriate to expend increased financial and other resources in an effort to prevent and otherwise address security breaches and incidents.

We provide systems, products and services to various customers (both governmental and commercial) who also face cyber threats. Our systems, products and services may themselves be subject to cyber threats and/or they may not be able to detect or properly deter threats, or effectively mitigate resulting losses. These losses could adversely affect our customers and our company.

The impact of these various factors is difficult to predict, but one or more of them could result in the loss of information or capabilities, harm to individuals or property, damage to our reputation, loss of business, contractual or regulatory actions and potential liabilities, and perception or report that any such security breach or incident may harm our reputation and market position, any of which could have a material adverse effect on our financial position, results of operations and/or cash flows. We could be forced to expend significant financial and operational resources in response to any actual or perceived security breach or security incident, including in repairing system damage, increasing cybersecurity protection costs by deploying additional personnel and modifying or enhancing our protection technologies, investigating and remediating any information security vulnerabilities, notifying affected individuals and otherwise remediating or responding to any such breach or incident, and litigating and resolving regulatory investigations and other proceedings and legal claims and litigation, all of which could divert resources and the attention of our management and key personnel. We do not currently process classified data on our systems. However, a cyber or physical security event that involves classified or other sensitive government information or certain controlled technical information, could subject us to civil or criminal penalties and could result in loss of our facility security clearance and other accreditations, loss of our government contracts, loss of access to classified information, loss of export privileges or debarment as a government contractor.

Cybersecurity risks and cyber incidents could result in the compromise of confidential data or critical data systems and give rise to potential harm to customers, remediation and other expenses under consumer protection laws or other laws or common law theories, subject us to litigation and federal and state governmental inquiries, damage our reputation, and otherwise be disruptive to our business and operations.

Cyber incidents can result from deliberate attacks or unintentional events. We collect and store on our networks sensitive information, including intellectual property, proprietary business information and personal data of individuals, such as our customers and employees. The secure maintenance of this information and technology is critical to our business operations. We have implemented multiple layers of security measures designed to protect the confidentiality, integrity, availability and privacy of this data and the systems and devices that store and transmit such data. We utilize current security technologies, and our defenses are monitored and routinely tested internally. Despite these efforts, threats from malicious persons and groups, new vulnerabilities and advanced new attacks against information systems create risk of cybersecurity incidents. These incidents can include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of intrusion, we may be unable to anticipate these incidents or techniques, timely discover them, or implement adequate preventative measures.

These threats can come from a variety of sources, ranging in sophistication from an individual hacker to malfeasance by employees, consultants or other service providers to state-sponsored attacks. Cyber threats may be generic, or they may be custom-crafted against our information systems. Over the past several years, cyber-attacks have become more prevalent and much harder to detect and defend against. Our network and storage applications and other systems used in our business and operations may be vulnerable to cyber-attack, malicious intrusion, ransomware or other malicious software, malfeasance, loss of data privacy or other significant disruption and may be subject to unauthorized access by hackers, employees, consultants or other service providers. In addition, hardware, software or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems or facilities through fraud, trickery or other forms of deceiving our employees, contractors and temporary staff. Further, with the COVID-19 pandemic having resulted in a significant number of people working remotely, the cybersecurity risks we face may be heightened by an increased attack surface across our business and those of our service providers and other third parties we work with. Additionally, in connection with Russia’s actions in Ukraine, cybersecurity researchers have warned of the potential for increases cybersecurity activity.

There can be no assurance that we will not be subject to cybersecurity incidents that bypass our security measures, impact the integrity, availability or privacy of data, including data that may be subject to privacy or security laws or disrupt our information systems, devices or business. As a result, cybersecurity, physical security and the continued development and enhancement of our controls, processes and practices designed to protect our enterprise, information systems and data from attack, damage or unauthorized access remain a priority for us. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any cybersecurity vulnerabilities. The occurrence of any of these events, or the perception any such event has occurred, could result in:

- harm to customers;
- business interruptions and delays;
- the loss, misappropriation, corruption or unauthorized access to, or alteration or unavailability of data;
- the loss of the ability to communicate with our satellites or for our satellites to communicate with our ground stations;
- claims, demands and litigation, including potential class action litigation, and potential liability under privacy, security and consumer protection laws or other applicable laws;
- notification to governmental agencies, the media and/or affected individuals pursuant to various federal, state and international privacy and security laws;

- regulatory fines and sanctions;
- reputational damage;
- increase to insurance premiums; and
- foreign, federal and state governmental inquiries, investigations and other proceedings.

Any of the foregoing events could have a material, adverse effect on our financial position and operating results and harm our business reputation.

We maintain cyber liability insurance policies covering certain security and privacy damages. However, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. Risks related to cybersecurity will increase as we continue to grow the scale and functionality of our geospatial data and analytics platform and process, store, and transmit increasingly large amounts of our customers' information and data, which may include proprietary or confidential data or personal data.

We depend on computing infrastructure operated by Amazon Web Services ("AWS"), Microsoft, and other third parties, including other SaaS companies, to support some of our customers and any errors, disruption, performance problems, or failure in their or our operational infrastructure could adversely affect our business, financial condition, and results of operations.

We rely on the technology, infrastructure, and software applications, including software-as-a-service offerings, of certain third parties, such as AWS and Microsoft Azure, in order to operate some or all of certain key features or functions of our business, including deployment of our cloud-based imagery services and other geospatial and data analytic services, customer relationship management activities, billing and order management, and financial accounting services. We do not have control over the operations of the facilities of the third parties that we use. If any of these third-party services experience errors, disruptions, security issues, or other performance deficiencies, if they are updated such that they become incompatible, if these services, software, or hardware fail or become unavailable due to extended outages, interruptions, defects, or otherwise, or if they are no longer available on commercially reasonable terms or prices (or at all), these issues could result in errors or defects in the delivery of our products and services that include the development, integration, and operations of satellite and ground systems, our revenue and margins could decline, or our reputation and brand could be damaged, we could be exposed to legal or contractual liability, our expenses could increase, our ability to manage our operations could be interrupted, and our processes for managing our sales and servicing our customers could be impaired until equivalent services or technology, if available, are identified, procured, and implemented, all of which may take significant time and resources, increase our costs, and could adversely affect our business. Many of these third-party providers attempt to impose limitations on their liability for such errors, disruptions, defects, performance deficiencies, or failures, and if enforceable, we may have additional liability to our customers or third-party providers.

Our business is dependent upon our ability to keep pace with the latest technological changes.

The market for our products and services is characterized by rapid technological change and evolving industry standards and, as we try to define a new market for first-to-know insights, the need to evolve is even more acute. Failure to respond in a timely and cost-effective way to these technological developments would result in serious harm to our business and operating results. We have derived, and we expect to continue to derive, a substantial portion of our revenue from providing products and services that are based upon today's leading technologies and that are capable of adapting to future technologies. As a result, our success will depend, in part, on our ability to develop and market service offerings that respond in a timely manner to the technological advances and needs of our customers, and evolving industry standards.

We believe that, in order to remain competitive in the future, we will need to continue to invest significant financial resources to develop new offerings and technologies or to adapt or modify our existing offerings and technologies, including through internal research and development, acquisitions and joint ventures or other teaming arrangements. These expenditures could divert our attention and resources from other projects, and we cannot be sure that these expenditures will ultimately lead to the timely development of new offerings and technologies or identification of and expansion into new markets. Due to the design complexity of our products, we may, in the future, experience delays in completing the development and introduction of new products. Any delays could result in increased costs of development or deflect resources from other projects. In addition, there can be no assurance that the market for our products and services will develop or continue to expand or that we will be successful in newly identified markets as we currently anticipate. The failure of our technology to gain market acceptance could significantly reduce our revenue and harm our business. Market acceptance of our commercial high-resolution imagery and related products and services depends on a number of factors, including the quality, scope, timeliness, sophistication, price and the availability of substitute products and services. We cannot be sure that our competitors will not develop competing technologies that gain market acceptance in advance of our technologies or develop technologies that better meet the needs of our customers. The possibility exists that our competitors might develop new technology or offerings that might cause our existing technology and offerings to become obsolete. If we fail to develop, manufacture, and market innovative technologies or services that meet customers' requirements or our technologies and services fail to achieve market acceptance more rapidly as compared to our competitors, our ability to procure new contracts could be negatively impacted and our business may not continue to grow in line with historical rates or at all. If we are unable to achieve sustained growth, we may be unable to execute our business strategy, expand our business or fund other liquidity needs and our business, financial condition, and results of operations could be materially and adversely affected.

Our business involves significant risks and uncertainties that may not be covered by insurance. For example, if one or more of our satellite launches result in catastrophic failure or one or more of our in-orbit satellites or payloads fail, and we have not obtained insurance coverage or have not obtained sufficient insurance coverage, we could be required to record significant impairment charges for the satellite or payload.

We endeavor to obtain insurance coverage from established insurance carriers to cover certain risks and liabilities related to our business. However, the amount of insurance coverage that we maintain may not be adequate to cover all claims or liabilities. Existing coverage may be canceled while we remain exposed to the risk and it is not possible to obtain insurance to protect against all operational risks, natural hazards and liabilities.

While we maintain insurance to cover certain risks and liabilities related to our business, we have not historically obtained and may not maintain launch or in-orbit insurance coverage for our satellites to address the risk of potential systemic anomalies, failures, collisions with our satellites or other satellites or debris, or catastrophic events affecting the existing satellite system. If one or more of our in-orbit uninsured satellites or payloads fail, one or more of our uninsured satellites is destroyed during failed launch, or if we have not obtained sufficient insurance for a particular event, we could be required to record significant impairment charges for the satellite or payload.

We may review the purchase of launch insurance on a case-by-case basis evaluating the launch history of our launch provider, number of satellites to be deployed on the launch vehicle, the status of our constellation, our ability to launch additional satellites in the near term, and the cost of insurance, among other factors. We will evaluate risks associated with our satellite business and strive to ensure that such risks are appropriately insured. In some instances, we may not maintain launch or in-orbit insurance coverage for our satellites.

Although we maintain insurance policies, we cannot provide assurance that this insurance will be adequate to protect us from all material judgments and expenses related to potential future claims or that these levels of insurance will be available in the future at economical prices or at all. A successful liability claim could result in substantial cost to us. Even if we are fully insured as it relates to a claim, the claim could nevertheless diminish our brand and divert management's attention and resources, which could have a negative impact on our business, financial condition, and results of operations.

In addition, even though we carry business interruption insurance policies, any business interruption losses could exceed the coverage available or be excluded from our insurance policies. Any disruption of our ability to operate our business could result in a material decrease in our revenue or significant additional costs to replace, repair or insure our assets, which could have a material adverse impact on our business, financial condition, and results of operations.

Issues in the use of artificial intelligence ("AI"), including machine learning, in our geospatial data and analytics platforms may result in reputational harm or liability.

AI is enabled by or integrated into some of our geospatial data and analytics platforms and is a growing element of our business offerings. As with many developing technologies, AI presents risks and challenges that could affect its further development, adoption, and use, and therefore our business. AI algorithms may be flawed. Datasets may be insufficient, of poor quality, or contain biased information. Inappropriate or controversial data practices by data scientists, engineers, and end-users of our systems could impair the acceptance of AI solutions. If the recommendations, forecasts, or analyses that AI applications assist in producing are deficient or inaccurate, we could be subjected to competitive harm, potential legal liability, and brand or reputational harm. Some AI scenarios present ethical issues. Though our technologies and business practices are designed to mitigate many of these risks, if we enable or offer AI solutions that are controversial because of their purported or real impact on our financial condition and operations or the financial condition and operations of our customers, we may experience competitive harm, legal liability and brand or reputational harm.

Our products and services are complex and could have unknown defects or errors, which may increase our costs, harm our reputation with customers, give rise to costly litigation, or divert our or our customers' resources from other purposes. We devote substantial resources to research and development, which could cause our operating results to decline.

Our products and services, including our satellites, satellite systems, and ground station infrastructure, are extremely complex and must operate successfully with complex hardware and software from other vendors. Despite testing, our Spectra AI platform and products have contained defects and errors and may in the future contain defects or errors, or experience performance problems when first introduced, when new versions or enhancements are released, or even after these products have been used by our customers for a period of time. We also employ sophisticated design and testing processes and practices for our satellites and satellite systems, which include a range of stringent factory and on-site acceptance tests with criteria and requirements that are jointly developed with customers. Our systems may not be successfully implemented, pass required acceptance criteria, or operate or give the desired output, or we may not be able to detect and fix all defects in the satellites and our products and services. These problems could result in expensive and time-consuming design modifications or warranty charges, delays in the introduction of new products or enhancements, significant increases in our service and maintenance costs, diversion of our personnel's attention from our product development efforts, exposure to liability for damages, damaged customer relationships, and harm to our reputation, any of which could materially harm our results of operations. In addition, increased development costs could be substantial and could reduce our operating margins.

The existence of any defects, errors, or failures in our products or the misuse of our products could also lead to lawsuits against us, result in injury, death, or property damage, and significantly damage our reputation and support for our products and services in general. Alleviating any of these problems could require additional significant expenditures of our capital and other resources and could cause interruptions, delays, or cessation of our product licenses, which could cause us to lose existing or potential customers and could adversely affect our business, financial condition, results of operations, and growth prospects.

In addition, our products and services integrate a wide variety of other elements, and our products and services must successfully interoperate with products from other vendors and our customers' internally developed software. As a result, when problems occur for a customer using our products and services, it may be difficult to identify the sources of these problems. The occurrence of software errors or errors in data, whether or not caused by our products and services, could delay or reduce market acceptance of our products and services and have an adverse effect on our business and financial performance, and any necessary revisions may cause us to incur significant expenses. In addition, we may not deliver or maintain interoperability quickly or cost-effectively, or at all. These efforts require capital investment and engineering resources. If we fail to maintain the compatibility of our products and services with our customers’ network and security infrastructures, our customers may not be able to fully adopt our offerings, and we may, among other consequences, experience reduced demand for our products and services, which could adversely affect our business, financial condition, and results of operations. Further, the incorrect or improper implementation or use of our software, our failure to train customers on how to benefit from full utilization of our platform, or our failure to provide support services to our customers may result in errors or loss of data and as a result, dissatisfied customers, negative publicity, and harm to our reputation and brand, or legal claims against us.

We have limited experience with respect to determining the optimal prices and pricing structures for our products and services.

We expect that we may need to change our pricing model from time to time, including as a result of competition, global economic conditions, reductions in our customers’ spending levels generally, changes in product mix, pricing studies or changes in how information technology infrastructure is broadly consumed. Similarly, as we introduce new products and services, or as a result of the evolution of our existing products and services, we may have difficulty determining the appropriate price structure for our products and services. In addition, as new and existing competitors introduce new products or services that compete with ours, or revise their pricing structures, we may be unable to attract new customers at the same price or based on the same pricing model as we have used historically. Moreover, as we continue to target selling our products and services to larger organizations, these larger organizations may demand substantial price concessions. As a result, we may be required from time to time to revise our pricing structure or reduce our prices, which could adversely affect our business, financial condition, and results of operations.

If we fail to meet our service level commitments, our business, results of operations and financial condition could be adversely affected.

Our agreements with customers and resellers may provide for service level commitments, which contain specifications regarding the availability and performance of our products and services such as assured access and guaranteed capacity. Any failure of or disruption to our infrastructure could impact the performance of our satellites and the availability of our products and services to our customers. If we are unable to meet our stated service level commitments or if we suffer extended periods of poor performance or unavailability of our products and services, we may be contractually obligated to provide affected customers with service credits for future subscriptions, and, in certain cases, face contract termination with refunds of prepaid amounts. If we suffer performance issues or downtime that exceeds the service level commitments under our contracts with our customers, our business, financial condition, and results of operations would be adversely affected.

Our business, financial condition, results of operations, and prospects may be harmed if we are unable to cross-sell our solutions.

A significant component of our growth strategy is to increase the cross-selling of our products and services to current and future customers, however, we may not be successful in doing so if our customers find our additional solutions to be unnecessary or unattractive. We have invested, and intend to continue to invest, significant resources in developing and acquiring additional solutions, which resources may not be recovered if we are unable to successfully cross-sell these solutions to customers using our existing solutions. Any failure to sell additional solutions to current and future customers could harm our business, financial condition, results of operations, and prospects.

Any failure to offer high-quality technical support may harm our relationships with our customers and have a negative impact on our business and financial condition.

Our customers depend on our customer support team to resolve technical and operational issues relating to our products and services. 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 products and services such as ours. The number of our customers has grown significantly and that has and will put additional pressure on our customer support team, especially as we expand our hours of operation. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for technical support. We also may be unable to modify the scope and delivery of our technical support to compete with changes in the technical support provided by our competitors. Increased customer demand for support, without corresponding revenue, could increase costs and negatively affect our operating results.

As we continue to grow our operations and expand internationally, we need to be able to provide efficient customer support that meets our customers' needs globally at scale and our customer support team will face additional challenges, including those associated with delivering support, training, and documentation in languages other than English. If we are unable to provide efficient customer support globally at scale, our ability to grow our operations may be harmed and we may need to hire additional support personnel, which could negatively impact our operating results. In addition, we provide self-service support resources to our customers. Some of these resources rely on engagement and collaboration with other partners. If we are unable to continue to develop self-service support resources that are easy to use and that our customers utilize to resolve their technical issues, customers may continue to direct support requests to our customer support team instead of relying on our self-service support resources and our customers' experience with our geospatial data and analytics platform may be negatively impacted. Any failure to maintain high-quality support, or a market perception that we do not maintain high-quality support, could harm our reputation, our ability to sell our products and services to existing and prospective customers, and our business, financial condition, and results of operations.

We are obligated to develop and maintain proper and effective internal control over financial reporting. If we identify material weaknesses in the future, or otherwise fail to develop and maintain an effective system of internal controls, our ability to produce timely and accurate financial statements or comply with applicable regulations could be adversely affected, which may adversely affect investor confidence in our company and the value of our Class A common stock.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in the Exchange Act Rule 13a-15(f). Our internal control over financial reporting is designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented, or detected and corrected on a timely basis.

We may discover control deficiencies in the future, and we cannot assure you that we will not have a material weakness in future periods. If we are unable to successfully remediate any future material weakness and otherwise to establish and maintain an effective system of internal control over financial reporting, the reliability of our financial reporting, investor confidence in us and the value of our Class A common stock could be materially and adversely affected. Similarly, if our remedial measures are insufficient to address any future material weakness on a timely basis, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results.

Additionally, the process of designing and implementing internal control over financial reporting required to comply with Section 404 of the Sarbanes-Oxley Act of 2002 will be time consuming, costly and complicated. Moreover, the effectiveness of our controls and procedures may be limited by a variety of factors, including:

- faulty human judgment and simple errors, omissions or mistakes;
- fraudulent action of an individual or collusion of two or more people;
- inappropriate management override of procedures; and
- the possibility that any enhancements to controls and procedures may still not be adequate to assure timely and accurate financial control.

Our ability to use net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2022, we had $53.1 million of tax-effected U.S. federal net operating loss carryforwards available to reduce future taxable income. It is possible that we will not generate sufficient taxable income in time to use these net operating loss carryforwards before their expiration or at all. Under legislative changes made in December 2017, U.S. federal net operating losses incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such net operating losses is limited to 80% of taxable income. Limitations under state law may differ. In addition, our federal and state net operating loss carryforwards and certain tax credits may be subject to significant limitations under Section 382 and Section 383 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), respectively, and similar provisions of state law. Under those sections of the Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change attributes, such as research tax credits, to offset its post-change income or tax may be limited. In general, an "ownership change" will occur if there is a cumulative change in our ownership (by value) by "5-percent shareholders" that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. We completed our analysis of historical "ownership changes" for purposes of Section 382 and Section 383 of the Code and believe an immaterial portion of our cumulative federal net operating loss carryforwards will expire unutilized.

Risks Related to Our Government Contracts

Our business with various governmental entities is subject to the policies, priorities, regulations, mandates, and funding levels of such governmental entities and may be negatively or positively impacted by any change thereto.

We have contracts with the U.S. government, and we may enter into additional contracts with the U.S. government in the future, and this subjects a large part of our business to statutes and regulations applicable to companies doing business with the government, including the Federal Acquisition Regulation ("FAR"). These government contracts customarily contain provisions that give the government substantial, and sometime unilateral, rights and remedies, many of which are not typically found in commercial contracts and which are unfavorable to contractors. The FAR governs all aspects of government contracting, including contractor qualifications and acquisition procedures. The FAR provisions in U.S. government contracts must be complied with in order for the contract to be awarded and provides for government audits and reviews of contract procurement, performance and administration.

For instance, most U.S. government agencies include provisions that allow the government to unilaterally terminate or modify contracts for its convenience, and in that event, the counterparty to the contract may generally recover only its incurred or committed costs and settlement expenses and profit on work completed prior to the termination. If the government terminates a contract for default, the defaulting party may be liable for any extra costs incurred by the government in procuring undelivered items from another source.

Government contracts often also contain provisions and are subject to laws and regulations that provide government customers with additional rights and remedies not typically found in commercial contracts. These rights and remedies allow government customers, among other things, to:

- Terminate existing contracts for convenience with no prior notice;
- Reduce orders under or otherwise modify contracts unilaterally;
- For contracts subject to the Truth in Negotiations Act, reduce the contract price or cost where it was increased because a contractor or subcontractor furnished cost or pricing data during negotiations that was not current, accurate, and complete;
- For some contracts, (i) demand a refund, make a forward price adjustment, or terminate a contract for default if a contractor provided inaccurate or incomplete data during the contract negotiation process and (ii) reduce the contract price under triggering circumstances, including the revision of price lists or other documents upon which the contract award was predicated;

- Cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;
- Decline to exercise an option to renew a multi-year contract;
- Claim rights in solutions, systems, or technology produced by us, appropriate such work-product for their continued use without continuing to contract for our services, and disclose such work-product to third parties, including other government agencies and our competitors, which could harm our competitive position;
- Prohibit future procurement awards with a particular agency due to a finding of organizational conflicts of interest based upon prior related work performed for the agency that would give a contractor an unfair advantage over competing contractors, or the existence of conflicting roles that might bias a contractor’s judgment;
- Subject the award of contracts to protest by competitors, which may require the contracting federal agency or department to suspend our performance pending the outcome of the protest and may also result in a requirement to resubmit offers for the contract or in the termination, reduction, or modification of the awarded contract;
- Suspend or debar us from doing business with the applicable government; and
- Control or prohibit the export of our services.

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

- specialized disclosure and accounting requirements unique to government contracts;
- financial and compliance audits that may result in potential liability or price adjustments, recoupment of government funds for misapplication or identification of costs, civil and criminal penalties, or administrative sanctions such as suspension or debarment from doing business with the U.S. government;
- public disclosures of certain contract and company information;
- mandatory socioeconomic compliance requirements, including labor requirements, non-discrimination and affirmative action programs and environmental compliance requirements; and
- requirements to procure certain materials, components and parts from specific countries or supply sources approved by the customer.

Government contracts are also generally subject to greater scrutiny by the government, which can initiate reviews, audits and investigations regarding our compliance with government contract requirements. New regulations or procurement requirements (including, for example regulations regarding counterfeit and corrupt parts, supply chain diligence and cybersecurity) or changes to current requirements could increase our costs and risk of non-compliance. In addition, if we fail to comply with government contracting laws, regulations and contract requirements, our contracts may be subject to termination, and we may be subject to financial and/or other liability under our contracts, the Federal Civil False Claims Act (including treble damages and other penalties), or criminal law. In particular, the False Claims Act’s “whistleblower” provisions also allow private individuals, including present and former employees, to sue on behalf of the U.S. government. Any penalties, damages, fines, suspension, or damages could adversely affect our ability to operate our business and our financial results.

Our role as a contractor to agencies and departments of the U.S. government results in our being routinely subject to investigations and reviews relating to compliance with various laws and regulations, including those associated with organizational conflicts of interest, procurement integrity, bid integrity and claim presentation, among others. These investigations may be conducted without our knowledge. Adverse findings in these investigations or reviews can lead to criminal, civil or administrative proceedings, and we could face civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or debarment from doing business with U.S. government agencies. In addition, we could suffer serious harm to our reputation and competitive position if allegations of impropriety were made against us, whether or not true. If our reputation or relationship with U.S. government agencies were impaired, or if the U.S. government otherwise ceased doing business with us or significantly decreased the amount of business it does with us, our revenue would decline.

Further, changes in government policies, priorities, regulations, use of commercial data providers to meet U.S. government imagery needs, government agency mandates, funding levels through agency budget reductions, the imposition of budgetary constraints or a decline in government support or deferment of funding for programs in which we or our customers participate could result in contract terminations, delays in contract awards, reduction in contract scope, performance penalties or breaches of our contracts, the failure to exercise contract options, the cancellation of planned procurements and fewer new business opportunities, all of which could negatively impact our business, financial condition, results of operations and cash flows. In addition, continued uncertainty related to recent and future disruptions in U.S. federal government operations, such as government shutdowns, the U.S. budget and/or failure of the U.S. government to enact annual appropriations, such as long-term funding under a continuing resolution, could have a material adverse impact on our revenue, earnings and cash flow and may negatively impact regulatory approvals and guidance that are important to our operations.

We face other risks and uncertainties associated with defense-related contracts, which may have a material adverse effect on our business.

Our products and services are incorporated into many different domestic and international defense programs. Whether our contracts are directly with the U.S. government, a foreign government, or one of their respective agencies, or indirectly as a subcontractor or team member, our contracts and subcontracts are subject to special risks. For example:

- Changes in government administration and national and international priorities, including developments in the geopolitical environment, could have a significant impact on national or international defense spending priorities and the efficient handling of routine contractual matters. These changes could have a negative impact on our business in the future.
- Because we contract to supply goods and services to the U.S. and foreign governments and their prime and subcontractors, we compete for contracts in a competitive bidding process. We may compete directly with other suppliers or align with a prime or subcontractor competing for a contract. We may not be awarded the contract if the pricing or product offering is not competitive, either at our level or the prime or subcontractor level. In addition, in the event we are awarded a contract, we are subject to protests by losing bidders of contract awards that can result in the reopening of the bidding process, re-evaluation and new award of the contract to another bidder. In addition, we may be subject to multiple rebid requirements over the life of a defense program in order to continue to participate in such program, which can result in the loss of the program or significantly reduce our revenue or margin from the program. The government’s requirements for more frequent technology refreshes on defense programs may lead to increased costs and lower long term revenue.
- Consolidation among defense industry contractors has resulted in a few large contractors with increased bargaining power relative to us. The increased bargaining power of these contractors may adversely affect our ability to compete for contracts and, as a result, may adversely affect our business or results of operations in the future.

Our customers include U.S. government contractors who must comply with and are affected by laws and regulations relating to the formation, administration, and performance of U.S. government contracts. In addition, when we contract with the U.S. government, we must comply with these laws and regulations. A violation of these laws and regulations could result in the imposition of fines and penalties to us or our customers or the termination of our or their contracts with the U.S. government. As a result, there could be a delay in our receipt of orders from our customers, a termination of such orders, or a termination of contracts between us and the U.S. government.

- A large portion of our contracts are with U.S. and international defense contractors or directly with the U.S. government on a commercial item basis, eliminating the requirement to disclose and certify cost data. To the extent that there are interpretations or changes in the FAR regarding the qualifications necessary to sell commercial items, there could be a material impact on our business and operating results. For example, there have been legislative proposals to narrow the definition of a "commercial item" (as defined in the FAR) or to require cost and pricing data on commercial items that could limit or adversely impact our ability to contract under commercial item terms. Changes could be accelerated due to changes in our mix of business, in federal regulations, or in the interpretation of federal regulations, which may subject us to increased oversight by the Defense Contract Audit Agency ("DCAA") for certain of our products or services. Such changes could also trigger contract coverage under the Federal Cost Accounting Standards ("CAS"), further impacting our commercial operating model and requiring compliance with a defined set of business systems criteria. Growth in the value of certain of our contracts has increased our compliance burden, requiring us to implement new business systems to comply with such requirements. Failure to comply with applicable CAS requirements could adversely impact our ability to win future CAS-type contracts.

- We are subject to the Defense Federal Acquisition Regulation Supplement ("DFARS") and the Department of Defense ("DoD") and other federal cybersecurity requirements, in connection with our defense work for the U.S. government and defense prime contractors. Amendments to DoD cybersecurity requirements, such as through amendments to the FAR or DFARS, may increase our costs or delay the award of contracts if we are unable to certify that we satisfy such cybersecurity requirements.
- The U.S. government or a defense prime contractor customer could require us to relinquish data rights to a product in connection with performing work on a defense contract, which could lead to a loss of valuable technology and intellectual property in order to participate in a government program.
- We are subject to various U.S. federal export-control statutes and regulations, which affect our business with, among others, international defense customers. In certain cases, the export of our products and technical data to foreign persons, and the provision of technical services to foreign persons related to such products and technical data, may require licenses from the U.S. Department of Commerce or the U.S. Department of State. The time required to obtain these licenses, and the restrictions that may be contained in these licenses, may put us at a competitive disadvantage with respect to competing with international suppliers who are not subject to U.S. federal export control statutes and regulations. In addition, violations of these statutes and regulations can result in civil and, under certain circumstances, criminal liability as well as administrative penalties which could have a material adverse effect on our business, financial condition, and results of operations.
- Sales to our U.S. prime defense contractor customers as part of foreign military sales ("FMS") programs combine several different types of risks and uncertainties highlighted above, including risks related to government contracts, risks related to defense contracts, timing and budgeting of foreign governments, and approval from the U.S. and foreign governments related to the programs, all of which may be impacted by macroeconomic and geopolitical factors outside of our control, including Russia's actions in Ukraine.
- We derive a portion of our revenue from programs with governments and government agencies that are subject to security restrictions (e.g., contracts involving classified information, classified contracts, and classified programs), which preclude the dissemination of information and technology that is classified for national security purposes under applicable law and regulation. In general, access to classified information, technology, facilities, or programs requires appropriate personnel security clearances, is subject to additional contract oversight and potential liability, and may also require appropriate facility clearances and other specialized infrastructure. Therefore, certain of our employees with appropriate security clearances may require access to classified information in connection with the performance of a U.S. government contract. We must comply with security requirements pursuant to the National Industrial Security Program Operating Manual ("NISPOM") administered by the Defense Counterintelligence and Security Agency ("DCSA"), and other U.S. government security protocols when accessing sensitive information. Failure to comply with the NISPOM or other security requirements may subject us to civil or criminal penalties, loss of access to sensitive information, loss of a U.S. government contract, or potentially debarment as a government contractor. Further, the DCSA has transitioned its review of a contractor's security program to focus on the protection of controlled unclassified information and assets. Failure to meet DCSA's new, broader requirements could adversely impact the ability to win new business as a government contractor.
- We may need to invest additional capital to build out higher level security infrastructure/obtain certain security accreditations to win contracts, and maintain them, related to defense programs with higher level security requirements. Failure to invest in such infrastructure may limit our ability to obtain new contracts

with defense programs or maintain existing contracts that contain such contractual or regulatory security requirements. If we win contracts that require a higher level of security infrastructure/accreditation status and do not maintain such standards/accreditations, then it could result in contract termination that has a material adverse effect on our business, financial condition and results of operations, and reputational harm.

Changes in U.S. government policy regarding use of commercial data or space infrastructure providers, or material delay or cancellation of certain U.S. government programs, may have a material adverse effect on our revenue and our ability to achieve our growth objectives.

Current U.S. government policy encourages the U.S. government's use of commercial data and space infrastructure providers to support U.S. national security objectives. We are considered by the U.S. government to be a commercial data provider. U.S. government policy is subject to change and any change in policy away from supporting the use of commercial data and space infrastructure providers to meet U.S. government imagery and space infrastructure needs, or any material delay or cancellation of planned U.S. government programs, could materially adversely affect our revenue and our ability to achieve our growth objectives.

If our subcontractors or suppliers fail to perform their contractual obligations, our performance and reputation as a contractor and our ability to obtain future business could suffer.

As a prime contractor to the U.S. government, from time to time we rely upon other companies as subcontractors to perform work we are obligated to perform for our customers. As we secure more work under certain of our contracts, we may require an increasing level of support from subcontractors that provide complementary and supplementary services to our offerings. We are responsible for the work performed by our subcontractors, even though in some cases we have limited involvement in that work. If one or more of our subcontractors fails to satisfactorily perform the agreed-upon services on a timely basis or violates U.S. government contracting policies, laws or regulations, our ability to perform our obligations as a prime contractor or meet our customers' expectations may be compromised. In extreme cases, performance or other deficiencies on the part of our subcontractors could result in a customer terminating our contract for default. A termination for default could expose us to liability, including liability for the agency's costs of re-procurement, could damage our reputation and could hurt our ability to compete for future contracts.

We also are required to procure certain materials and parts from supply sources approved by the U.S. government. The inability of a supplier to meet our needs or the appearance of counterfeit parts in our products could have a material adverse effect on our financial position, results of operations or cash flows.

Risks Related to Our Satellites and Ground Stations

Our ability to grow our business depends on the successful production, launch, commissioning and/or operation of our satellites and related ground systems, which is subject to many uncertainties, some of which are beyond our control.

Our current primary research and development objectives focus on the development of our satellites and our products and services. We have limited operational experience with our satellites, and our Gen-3 satellites are still in development and may not be completed on time or at all and the costs associated with it may be greater than expected. While we estimate the gross costs associated with designing, building and launching our Gen-3 satellites will be significant, there can be no assurance that we will complete this on a timely basis, on budget or at all. Design, manufacture and launch of satellite systems are highly complex and historically have been subject to delays and cost over-runs. If we do not complete development of these satellites in our anticipated timeframes or at all, our ability to grow our business will be adversely affected. The successful development, integration, and operations of our satellites and our products and services involves many uncertainties, some of which are beyond our control, including, but not limited to:

- timing in finalizing satellite design and specifications;
- performance of satellites and our space system meeting design specifications;
- failure of satellites and our space system as a result of technological or manufacturing difficulties, design issues or other unforeseen matters;
- engineering and/or manufacturing performance failing or falling below expected levels of output or efficiency;
- increases in costs of materials;
- changes in project scope;
- our ability to obtain additional applicable approvals, licenses or certifications from regulatory agencies, if required, and maintaining current approvals, licenses or certifications;
- performance of manufacturing facilities that we use despite risks that disrupt productions, such as natural disasters, catastrophic events or labor disputes;
- performance of a limited number of suppliers for certain raw materials and supplied components, the accuracy of supplier representations as to the suitability of such raw materials and supplied components for our products, and their willingness to do business with us;
- performance of our internal and third-party resources that support our research and development activities;
- our ability to protect our intellectual property critical to the design and function of our satellites and our products and services;
- our ability to continue funding and maintaining our research and development activities;
- successful completion of demonstration missions; and
- the impact of the COVID-19 pandemic on us, our customers and suppliers, and the global economy.

If any of the above events occur, they could have a material adverse effect on our ability to continue to develop, integrate and operate our satellites and related infrastructure, products and services, which would materially adversely affect our business, financial condition and results of operations.

Loss of, or damage to, a satellite and the failure to obtain data or alternate sources of data for products and services may have an adverse impact on our business, financial condition, and results of operations. If our satellites and related equipment have shorter useful lives than we anticipate, we may be required to recognize impairment charges.

We rely on data collected from a number of sources including data obtained from our satellites and from third parties. We may become unable or limited in our ability to collect such data. For example, satellites can temporarily go out of service and be recovered, or cease to function for reasons beyond our control, including the quality of design and construction, the supply of fuel, the expected gradual environmental degradation of solar panels, the durability of various satellite components and the orbits and space environments in which the satellites are placed and operated. Electrostatic storms, collisions with other objects (including, but not limited to, space debris and other spacecrafts) or actions by malicious actors, including cyber related, could also damage the satellites and subject us to liabilities for any damages caused to other spacecrafts. Additionally, in certain instances, governments may discontinue for periods of time the access to or operation of a satellite for any particular area on the Earth and for various reasons may not permit transmission of certain data, whether from a satellite owned by the government or not.

Satellites can experience malfunctions, commonly referred to as anomalies, which have occurred and may occur in the future in our satellites. Any single anomaly could materially and adversely affect our ability to utilize the satellite. Anomalies may also reduce the expected capacity, commercial operation and/or useful life of a satellite, thereby reducing the revenue that could be generated by that satellite or create additional expenses due to the need to provide replacement or back-up satellites or satellite capacity earlier than planned and could have a material adverse effect on our business. For example, we have previously experienced the loss of a satellite that never went into commercial operations as a result of an anomaly, as well as a launch failure in which we lost two satellites before getting to orbit. In addition, if a satellite experiences a malfunction, our backup satellite capacity may be insufficient to meet all of our customers' needs or cause service interruptions, and we may need to potentially blackout or reduce service to certain customers, which would adversely affect our relationships with our customers and result in loss of revenue. Although we work closely with our satellite manufacturer to determine and eliminate the cause of anomalies in new satellites and provide for redundancies of many critical components in the satellites, we may not be able to prevent the impacts of anomalies in the future.

Satellites have certain redundant systems which can fail partially or in their entirety and accordingly satellites may operate for extended periods without all redundant systems in operation, but with single points of failure. The failure of satellite components could cause damage to or loss of the use of a satellite before the end of its expected operational life. Certain of our satellites are nearing the end of their expected operational lives. As satellites near the end of their expected operational lives, we expect the performance of each satellite to decline gradually near the end of its expected operational life. We can offer no assurance that satellites will maintain their prescribed orbits or remain operational and we may not have replacement satellites that are immediately available.

We evaluate our satellites for impairment and test for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Certain of the anomalies previously disclosed may be considered to represent a significant adverse change in the physical condition of a particular satellite. There can be no assurance as to the actual operational life of a satellite or that the operational life of individual components will be consistent with their design life. A number of factors will impact the useful lives of our satellites, including, among other things, the quality of their design and construction, the durability of their component parts and availability of any replacement components, and the occurrence of any anomaly or series of anomalies or other risks affecting the satellites during launch and in orbit. In addition, any improvements in technology may make obsolete our existing satellites or any component of our satellites prior to the end of their lives. If our satellites and related equipment have shorter useful lives than we currently anticipate, this may lead to delays in increasing the rate of our commercial payloads and declines in actual or planned revenue, which would have a material adverse effect on our business, financial condition, and results of operations.

Long-lived assets, including goodwill and intangible assets, are tested annually for impairment in the fourth quarter or whenever there is an indication that an asset may be impaired. Disruptions to our business, unexpected significant declines in our operating results, adverse technological events or changes in the regulatory markets in which we operate may result in impairment charges to our tangible and intangible assets. Any future impairment charges could substantially affect our reported results.

Satellites are subject to construction and launch delays, launch failures, damage or destruction during launch, the occurrence of which can materially and adversely affect our operations.

Delays in the construction of future satellites and the procurement of requisite components and launch vehicles, limited availability of appropriate launch windows, possible delays in obtaining regulatory approvals, satellite damage or destruction during launch, launch failures, or incorrect orbital placement could have a material adverse effect on our business, financial condition, and results of operations. The loss of, or damage to, a satellite due to a launch failure could result in significant delays in anticipated revenue to be generated by that satellite and/or significant impairment charges. For example, on May 15, 2021, a rocket carrying two of our satellites suffered a failure during flight, resulting in the loss of both satellites and, an impairment loss of $18.4 million. Any significant delay in the commencement of service of a satellite could delay or potentially permanently reduce the revenue anticipated to be generated by that satellite. In addition, if the loss of a satellite were to occur, we may not be able to accommodate affected customers with our other satellites or data from another source until a replacement satellite is available, and we may not have on hand, or be able to obtain in a timely manner, the necessary funds to cover the cost of any necessary satellite replacement. An extended launch delay beyond planned contingency, launch failure, underperformance, delay or perceived delay could have a material adverse effect on our business prospects, financial condition, and results of operations.

If our satellites fail to operate as intended, it could have a material adverse effect on our business, financial condition and results of operations.

The manufacturing, testing, launching and operation of satellites involves complex processes and technology. Our satellites employ advanced technologies and sensors that are exposed to severe environmental stresses that have and could affect the performance of our satellite. Hardware component problems could lead to deterioration in performance or loss of functionality of a satellite. In addition, human operators may execute improper implementation commands that may negatively impact a satellite's performance. Exposure of our satellites to an unanticipated catastrophic event, such as a meteor shower or a collision with space debris, could reduce the performance of, or completely destroy, the affected satellite. Even if a satellite is operated properly, minor technical flaws in the satellite's sensors could significantly degrade their performance, which could materially affect our ability to collect imagery and market our products and services successfully.

We cannot provide assurances that our satellites will continue to operate successfully in space throughout their expected operational lives. Even if a satellite is operated properly, technical flaws in that satellite's sensors or other technical deficiencies or anomalies could significantly hinder its performance, which could materially affect our ability to collect imagery and market our products and services successfully. While certain software deficiencies may be corrected remotely, most, if not all, of the satellite anomalies or debris collision damage cannot be corrected once the satellites are placed in orbit. Further, although we have some ability to actively maneuver our satellites to avoid potential collisions with space debris or other spacecraft, this ability is limited by, among other factors, uncertainties and inaccuracies in the projected orbit location of and predicted conjunctions with debris objects tracked and cataloged by the U.S. government. Additionally, some space debris is too small to be tracked and therefore its orbital location is completely unknown; nevertheless, this debris is still large enough to potentially cause severe damage or a failure of our satellites should a collision occur.

If we suffer a partial or total loss of a deployed satellite, we could need a significant amount of time and could incur substantial expense to replace that satellite. We may experience other problems with our satellites that may reduce their performance. During any period of time in which a satellite is not fully operational, we may lose most or all of the revenue that would have otherwise been derived from that satellite. Our inability to repair or replace a defective satellite or correct any other technical problem in a timely manner could result in a significant loss of revenue. If a satellite experiences a significant anomaly such that it becomes impaired or is no longer functional, it could significantly impact our business, prospects and profitability.

Currently we are dependent on LeoStella as the sole manufacturer of our satellites. Any significant disruption to LeoStella's operations or facilities could have a material adverse effect on our business, financial condition, and results of operations.

In 2018, we formed LeoStella, a joint venture owned 50-50 between us and Thales Alenia Space US Investment LLC ("Thales"). LeoStella currently manufactures our Gen-2 and Gen-3 satellites, is assisting with the design of our Gen-3 satellites and has certain exclusivity and/or right of first refusal and right of last offer rights with respect to the supply of our satellites and certain related services to us, subject to certain exceptions. Our ability to execute our business strategy and grow our satellite constellation depends on efficient, proper, and uninterrupted operations at our satellite manufacturers. A significant disruption to our satellite manufacturers could have a material adverse effect on our business, financial condition and results of operations.

Our reliance on our satellite manufacturers poses a number of risks, including lack of control over the manufacturing process and ultimately over the quality and timing of delivery of our satellites. An infrastructure failure at a manufacturer's facilities could result in the destruction of satellites under construction or inventory, manufacturing delays or additional costs incurred. LeoStella has limited operations and does not currently maintain back-up manufacturing facilities or operations. In addition, our arrangement with LeoStella limits our ability to use an alternative manufacturer for our satellites. A change in our relationship with LeoStella could result in a material adverse effect on our business, financial condition, and results of operations. A decision to change manufacturers would result in longer times for design and production as we develop relationships with new suppliers.

We are dependent on a limited number of vendors to provide certain key raw materials, supplied components, products or services, including launch transport and launch services. The inability of these key vendors to meet our needs could have a material adverse effect on our business, financial condition, and results of operations.

Many raw materials and components, particularly for the construction of satellites and management of certain remote ground terminals and direct access facilities, are procured or subcontracted on a single or sole-source basis. Similarly, at this time, there are only a handful of companies who offer launch services and transportation services for our satellites and ground station equipment. Our ability to manage inventory, meet delivery requirements, and maintain launch schedules may be constrained by our suppliers' inability to scale production and adjust delivery of long-lead time products during times of volatile demand. Our inability to fill our supply needs would jeopardize our ability to fulfill obligations under commercial and government contracts, which could, in turn, result in reduced sales, contract penalties or terminations and damage to customer relationships and could have a material adverse effect on our business, financial condition, results of operations, or cash flows. In the same vein, if the number of companies offering these products and services on which our business relies does not grow in the future or there is a consolidation among companies who offer these services, this could result in a shortage of materials and services, which may cause prices to increase or delays in our schedule, increase costs, cause gaps in our service, or otherwise adversely affect our ability to meet customer demand. Any of these situations could have a material adverse effect on our business, financial condition, and results of operations. While delays are common in the space industry, especially launch delays, any delay in a launch could result in a delay in recognizing revenue which could materially impact our financial statements or result in negative impacts to our earnings during a specified time period, which could have a material effect on our business, financial condition, and results of operations.

In addition, if these vendors are unable to meet our needs because they fail to perform adequately, are unable to match new technological requirements or problems, or are unable to dedicate engineering and other resources necessary to provide the services contracted for, our business, financial condition, and results of operations may be adversely affected. While alternative sources for key raw materials, supplied components, products, services, and technologies may exist, we may not be able to develop these alternative sources quickly and cost-effectively, which could materially impair our ability to operate our business. Furthermore, these vendors may request changes in pricing, payment terms or other contractual obligations, which could cause us to make substantial additional investments. Moreover, the imposition of tariffs or import/export restrictions on raw materials or supplied components could have a material adverse effect on our operations.

We have in the past experienced and may in the future experience delays in manufacturing or operation as we go through the requalification process with any replacement third-party supplier, as well as the limitations imposed by the ITAR, EAR, or other restrictions on transfer of sensitive technologies.

Our satellites may not be able to capture Earth images due to weather, natural disasters or other external factors, or as a result of our constellation of satellites having restrained capacity.

Our satellites may not be able to capture Earth images, either with sufficient clarity or detail, or at all, due to the occurrence of a variety of factors including cloud cover or haze; adverse weather conditions including hurricanes or tornadoes, fires or volcano eruptions; or other factors that are outside our control. Adverse weather conditions, such as clouds or haze, may also cause our satellites to experience technical difficulties communicating with the ground terminals or collecting imagery in the same quality or volume that was intended. In addition, space weather, such as solar flares, could take our satellites out of orbit, disrupt our ground communication networks, and affect the decay rate of our satellites. Further, if there is high demand on our constellation to capture images in a certain area, we may have difficulty tasking sufficient satellite coverage to capture high-resolution images in another region. The occurrence of any of the foregoing could result in lengthy interruptions in our services and/or damage our reputation, which could have a material adverse effect on our business, revenue, financial condition, and results of operations.

As a result of the foregoing, customers may not be able to procure images they want, which could adversely affect our relationship with such customers and our general reputation. Prolonged adverse periods of weather, natural disasters, or other external factors, such as restrained capacity, can worsen these impacts.

Natural disasters, unusual weather conditions, epidemic outbreaks, terrorist acts and political events could impact our ground operations infrastructure, which could harm our business, prospects, financial condition and results of operations.

We operate an extensive ground infrastructure, including sites worldwide. These ground stations are used for controlling our satellites and downloading imagery to eventually be provided to our customers.

We may experience a partial or total loss of one or more of these facilities due to natural disasters (tornado, earthquake flood, hurricane or other natural events), fire, acts of war (including Russia's actions in Ukraine) or terrorism or other catastrophic events. A failure at any of these facilities could cause a significant loss of service for our customers. Additionally, we may experience a failure in the necessary equipment at our satellite control center, at the back-up facility, or in the communication links between these facilities and remote teleport facilities. A failure or operator error affecting tracking, telemetry and control operations might lead to a break-down in the ability to communicate with one or more satellites or cause the transmission of incorrect instructions to the affected satellites, which could lead to a temporary or permanent degradation in satellite performance or to the loss of one or more satellites. Intentional or non-intentional electromagnetic or radio frequency interference, including by nation state actors or their agents, could result in a failure of our ability to deliver satellite services to our customers. A failure at any of our facilities or in the communications links between our facilities or interference with our satellite signal could cause our revenue to decline materially and could adversely affect our ability to market our services and harm our business, prospects, financial condition and results of operations.

Risks Related to Our Intellectual Property

Our technologies contain "open source" software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

Many of our products are designed to include software licensed from third parties under "open source" licenses. Some of these licenses contain requirements that we make available source code for modifications or derivative works we create based upon the open source software, and that we license these modifications or derivative works under the terms of a particular open source license or other license granting third-parties certain rights of further use. If we combine our proprietary technologies with open source software in a certain manner, we could, under certain provisions of the open source licenses, be required to release the source code of our proprietary software. In addition to risks related to license requirements, use of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide updates, warranties, support, indemnities, assurances of title, or controls on origin of the software. Likewise, some open source projects have known security and other vulnerabilities and architectural instabilities, or are otherwise subject to security attacks due to their wide availability, and are provided on an "as-is" basis. We have implemented processes to help alleviate these risks, including a review process for evaluating open source software and using software tools to review our source code for identifying open source software, but we cannot be sure that such processes will be accurate or effective. In addition, open source license terms may be ambiguous and many of the risks associated with usage of open source software cannot be eliminated, and could, if not properly addressed, negatively affect our business. If we were found to have inappropriately used open source software, we may be required to re-engineer our technology, to release proprietary source code, to remove features or functionalities, or to take other remedial action that may divert resources away from our development efforts, any of which could adversely affect our business, financial condition, results of operations and growth prospects. In addition, if the open source software we use is no longer maintained by the relevant developer or open source community, then it may be more difficult to make the necessary revisions to our software, including modifications to address security vulnerabilities, which could impact our ability to mitigate cybersecurity risks or fulfill our contractual obligations to our customers. We may also face claims from others seeking to enforce the terms of an open source license, including by demanding release under certain open source licenses of the open source software, derivative works or our proprietary source code that was developed using such software. Such claims, with or without merit, could result in litigation, could be time-consuming and expensive to settle or litigate, could divert our management's attention and other resources, could require us to lease some of our proprietary code, or could require us to devote additional research and development resources to change our technologies, any of which could adversely affect our business.

Many of these risks associated with usage of open source software could be difficult to eliminate or manage, and could, if not properly addressed, negatively affect the performance of our offerings and our business.

We rely on the availability of licenses to third-party technology that may be difficult to replace or that may cause errors or delay delivery of our services should we not be able to continue or obtain a commercially reasonable license to such technology.

We rely on software and other intellectual property licensed from third parties. It may be necessary in the future to renew licenses relating to various aspects of these platforms or to seek new licenses for existing or new platforms or other products. There can be no assurance that the necessary licenses would be available on commercially acceptable terms, if at all. Third parties may terminate their licenses with us for a variety of reasons, including actual or perceived failures or breaches of security or privacy, or reputational concerns, or they may choose not to renew their licenses with us. In addition, we may be subject to liability if third-party software that we license is found to infringe, misappropriate, or otherwise violate intellectual property or other rights of others. The loss of, or inability to obtain, certain third-party licenses or other rights or to obtain such licenses or rights on reasonable terms, or the need to engage in litigation regarding these matters, could result in product roll-backs, delays in product releases until equivalent or comparable technology can be identified, acquired, licensed, or developed, if at all, and integrated into our technologies, and may have a material adverse effect on our business, financial condition, and results of operations. Moreover, the inclusion in our technologies of software or other intellectual property licensed from third parties on a nonexclusive basis could limit our ability to differentiate our products and services from offerings of our competitors and could inhibit our ability to provide the current level of service to existing customers.

In addition, any data that we license from third parties for potential use with our technologies may contain errors or defects, which could negatively impact our products and services. This may have a negative impact on how our products and services are perceived by our current and potential customers and could materially damage our reputation and brand.

Changes in or the loss of third-party licenses could lead to our technologies becoming inoperable or the performance of our technologies being materially reduced resulting in our potentially needing to incur additional research and development costs to ensure continued performance of our products and services or a material increase in the costs of licensing, and we may experience decreased demand for our products and services.

We may be unable to protect our intellectual property rights. Disclosure of trade secrets could cause harm to our business.

To protect our proprietary rights, we rely on a combination of trademarks and trade secret laws, and confidentiality agreements and license agreements with consultants, subcontractors, vendors and customers. Our efforts to protect our intellectual property and proprietary rights may not be sufficient. Although we apply rigorous standards, documents and processes to protect our intellectual property, there is no absolute assurance that the steps taken to protect our technology will prevent misappropriation or infringement. Our ability to enforce and protect our intellectual property rights may be limited in certain countries outside the United States, which could make it easier for competitors to capture market position in such countries by utilizing technologies that are similar to those developed or licensed by us. Competitors also may harm our sales by designing products that mirror the capabilities of our products or technology without infringing on our intellectual property rights. If we do not obtain sufficient protection for our intellectual property, or if we are unable to effectively enforce our intellectual property rights, our competitiveness could be impaired, which would limit our growth and future revenue.

We attempt to protect our trade secrets and other proprietary information by entering into confidentiality, licensing and invention assignment agreements or other contracts with similar provisions with third parties, our employees and consultants. However, these agreements can be breached and, if they are, there may not be an adequate remedy available to us. In addition, others may independently discover or reverse engineer our trade secrets and proprietary information, and in such cases we could not assert any trade secret or proprietary rights against such party. Litigation may be necessary to enforce or protect our intellectual property rights, our trade secrets or determine the validity and scope of the proprietary rights of others. Litigating a claim that a party illegally or unlawfully obtained and uses our trade secret without authorization is difficult, expensive and time consuming, and the outcome is unpredictable. If we are unable to protect our intellectual property, our competitors could market services or products similar to our services and products, which could reduce demand for our offerings. Any litigation to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others could result in substantial costs and diversion of resources, with no assurance of success.

Our technology may violate the proprietary rights of third parties and our intellectual property may be misappropriated or infringed upon by third parties, each of which could have a negative impact on our operations.

If any of our technology violates proprietary rights of any third party, including copyrights and patents, such third party may assert infringement claims against us. Certain software and other intellectual property used by us or in our satellites, systems and products make use of or incorporate licensed software components or other licensed technology. These components are developed by third parties over whom we have no control. Any claims brought against us may result in limitations on our ability to use the intellectual property subject to these claims. We may be required to redesign our satellites, systems or products or to obtain licenses from third parties to continue offering our satellites, systems or products without substantially re-engineering such products or systems.

Our intellectual property rights may be invalidated, circumvented, challenged, infringed or required to be licensed to others. An infringement or misappropriation could harm any competitive advantage we currently derive or may derive from our proprietary rights.

Risks Related to Our Indebtedness and Financings

Our business is capital intensive, and we may not be able to adequately finance our capital needs through operations, or by raising capital, including funding future satellites, or we may be able to do so only on terms that significantly restrict our ability to operate our business.

The implementation of our business strategies, such as expanding our satellite constellation and our products and services offerings, requires a substantial outlay of capital. As we pursue our business strategies and seek to respond to opportunities and trends in our industry, our actual capital expenditures may differ from our expected capital expenditures, and there can be no assurance that we will be able to satisfy our capital requirements in the future. We currently expect that our ongoing liquidity requirements for sustaining our operations will be satisfied by cash on hand, cash generated from our existing and future operations and by raising additional capital by equity financings, supplemented, where necessary or advantageous, by available credit. However, we cannot provide assurances that our businesses will generate sufficient cash flow from operations in the future or that additional capital will be available in amounts sufficient to enable us to execute our business strategies. Our ability to increase our debt financing and/or renew our existing credit facility may be limited by our existing financial and non-financial covenants, credit objectives, or the conditions of the debt capital market generally. Furthermore, our current financing arrangement contains certain restrictive financial and non-financial covenants that may impact our access to those facilities and significantly limit future operating and financial flexibility.

We have in the past, and may continue in the future to, receive government grants and funding for research and development activities and other business initiatives. Any agreement or grant of this nature with the government may be accompanied by contractual obligations applicable to us, which may result in the grant money becoming repayable if certain requirements are not met. A failure to meet contractual obligations under such agreements and grants and a consequent requirement to repay money received could negatively impact our business, financial condition, and results of operations.

Our ability to generate the amount of cash needed to pay interest and principal on our outstanding indebtedness and our ability to refinance all or a portion of our indebtedness or obtain additional financing depends on many factors beyond our control.

Our ability to make scheduled payments on, or to refinance our obligations under, our existing debt agreements depends on our financial and operating performance and prevailing economic and competitive conditions.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, raise additional equity capital, or restructure our debt. However, there is no assurance that such alternative measures may be successful or permitted under the agreements governing our indebtedness and, as a result, we may not be able to meet our scheduled debt service obligations. In the absence of such results of operations and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations, which could harm our business, financial condition, and results of operations.

We cannot guarantee that we will be able to refinance our indebtedness or obtain additional financing on satisfactory terms or at all, including due to existing liens on our assets or our level of indebtedness and the debt incurrence restrictions imposed by the agreements governing our indebtedness. Further, the cost and availability of credit are subject to changes in the economic and business environment. If conditions in major credit markets deteriorate, our ability to refinance our indebtedness or obtain additional financing on satisfactory terms, or at all, may be negatively affected.

The agreements governing our debt permit us, under some circumstances, to incur certain additional indebtedness or obligations. To the extent that we incur additional indebtedness or such other obligations, the risks associated with our leverage described above, including our possible inability to service our debt, would increase.

Our debt agreements contain restrictions that may limit our flexibility in operating our business.

Our existing loan agreement and related documents contain, and instruments governing any future indebtedness of ours would likely contain, a number of covenants that will impose significant operating and financial restrictions on us. These restrictions could limit our ability to plan for or react to market conditions and could otherwise restrict corporate activities. Any failure to comply with these covenants could result in a default under our loan agreement or instruments governing any future indebtedness of ours. Additionally, our existing indebtedness is secured by substantially all of our assets. Upon a default, unless waived, the lenders under our secured credit facility could elect to terminate their commitments, cease making further loans, foreclose on our assets pledged to such lenders to secure our obligations under our credit agreement and force us into bankruptcy or liquidation. In addition, a default under our secured credit facility could trigger a cross default under agreements governing any future indebtedness. Our results of operations may not be sufficient to service our indebtedness and to fund our other expenditures, and we may not be able to obtain financing to meet these requirements. If we experience a default under our existing loan agreements or instruments governing our future indebtedness, our business, financial condition, and results of operations may be adversely impacted.

In addition, a material portion of our cash is pledged as cash collateral for letters of credit and bank guarantees which support certain of our real estate leases, customer contracts, and other obligations. While these obligations remain outstanding and are cash collateralized, we do not have access to and cannot use the pledged cash for our operations or to repay our other indebtedness. As of December 31, 2022, we were in compliance with all covenants and restrictions associated with our existing loan agreement.

Changes in our credit ratings, adverse macroeconomic conditions or adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity and default, may negatively affect our liquidity, increase borrowing costs and limit our financing options.

Macroeconomic conditions, such as increased volatility or disruption in the credit markets, could adversely affect our ability to refinance existing debt or obtain additional financing at terms satisfactory to us, thereby affecting our resources to support operations or to fund new initiatives. In addition, if our credit ratings are lowered, borrowing costs for future long-term debt or short-term credit facilities may increase and our financing options, including our access to the unsecured credit market, could be limited. We may also be subject to restrictive covenants that would reduce our flexibility.

Additionally, events involving limited liquidity or defaults in the financial services industry, or concerns or rumors about events of this kind, have in the past and may in the future lead to market-wide liquidity problems. For example, on March 10, 2023, Silicon Valley Bank ("SVB") was closed by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver. We subsequently diversified our cash and cash equivalent holdings across multiple banks. Although our ongoing cash management strategy is to maintain deposit accounts at multiple financial institutions, there can be no assurance that this strategy will be successful. If other banks and financial institutions enter receivership or become insolvent in the future, our ability to access our cash and cash equivalents may be threatened and could have a material adverse effect on our business and financial condition.

Also, a recent ruling by the Delaware Court of Chancery introduced uncertainty as to whether Section 242(b)(2) of the Delaware General Corporation Law ("DGCL") would have required a separate vote of the holders of a majority of Osprey's then-outstanding shares of Class A common stock to approve an amendment to our certificate of incorporation in connection with the merger. The Company's September 8, 2021 charter amendment received a majority of affirmative votes of each class of outstanding common stock, and the Company continues to believe that such vote is sufficient to approve an amendment of the Company's charter; however in order to resolve any potential uncertainty, we filed a petition under Section 205 of the DGCL with the Delaware Court of Chancery. If we are not successful in the Section 205 proceeding, our ability to pursue equity or debt financing transactions could be impacted, which may limit our financing options.

Risks Related to Our Regulatory, Environmental and Legal Issues

Our business is subject to a wide variety of additional extensive and evolving government laws and regulations. Failure to comply with such laws and regulations could have a material adverse effect on our business.

We are subject to a wide variety of laws and regulations relating to various aspects of our business, including employment and labor, licensing, export, tax, privacy and data security, health and safety, communications, and environmental issues. Laws and regulations at the foreign, federal, state and local levels frequently change, especially in relation to new and emerging industries, and we cannot always reasonably estimate the impact from, or the ultimate cost of compliance with, current or future regulatory or administrative changes. We monitor these developments and devote a significant amount of management's time and external resources towards compliance with these laws, regulations and guidelines, and such compliance places a significant burden on management's time and other resources, and it may limit our ability to expand into certain jurisdictions. Moreover, changes in law, the imposition of new or additional regulations or the enactment of any new or more stringent legislation that impacts our business could require us to change the way we operate and could have a material adverse effect on our sales, profitability, cash flows and financial condition. For example, our products and services may be subject to state sales and use taxes to which we may not be compliant, and taxability is generally determined by statutory state laws, as well as an assessment of nexus. Whether the sale of our products and services is subject to additional states' sales and use taxes is uncertain, due in part to the unique nature and delivery of our products and services, as well as applicability of whether our customers are exempt from tax. There is a risk that one or more states may seek to impose sales or use tax or other tax collection obligations on us for past sales and it could have a material adverse impact on our sales, profitability, cash flows and financial condition.

Failure to comply with these laws or regulations or failure to satisfy any criteria or other requirement under such laws or regulations, such as with respect to obtaining and maintaining licenses, certificates, authorizations and permits critical for the operation of our business, may result in civil penalties or private lawsuits, or result in a delay or the denial, suspension or revocation of licenses, certificates, authorizations or permits, which would prevent us from operating our business. For example, our business requires licenses and permits from the Federal Communications Commission (the “FCC”) and review by and/or coordination with other agencies of the U.S. Government, including the Department of Defense, the National Oceanic and Atmospheric Administration (“NOAA”) and the National Aeronautics and Space Administration (“NASA”), as well as foreign regulators, such as the New Zealand Space Agency. License approval can include an interagency review of safety, operational, radio frequency interference, national security, and foreign policy and international obligations implications, as well as a review of foreign ownership. Since our satellites have space-qualified photographic equipment installed, we are also subject to licensing and compliance requirements and regulations administered by NOAA’s Commercial Remote Sensing Regulatory Affairs office.

The rules and regulations of U.S. and foreign authorities, and their interpretation and application, may change, and such authorities may adopt regulations that impact our ability to collect imagery or otherwise limit or restrict our operations as presently conducted or currently contemplated. Such authorities may also make changes in the licenses of our competitors that affect our spectrum. These changes in rules or regulatory policy may significantly affect our business. For example, the FCC recently adopted rules requiring the deorbiting of certain satellites – including those maintained by BlackSky – after five years to mitigate the risk of orbital debris. The FCC continues to consider the imposition of additional rules and reporting obligations that could affect us and our operations; in addition, some legislators have discussed vesting additional authority in NASA in certain areas related to our operations. Application of these laws to our business may negatively impact our performance in various ways, limiting the collaborations we may pursue, further regulating the export and re-export of our products, services, and technology from the U.S. and abroad, and increasing our costs and the time necessary to obtain required authorization. The adoption of a multi-layered regulatory approach to any one of the laws or regulations to which we are or may become subject, particularly where the layers are in conflict, could require alteration of our manufacturing processes or operational parameters which may adversely impact our business. In addition, the U.S. government could in the future exercise “shutter control” authority – the interruption of service by limiting imagery collection and/or distribution as necessary to meet significant U.S. government national security or foreign policy interests or international obligations – which, for example, could limit the resolution, collection or distribution of imagery over certain geographies. We cannot anticipate whether or under what circumstances the U.S. government would exercise its “shutter control” authority, nor can we reasonably determine what costs and terms would be negotiated between us and the U.S. government in such event.

Further, because regulations in each country are different, we may not be aware if some of our partners or persons with whom we or they do business do not hold the requisite licenses and approvals. Our failure to provide services in accordance with the terms of our licenses or our failure to operate our satellites or ground stations as required by our licenses and applicable laws and government regulations could result in the imposition of government sanctions on us, including the suspension or cancellation of our licenses. Our failure or delay in obtaining the approvals required to operate in other countries would limit or delay our ability to expand our operations into those countries. Our failure to obtain industry-standard or government-required certifications for our products could compromise our ability to generate revenue and conduct our business in other countries. Any imposition of sanctions, loss of license or failure to obtain the authorizations necessary to use our assigned radio frequency spectrum and to distribute our products in the U.S. or foreign jurisdictions could cause us to lose sales, hurt our reputation and impair our ability to pursue our business plan.

If we do not maintain regulatory authorizations for our existing satellites, associated ground facilities and terminals, and services we provide, or obtain authorizations for our future satellites, associated ground facilities

and terminals, and services we provide, we may not be able to operate our existing satellites or expand our operations.

We hold FCC licenses for our satellite constellation and earth stations (collectively, our “satellite system”) and, because our satellites have space-qualified photographic equipment installed, licenses from NOAA’s Commercial Remote Sensing Regulatory Affairs office. As we build out our satellite constellation, we will require new licenses from the FCC and NOAA or modifications to existing licenses. Changes to our satellite system may also require prior FCC and/or NOAA approval. From time to time, we may have pending applications for permanent or temporary changes in frequencies and technical design. From time to time, we have filed or will need to file applications to replace or add satellites to our satellite constellation. The FCC has waived certain application processing rules for certain of the frequencies on which we operate but there is no guarantee that the FCC will continue to waive those rules. The FCC licenses are also subject to modification by the FCC. In addition, the FCC licenses require coordination with various entities, including other federal government agencies. There can be no assurance that the FCC or NOAA will renew the licenses we hold, modify the licenses we currently hold, grant new licenses, or that coordination conditions can continue to be met. If the FCC or NOAA revokes, modifies or fails to renew the licenses we hold, or fails to grant a new license or modification in a timely manner, or if we fail to satisfy any of the conditions of our respective licenses, we may not be able to continue to provide our products and services. In addition, the operation of ground station assets in non-U.S. jurisdictions may require either direct or indirect licensing from non-U.S. regulatory bodies.

We believe our current operations adhere to FCC, NOAA and non-U.S. licensing jurisdiction requirements. In some cases, we rely upon partners or persons with whom we or they do business to obtain and maintain required non-U.S. regulatory approvals. However, if we or they do not maintain the authorizations necessary to operate our existing satellites, we will not be able to operate the satellites covered by those authorizations, unless we obtain authorization from another licensing jurisdiction. Some of our authorizations provide waivers of regulations. If we do not maintain these waivers, we will be subject to operational restrictions or interference that will affect our use of existing satellites. Loss of a satellite authorization could cause us to lose the revenue from services provided by that satellite at a particular orbital location or using a particular frequency band, to the extent these services cannot be provided by satellites at other orbital locations or with a different frequency band or be subject to additional bond requirements.

Our launch and operation of planned satellites and ground stations may require additional regulatory authorizations from the FCC, NOAA, and/or a non-U.S. licensing jurisdiction. Obtaining launch windows for planned satellites and ground stations, preparing for launch, and working with the requisite equipment in foreign jurisdictions may require coordination with U.S. and foreign regulators. If any of our current operations are deemed not to be in compliance with applicable regulatory requirements, we may be subject to various sanctions, including fines, loss of authorizations, or denial of applications for new authorizations or renewal of existing authorizations. It is not uncommon for licenses for new satellites to be granted just prior to launch. If we do not obtain required authorizations in the future, we will not be able to operate our planned satellites. If we obtain a required authorization but we do not meet milestones regarding the construction, launch and operation of a satellite by deadlines that may be established in the authorization, we may lose our authorization to operate a satellite using certain frequencies in an orbital location. Any authorizations we obtain may also impose operational restrictions or permit interference that could affect our use of planned satellites.

Coordination results may adversely affect our ability to use our satellites in certain frequency bands for our proposed service or coverage area, or may delay our ability to launch satellites and thereby operate our proposed services.

We are required to record frequencies and operational parameters of our satellites with the International Telecommunication Union and to coordinate with other satellite operators and national administrations the use of these frequencies and operational parameters in order to avoid interference to or from other satellites. The results of coordination may adversely affect our use of our satellites using certain frequencies, as well as the type of applications or services that we can accommodate. If we are unable to coordinate our satellites by specified deadlines, we may not be able to use our satellites or certain frequencies for our proposed service or coverage area or we may lose interference protection for our satellites. The use of our satellites may also be temporarily or permanently adversely affected if the operation of other satellite networks does not conform to coordination agreements resulting in the acceptable interference levels being exceeded (such as due to operational errors associated with the transmissions to other satellite networks).

Loss of existing export control approvals or the inability to obtain required new approvals for the use of particular components, the transfer of company technologies, or the provision of analytical products or related services may have an adverse impact on our business, financial condition, and results of operations.

Many of our products, services, and technologies are regulated by the U.S. Department of State's Directorate of Defense Trade Controls ("DDTC") under the International Traffic in Arms Regulations ("ITAR") and/or the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") under the Export Administration Regulations ("EAR").

We are required to obtain licenses or authorizations from U.S. government regulators in order to disclose technical data/technology associated with the development of our satellites, export of our satellites and related equipment for the launch, shipment of equipment to foreign ground stations, and to provide defense services to foreign persons. As we build out our satellite constellation or provide services to additional customers, we may require new licenses from DDTC or BIS, or modifications to existing licenses. These licenses may also impose certain conditions on us or our customers. There can be no assurance that DDTC or BIS will renew the licenses we hold, modify the licenses we currently hold, or grant new licenses. The delayed receipt of or failure to obtain licenses in a timely manner may interrupt the completion of contracts or result in our inability to continue to provide our products and services. .

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

The export of our software, satellites and ground station equipment, and the provision of services and related technical data, in some cases, are subject to U.S. and international export control laws and regulations and trade and economic sanctions including the ITAR, the EAR, trade and economic sanctions maintained by the Office of Foreign Assets Control ("OFAC"). As such, an export license may be required to export or reexport our software and services to certain countries and end-users for certain end-uses. In addition, as we grow, we may hire employees in jurisdictions outside of the United States or engage a professional employer organization to hire and employ such persons, which may subject us to foreign export and import rules and regulations, as well as international sanctions, foreign direct investment requirements, and other international trade rules. If we do not maintain our existing authorizations or obtain future export licenses in accordance with the export control laws and regulations, we may be unable to export our software or ground station equipment or provide services and related technical information to non-U.S. persons and companies. If we were to fail to comply with such export controls laws and regulations, economic sanctions, international trade regulations, or other similar laws, we could be subject to both civil and criminal penalties, including substantial fines, possible incarceration for employees and managers for willful violations, and the possible loss of our export or import privileges. Obtaining the necessary export license for a particular sale or offering may not be possible, may be time-consuming and may result in the delay or loss of sales opportunities to the extent non-U.S. competitors are not subject to OFAC or similar export control laws and regulations. Furthermore, export control laws and economic sanctions in many cases prohibit the export of software and services to certain embargoed or sanctioned countries, governments and persons, as well as for prohibited end-uses. Monitoring and ensuring compliance with these complex export controls and sanctions is particularly challenging because our offerings are available throughout the world. Even though we take precautions to ensure that we and our partners comply with all relevant export and import control laws and regulations, any failure by us or our partners to comply with such laws and regulations could have negative consequences for us, including reputational harm, government investigations and penalties.

In addition, various countries regulate the import of certain encryption software and technology, including through import permit and license requirements, and have enacted laws that could limit our ability to distribute our products and services or could limit our end-customers' ability to implement our products in those countries. Because we incorporate encryption functionality into our products, we are subject to certain of these provisions. Changes in our products or changes in export and import regulations in such countries may create delays in the introduction of our products and services into international markets, prevent our end-customers with international operations from deploying our products globally or, in some cases, prevent or delay the export or import of our products and services to certain countries, governments or persons altogether. The following developments could result in decreased use of our products and services by, or in our decreased ability to export or sell our products to, existing or potential end-customers with international operations: any change in export or import laws or regulations, economic sanctions or related legislation; shift in the enforcement or scope of existing export, import or sanctions laws or regulations; or change in the countries, governments, persons, or technologies targeted by such export, import or sanctions laws or regulations. Any decreased use of our products or services or limitation on our ability to export to or sell our products or services in international markets could adversely affect our business, financial condition and operating results.

U.S. export control laws and regulations are continuing to evolve, as are our products and services. For example, the U.S. State Department, the U.S. Department of Commerce, and other cognizant U.S. government agencies are evaluating the imposition of additional export restrictions on so-called "emerging and foundational technologies." Any changes to or further extension of U.S. export control laws and regulations could negatively impact our ability to provide our products and services internationally, or to retain talent required for further development of our products or services. While we educate our employees on export controls, utilize contractual provisions to require our employees and vendors to comply with export laws, and utilize experts to assist with export compliance, our compliance efforts may not be sufficient.

As a growing part of our business strategy, we leverage third parties, including resellers, representatives, and agents, to conduct our business abroad and are expanding our efforts to directly contract with foreign parties, which increases our risk for compliance with ITAR, EAR, and other export laws. Despite the significant challenges in asserting and maintaining control and compliance by these third parties, we may be held liable for third parties' actions. Any failure on the part of these third parties to comply could harm our reputation, inhibit our plans for expansion, or either lead to extensive liability to private parties or subject us to penalties from government regulators, which could adversely impact our business, results of operations, and financial condition.

Failure to comply with anti-bribery and anti-corruption laws could subject us to penalties and other adverse consequences.

We are subject to the United States Foreign Corrupt Practices Act ("FCPA"), the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the United States Travel Act, and other anti-corruption and anti-bribery laws and regulations in the jurisdictions in which we do business, both domestic and abroad. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly. These laws and regulations generally prohibit companies, their employees, business partners, third-party intermediaries, representatives, and agents from authorizing, offering, or providing, directly or indirectly, improper payments to government officials, political candidates, political parties, or commercial partners for the purpose of obtaining or retaining business or securing an improper business advantage.

We have interactions with foreign officials, including in furtherance of sales to governmental or quasi-governmental entities in the United States and in non-U.S. countries. As a growing part of our business strategy, we leverage third parties to conduct our business abroad, and our third-party business partners, representatives, and agents may also have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We may be held liable for the corrupt or other illegal activities of our employees or such third parties even if we do not explicitly authorize such activities. The FCPA and other applicable laws and regulations also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have implemented policies and procedures to address compliance with such laws, we cannot assure you that our employees, business partners, third-party intermediaries, representatives, and agents will not engage in conduct in violation of our policies or applicable law for which we might ultimately be held responsible. Our exposure for violating these laws increases as our international presence expands and as we increase sales and operations in foreign jurisdictions.

Violations of the FCPA and other applicable anti-bribery and anti-corruption laws may result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, as well as severe criminal or civil sanctions, settlements, prosecution, enforcement actions, fines, damages, or suspension or debarment from government contracts, all of which could have an adverse effect on our reputation, business, stock price, financial condition, results of operations, and growth prospects. In addition, responding to any investigation or action will likely result in a significant diversion of management's attention and resources and significant defense costs and other professional fees.

We may be subject to assertions that taxes must be collected based on gross receipts, sales and use of our services and location of our remote employees in various states, which could expose us to liability and cause material harm to our business, financial condition, and results of operations.

Our products and services may be subject to gross receipts, sales and use taxes in certain states and taxability is generally determined by statutory state laws and regulations, as well as an assessment of physical and economic nexus. Whether sales of our products and services are subject to additional states' sales and use taxes is uncertain, due in part to the unique nature of our products and services, the delivery method of our products and services, whether our customer is subject to tax as a government entity, as well as changing state laws and interpretations of those laws. One or more additional states may seek to impose sales or use tax or other tax collection obligations on us, whether based on sales by us or our resellers or customers, including for past sales. A successful assertion that we should be collecting sales or other related taxes on our products and services could result in substantial audit defense fees and tax liabilities for past sales, discourage customers from offering or billing for our products and services, or otherwise cause material harm to our business, financial condition, and results of operations.

Changes in tax laws could have a material adverse effect on our business, cash flow, results of operations or financial conditions.

We are and will be generally subject to tax laws, regulations, and policies of several taxing jurisdictions. Changes in tax laws, as well as other factors, could cause us to experience fluctuations in our tax obligations and effective tax rates and otherwise adversely affect our tax positions and/or our tax liabilities. For example, in August 2022 the United States enacted a 1% excise tax on stock buybacks, which could affect our common stock repurchases, and a 15% alternative minimum tax on adjusted financial statement income as part of the Inflation Reduction Act of 2022. Further, many countries, and organizations such as the Organization for Economic Cooperation and Development, have proposed implementing changes to existing tax laws, including a proposed 15% global minimum tax. Any of these developments or changes in federal, state, or international tax laws or tax rulings could adversely affect our effective tax rate and our operating results. There can be no assurance that our effective tax rates, tax payments, or tax credits and incentives will not be adversely affected by these or other developments or changes in law.

We may become involved in litigation that may materially adversely affect us.

From time to time, we may become involved in various legal proceedings relating to matters incidental to the ordinary course of our business, including intellectual property, commercial, employment, class action, whistleblower and other litigation and claims, and governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources, cause us to incur significant expenses or liability or require us to change our business practices. Because of the potential risks, expenses and uncertainties of litigation, we may, from time to time, settle disputes, even where we believe that we have meritorious claims or defenses. Because litigation is inherently unpredictable, we cannot assure you that the results of any of these actions will not have a material adverse effect on our business.

Increasing regulatory focus on privacy issues and expanding laws may impact our business or expose us to increased liability.

We collect and process customer data and other data relating to individuals, which may include personal data. Due to the sensitivity of the personal information and data we manage and expect to manage in the future, as well as the nature of our customer base, the security features of our information systems are critical. A variety of federal, state and foreign laws and regulations govern the collection, use, retention, sharing and security of this information. Laws and regulations relating to privacy, data protection and consumer protection are evolving and subject to potentially differing interpretations. These requirements may not be harmonized, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or may conflict with other rules or our practices. As a result, our practices may not have complied or may not comply in the future with all such laws, regulations, requirements and obligations both in the United States (such as the California Consumer Privacy Act, the California Privacy Rights Act, and similar laws proposed and enacted in other U.S. states, including legislation enacted in Virginia, Colorado, Utah and Connecticut) and abroad (such as the European Union's General Data Protection Regulation or the United Kingdom's version of the GDPR).These statutes and any other state, federal, or foreign legislation that is passed could increase our potential liability, add layers of complexity to compliance in the markets in which we operate, increase our compliance costs and adversely affect our business.

Any actual or perceived failure to comply with applicable laws or regulations relating to privacy, data protection, or information security, or related contractual or other obligations, or any perceived privacy rights violation, could lead to investigations, claims, and proceedings by governmental entities and private parties, damages for contract breach, and other significant costs, penalties, and other liabilities, restrictions upon our operations, as well as harm to our reputation and market position.

Additionally, we store customer information and content and if our customers fail to comply with contractual obligations or applicable laws, it could result in litigation or reputational harm to us. These requirements could impact demand for our offerings and services and result in more onerous contract obligations.

We are subject to environmental laws and regulations which could result in material liabilities or obligations. In addition, our operations have involved the handling, storage and disposal of hazardous materials, which could result in potential exposure to environmental liabilities.

We are subject to various U.S. federal, state, local and non-U.S. laws and regulations related to environmental protection, including the discharge, treatment, storage, disposal and remediation of hazardous substances and wastes. We could incur substantial costs, including cleanup costs, fines and civil or criminal sanctions, as well as third-party claims for property damage or personal injury, if we were to violate or become liable under environmental laws or regulations. In addition, new laws and regulations, more stringent enforcement of existing laws and regulations, or the discovery of previously unknown contamination could result in material obligations and costs. Permits issued pursuant to certain environmental laws are required for our operations, and these permits are subject to renewal, modification and, in some cases, revocation.

In addition, under environmental laws, ordinances or regulations, a current or previous owner or operator of property may be liable for the costs of removal or remediation of some kinds of petroleum products or other hazardous substances on, under, or in its property, adjacent or nearby property, or offsite disposal locations, without regard to whether the owner or operator knew of, or caused, the presence of the contaminants, and regardless of whether the practices that resulted in the contamination were legal at the time they occurred. We could be subject to future liabilities under environmental laws at our current or former facilities, adjacent or nearby properties or offsite disposal locations if any such properties are discovered to be contaminated with hazardous substances.

Joint ventures, partnerships, and strategic alliances may have a material adverse effect on our business, results of operations and prospects.

We expect to continue to enter into joint ventures, partnerships, and strategic alliances as part of our long-term business strategy. Joint ventures, partnerships, strategic alliances, and other similar arrangements involve significant investments of both time and resources, and there can be no assurances that they will be successful. They may present significant challenges and risks, including that they may not advance our business strategy, we may get an unsatisfactory return on our investment or lose some or all of our investment, they may distract management and divert resources from our core business, they may expose us to unexpected liabilities, or we may choose a partner that does not cooperate as we expect them to and that fails to meet its obligations or that has economic, business, or legal interests or goals that are inconsistent with ours. For example, in 2018 we formed LeoStella, a 50-50 joint venture focusing on building small imaging satellites for sale on a commercial basis, with Thales, from which we procure our satellites. LeoStella operates in a highly competitive environment and the interests of Thales may not be aligned with ours, or may change over time, which could affect the effectiveness and success of the joint venture.

Entry into certain joint ventures, partnerships, or strategic alliances now or in the future may be subject to government regulation, including review by U.S. or foreign government entities related to foreign direct investment. If a joint venture or similar arrangement were subject to regulatory review, such regulatory review might limit our ability to enter into the desired strategic alliance and thus limit our ability to carry out our long-term business strategy.

As our joint ventures, partnerships, and strategic alliances come to an end or terminate, we may be unable to renew or replace them on comparable terms, or at all. When we enter into joint ventures, partnerships, and strategic alliances, our partners may be required to undertake some portion of sales, marketing, implementation services, engineering services, or software configuration that we would otherwise provide. In such cases, our partner may be less successful than we would have otherwise been absent the arrangement. In the event we enter into an arrangement with a particular partner, we may be less likely (or unable) to work with one or more direct competitors of our partner with which we would have worked absent the arrangement. We may have interests that are different from our joint venture partners and/or which may affect our ability to successfully collaborate with a given partner. Similarly, one or more of our partners in a joint venture, partnership, or strategic alliance may independently suffer a bankruptcy or other economic hardship that negatively affects its ability to continue as a going concern or successfully perform on its obligation under the arrangement. In addition, customer satisfaction with our products provided in connection with these arrangements may be less favorable than anticipated, negatively impacting anticipated revenue growth and results of operations of arrangements in question. Further, some of our strategic partners offer competing products and services or work with our competitors. As a result of these and other factors, many of the companies with which we have joint ventures, partnerships, or strategic alliances may choose to pursue alternative technologies and develop alternative products and services in addition to or in lieu of ours, either on their own or in collaboration with others, including our competitors. If we are unsuccessful in establishing or maintaining our relationships with these partners, our ability to compete in a given marketplace or to grow our revenue would be impaired, and our results of operations may suffer. Even if we are successful in establishing and maintaining these relationships with our partners, we cannot assure you that these relationships will result in increased customer usage of our systems, products or technologies or increased revenue.

Further, winding down joint ventures, partnerships, or other strategic alliances can result in additional costs, litigation, and negative publicity. Any of these events could adversely affect our business, financial condition, results of operations, and growth prospects.

Risks Relating to Ownership of Our Class A Common Stock

Sales of a substantial number of shares of our Class A common stock in the public market could cause our stock price to fall.

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our Class A common stock in the public market, our stock price could decline. Pursuant to our resale registration statement on Form S-3 declared effective by the SEC in October 2022, certain stockholders may sell shares of our Class A common stock, subject to applicable limitations under Rule 144. Further, in March 2023 we completed a private placement, issuing an aggregate of 16,403,677 shares of our Class A common stock and accompanying warrants to purchase the same number of shares. We are obligated to file a resale registration statement with the SEC to register the 16,403,677 shares sold in the private placement, which shares will be eligible for resale following effectiveness of the resale registration statement, subject to applicable resale restrictions. Actual sales of our Class A common stock, or the perception that these sales might occur, pursuant to current or future resale registration statements may adversely affect the prevailing market prices of our securities.

If we sell shares of our Class A common stock in future financings, or existing warrant holders exercise warrants, you may experience immediate dilution and, as a result, our stock price may decline.

We may from time to time issue additional shares of Class A common stock and as a result our stockholders would experience immediate dilution. In addition, as opportunities present themselves, we may enter into financing arrangements, including the issuance of debt securities, preferred stock or Class A common stock, including Class A common stock at a discount to prevailing market prices. For example, our shelf registration statement on Form S-3, declared effective in December 2022, provides for aggregate offerings of up to $200.0 million of our securities, inclusive of up to $75.0 million of shares of our Class A common stock through an at-the-market offering program. In addition, our private placement in March 2023 included the sale of warrants to purchase shares of our Class A common stock. As of March 20, 2023, the number of shares of our common stock outstanding was 138,734,688. This number does not include shares of our Class A common stock issuable upon the exercise of warrants. Until exercised, the shares issuable upon the exercise of warrants are not included in the number of our outstanding shares and the dilutive impact of such warrant exercises may be difficult to compute. If we issue Class A common stock, or securities convertible into our Class A common stock, in future financings, or if any of our outstanding warrants are exercised, our existing stockholders will experience dilution and our stock price may decline.

Intelsat has a right of first offer with respect to the sale of BlackSky Holdings, Inc., our main operating subsidiary, which might discourage, delay or prevent a sale of our operating subsidiary, and therefore, depress the trading price of our Class A common stock.

In October 2019, our subsidiary BlackSky Holdings, Inc. ("BlackSky Holdings") entered into a Right of First Offer Agreement with Intelsat (the “Right of First Offer Agreement”). Pursuant to the terms of the Right of First Offer Agreement, prior to commencing or engaging in a sale of our subsidiary, BlackSky Holdings is obligated to provide written notice of any such proposed sale to Intelsat and Intelsat will have the opportunity to submit a competing offer to purchase BlackSky Holdings (an “Intelsat Offer”). Pursuant to the terms of the Right of First Offer Agreement, if BlackSky Holdings does not accept an Intelsat Offer, BlackSky Holdings would be permitted to negotiate and enter into an alternative sale transaction, as long as the total enterprise value for BlackSky Holdings and its subsidiaries is greater than 110% of the value implied by any Intelsat Offer. The Right of First Offer Agreement expires on October 31, 2026.

The Right of First Offer Agreement may negatively impact our ability to undertake a sale of BlackSky Holdings and could deter potential acquirers of BlackSky Technology Inc., which could therefore limit the price that investors are willing to pay for shares of our Class A common stock.

Our stock price may fluctuate significantly and you could lose all or part of your investment as a result.

The trading price of our Class A common stock has been, and may continue to be, volatile. The stock market has experienced extreme volatility in the past and may experience similar volatility moving forward. This volatility often has been unrelated or disproportionate to the operating performance of particular companies. You may not be able to resell your shares at an attractive price due to a number of factors such as those listed in this Risk Factors section and the following:

- results of operations that vary from the expectations of securities analysts and investors;

- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates and investment recommendations by securities analysts and investors;
- declines in the market prices of stocks generally;
- strategic actions by us or our competitors;
- announcements by us or our competitors of significant contracts, acquisitions, joint ventures, other strategic relationships or capital commitments;
- any significant change in our management;
- changes in general economic or market conditions or trends in our industry or markets;
- changes in business or regulatory conditions, including new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- future sales of our Class A common stock or other securities;
- investor perceptions or the investment opportunity associated with our Class A common stock relative to other investment alternatives;
- the public's response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- litigation involving us, our industry, or both, or investigations by regulators into our operations or those of our competitors;
- guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance;
- the development and sustainability of an active trading market for our stock;
- actions by institutional or activist stockholders;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- general economic and political conditions such as recessions, interest rates, fuel prices, trade wars, pandemics (such as COVID-19), currency fluctuations and acts of war (including ongoing geopolitical tensions related to Russia's actions in Ukraine, resulting sanctions imposed by the United States and other countries, and retaliatory actions taken by Russia in response to such sanctions) or terrorism; and
- the effects of natural disasters, terrorist attacks and the spread and/or abatement of infectious diseases, such as COVID-19, including with respect to potential operational disruptions, labor disruptions, increased costs, and impacts to demand related thereto.

These broad market and industry fluctuations may adversely affect the market price of our Class A common stock, regardless of our actual operating performance. In addition, price volatility may be greater if the public float and trading volume of our Class A common stock is low.

In the past, following periods of market volatility, stockholders have instituted securities class action litigation. If we are involved in securities litigation, it could have a substantial cost and divert resources and the attention of our executive management from our business regardless of the outcome of such litigation.

We are an emerging growth company and a smaller reporting company within the meaning of the Securities Act, and the reduced disclosure requirements applicable to emerging growth companies and smaller reporting companies could make it more difficult to compare our performance with other public companies, and make our Class A common stock less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act ("JOBS Act"). For as long as we continue to be an emerging growth company, we are eligible for and intend to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including:

- not being required to have an independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002;
- reduced disclosure obligations regarding executive compensation in our periodic reports and annual report on Form 10-K; and

- exemptions from the requirements of holding non-binding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved.

As a result, the stockholders may not have access to certain information that they may deem important. We will remain an emerging growth company until the earliest of:

- the last day of the fiscal year in which we have at least $1.07 billion in annual revenue;
- the date we qualify as a "large accelerated filer," with at least $700.0 million of equity securities held by non-affiliates;
- the date on which we have issued, in any three-year period, more than $1.0 billion in non-convertible debt securities; or
- the last day of the fiscal year ending after the fifth anniversary of the Osprey IPO.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We may elect to take advantage of this extended transition period and as a result, our financial statements may not be comparable with similarly situated public companies.

We cannot predict if investors will find our Class A common stock less attractive if we choose to rely on any of the exemptions afforded emerging growth companies. If some investors find our Class A common stock less attractive because we rely on any of these exemptions, there may be a less active trading market for our Class A common stock.

Further, as a smaller reporting company we may take advantage of certain reduced disclosure requirements, such as, among others, providing only two years of audited financial statements. We will remain a smaller reporting company until the last day of the fiscal year in which the market value of our common stock held by non-affiliates is equal to or exceeds $250 million as of the end of that fiscal year's second quarter, or, if the market value of our common stock held by non-affiliates is less than $700 million as of the end of that fiscal year's second quarter, we will remain a smaller reporting company until our annual revenue is equal to or exceeds $100 million. To the extent we take advantage of reduced disclosure requirements available to smaller reporting companies, a comparison of our financial statements to those of other public companies may be difficult.

Because there are no current plans to pay cash dividends on our Class A common stock for the foreseeable future, you may not receive any return on investment unless you sell your Class A common stock for a price greater than that which you paid for it.

We intend to retain future earnings, if any, for future operations, expansion and debt repayment and there are no current plans to pay any cash dividends for the foreseeable future. The declaration, amount and payment of any future dividends on shares of our Class A common stock will be at the sole discretion of our board of directors. Our board of directors may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax, and regulatory restrictions, implications on the payment of dividends by us to our stockholders or by our subsidiaries to us and such other factors as our board of directors may deem relevant. In addition, our ability to pay dividends is limited by covenants of our existing and outstanding indebtedness and may be limited by covenants of any future indebtedness we incur. As a result, you may not receive any return on an investment in our Class A common stock unless you sell our Class A common stock for a price greater than that which you paid for it.

If securities analysts do not publish research or reports about our business or if they downgrade our stock or our sector, our stock price and trading volume could decline.

The trading market for our Class A common stock will rely in part on the research and reports that industry or financial analysts publish about us or our business. We have no influence over these analysts, some of whom may have limited expertise with our business model and operations. Furthermore, if one or more of the analysts who do cover us downgrade our stock or industry, or the stock of any of our competitors, or publish inaccurate or unfavorable research about our business, the price of our stock could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, we could lose visibility in the market, which in turn could cause our stock price or trading volume to decline.

Anti-takeover provisions in our organizational documents could delay or prevent a change of control.

Certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws may have an anti-takeover effect and may delay, defer or prevent a merger, acquisition, tender offer, takeover attempt or other change of control transaction that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by our stockholders.

These provisions provide for, among other things:

- a classified board of directors whose members serve staggered three-year terms;
- the ability of our board of directors to issue one or more series of preferred stock;
- advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at our annual meetings;
- certain limitations on convening special stockholder meetings;
- limiting the ability of stockholders to act by written consent;
- providing that our board of directors is expressly authorized to make, alter or repeal our bylaws; and
- the removal of directors only for cause and only upon the affirmative vote of holders of at least 66 2/3% of the voting power of our issued and outstanding capital stock entitled to vote in the election of directors, voting together as a single class.

These anti-takeover provisions could make it more difficult for a third party to acquire us, even if the third-party's offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire. See "*Description of Securities*" filed as an Exhibit to this Annual Report on Form 10-K for more information.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or stockholders.

Our amended and restated certificate of incorporation provides that, subject to limited exceptions, any (1) derivative action or proceeding brought on behalf of us, (2) action asserting a claim of breach of a duty (including any fiduciary duty) owed by any of our current or former directors, officers, stockholders, employees or agents to us or our stockholders, (3) action asserting a claim against us or any of our current or former directors, officers, stockholders, employees or agents arising out of or relating to any provision of the DGCL or our amended and restated certificate of incorporation or our amended and restated bylaws (each, as in effect from time to time) or (4) action asserting a claim against us or any of our current or former directors, officers, stockholders, employees or agents governed by the internal affairs doctrine of the State of Delaware shall, to the fullest extent permitted by applicable law, be exclusively brought in the Court of Chancery of the State of Delaware or, if such court lacks subject matter jurisdiction thereof, another state or federal court located within the State of Delaware, provided that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America will, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint against any person in connection with any offering of our securities, asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to consent to the provisions of our amended and restated certificate of incorporation described above. This choice of forum provision 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 such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our amended and restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

General Risks

Our employees or others acting on our behalf may engage in misconduct or other improper activities, which could cause us to lose contracts or cause us to incur costs.

We are exposed to the risk that employee fraud or other misconduct from our employees or others acting on our behalf could occur. Misconduct by employees or others could include intentional failures to comply with U.S. government procurement regulations, engaging in unauthorized activities, insider threats to our cybersecurity, or falsifying time records. Misconduct by our employees or others acting on our behalf could also involve the improper use of our customers' sensitive or classified information, which could result in regulatory sanctions against us, serious harm to our reputation, a loss of contracts and a reduction in revenue, or cause us to incur costs to respond to any related governmental inquiries. It is not always possible to deter misconduct, and the precautions we take to prevent and detect this activity may not be effective in controlling unknown or unmanaged risks or losses, which could cause us to lose contracts or cause a reduction in revenue. In addition, alleged or actual misconduct by employees or others acting on our behalf could result in investigations or prosecutions of persons engaged in the subject activities, which could result in unanticipated consequences or expenses and management distraction for us regardless of whether we are alleged to have any responsibility.

We may in the future experience such misconduct, despite our various compliance programs. Misconduct or improper actions by our employees, agents, subcontractors, suppliers, business partners and/or joint ventures could subject us to administrative, civil or criminal investigations and enforcement actions; monetary and non-monetary penalties; liabilities; and the loss of privileges and other sanctions, including suspension and debarment, which could negatively impact our reputation and ability to conduct business and could have a material adverse effect on our financial position, results of operations and cash flows.

We use our judgment and estimates relating to our critical accounting policies including accounting for contracts, and any changes in such estimates or errors in our underlying assumptions could have an adverse effect on our overall financial performance.

The preparation of our financial statements in conformity with Generally Accepted Accounting Principles in the United States of America ("GAAP") requires management to make judgments, estimates, and assumptions that affect the amounts reported in the 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.

When agreeing to contractual terms, our management makes assumptions and projections about future conditions and events, many of which extend over long periods. These projections assess the productivity and availability of labor, complexity of the work to be performed, cost and availability of materials, impact of delayed performance and timing of product deliveries. Contract accounting requires judgment relative to assessing risks, estimating contract revenue and costs, and making assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of total revenue and costs at completion is complicated and subject to many variables. For example, assumptions are made regarding the length of time to complete a contract since costs also include expected increases in wages, prices for materials and allocated fixed costs. Similarly, assumptions are made regarding the future impact of our efficiency initiatives and cost reduction efforts. Incentives, awards or penalties related to performance on contracts are considered in estimating revenue and profit rates and are recorded when there is sufficient information to assess anticipated performance. Suppliers' assertions are also assessed and considered in estimating costs and profit rates.

Because of the significance of the judgment and estimation processes described above, it is possible that materially different amounts could be obtained if different assumptions were used or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances or estimates may have a material adverse effect upon the profitability of one or more of the affected contracts, future period financial reporting and performance. 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 Class A common stock. Significant judgments, estimates, and assumptions used in preparing our consolidated financial statements include, or may in the future include, those related to revenue recognition, stock-based compensation, common stock valuations, and income taxes.

Future acquisitions may adversely affect our financial condition.

As part of our strategy for growth, in the future we may explore acquisitions or strategic alliances, which ultimately may not be completed or be beneficial to us. The risks associated with pursuing acquisitions include the difficulty of assimilating solutions, operations, and personnel; inheriting liabilities such as intellectual property infringement claims; the failure to realize anticipated revenue and cost projections and expected synergies; and the diversion of management's time and attention. We may not be successful in overcoming such risks, and any acquisitions and strategic alliance may negatively impact our business. In addition, such acquisitions and investments may in the future contribute to fluctuations in our quarterly financial results. These fluctuations could arise from transaction-related costs and charges associated with eliminating redundant expenses or write-offs of impaired assets recorded in connection with acquisitions and investments. These costs or charges could negatively impact our financial results for a given period, cause quarter-to-quarter variability in our financial results, or negatively impact our financial results for future periods.

We are exposed to risks related to geopolitical and economic factors, laws and regulations and our international business subjects us to numerous political and economic factors, legal requirements, cross-cultural considerations and other risks associated with doing business globally.

Our operations and performance depend significantly on global macroeconomic, specific foreign country and U.S. domestic economic conditions. Adverse conditions in the macroeconomic environment, such as the ongoing geopolitical tensions related to Russia's actions in Ukraine, resulting sanctions imposed by the United States and other countries, and retaliatory actions taken by Russia in response to such sanctions, may result in a decreased demand for our products and services, constrained credit and liquidity, reduced government spending and volatility in equity and foreign exchange markets. In addition, to the extent the global economy experiences a significant downturn or volatility, we may be exposed to impairments of certain assets if their values deteriorate. Tighter credit due to economic conditions may diminish our future borrowing ability and increase borrowing costs under our existing credit facilities. Customers' ability to pay for our products and services may also be impaired, which could lead to an increase in our allowance for doubtful accounts and write-offs of accounts receivable.

If any of the foreign economies in which we do business deteriorates or suffers a period of uncertainty, our business and performance may be negatively impacted through reduced customer and government spending, changes in purchasing cycles or timing, reduced access to credit for our customers, or other factors impacting our international sales and collections. Furthermore, customer spending levels in any foreign jurisdiction may be adversely impacted by changes in domestic policies, including tax and trade policies. The services we provide internationally are sometimes in countries with unstable governments, economic or fiscal challenges, military or political conflicts and/or developing legal systems. This may increase the risk to our employees, subcontractors or other third parties, and/or increase the risk of a wide range of liabilities, as well as loss of property.

We cannot predict the timing, strength, or duration of any crisis, economic slowdown or any subsequent recovery generally, or for any industry in particular. Although certain aspects of the effects of a crisis or an economic slowdown may provide potential new opportunities for our business, we cannot guarantee that the net impact of any such events will not be materially negative. Accordingly, if the conditions in the general economy and the markets in which we operate worsen from present levels, our business, financial condition, and results of operations could be adversely affected.

We have broad discretion in the use of our assets and may not use them effectively.

We cannot specify with certainty the particular uses of our assets, including cash that we received from our merger. Our management will have broad discretion in the use of our assets. Our management may spend a portion or all of BlackSky's cash or utilize BlackSky's assets in ways that our stockholders may not agree or that may not yield a favorable return. The failure by our management to apply these funds effectively could harm our business financial condition, results of operations and prospects. Pending their use, we may invest our cash in a manner that does not produce income or that loses value.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease approximately 23,728 square feet of office space in Herndon, Virginia for our U.S. administrative headquarters. The building also houses the majority of our sales and marketing support staff and other administrative personnel. The lease for the building expires on August 31, 2024.

We also lease approximately 37,472 square feet of office space in Seattle, Washington. The space serves as the primary satellite operations center and a secondary office space for employees. The lease for the building expires in March 2023. As a result, we entered into a subsequent lease for approximately 14,503 square feet in Seattle, Washington.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may be involved in claims and proceedings arising in the ordinary course of our business. The outcome of any such claims or proceedings, regardless of the merits, is inherently uncertain.

For a discussion of legal proceedings in which we are involved, see Note 24 to the financial statements and supplementary data included in Part 2, Item 8 of this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our Class A common stock is listed on the NYSE under the symbol "BKSY" and our Public Warrants are traded on the NYSE under the symbol "BKSY.W." Prior to the consummation of the Business Combination, our Class A common stock and our Public Warrants were listed on the NYSE under the symbols "SFTW" and "SFTW.WS," respectively.

Holders of Common Stock

As of March 1, 2023, there were approximately 679 holders of record of our Class A common stock. Because many of the shares of Class A common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial owners represented by these record holders.

Dividend Policy

We have not paid any cash dividends on our Class A common stock to date. We may retain future earnings, if any, for future operations, expansion and debt repayment and we have no current plans to pay cash dividends for the foreseeable future. The payment of cash dividends in the future will depend upon our results of operations, capital requirements and general financial condition, and will be at the discretion of our board of directors at such time. In addition, our board of directors is not currently contemplating and does not anticipate declaring any stock dividends in the foreseeable future. Further, our ability to pay dividends may be limited by covenants of any future outstanding indebtedness we or our subsidiaries incur.

Unregistered Sales of Equity Securities and Use of Proceeds

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. As discussed in the section titled "Special Note Regarding Forward Looking Statements," the following discussion and analysis contains forward looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed in the section titled "Risk Factors" under Part I, Item IA in this Annual Report on Form 10-K. Unless the context otherwise requires, references in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" to "BlackSky", "the Company", "we", "us" and "our" refer to the business and operations of Legacy BlackSky and its consolidated subsidiaries prior to the Merger and to BlackSky Technology Inc. and its consolidated subsidiaries, following the closing of the Merger.

General Overview

On September 9, 2021, Osprey consummated the Merger with Legacy BlackSky. Immediately following the Merger, Osprey changed its name to "BlackSky Technology Inc." Legacy BlackSky survived the Merger and is now a wholly owned subsidiary of BlackSky Technology Inc. As a special purpose acquisition company, Osprey had no pre-Merger operations other than to identify and consummate a merger. Therefore, BlackSky's operations post-Merger are attributable to those of Legacy BlackSky and its subsidiaries, and references to "BlackSky" or the "Company" should be read to include BlackSky's wholly owned subsidiaries. References in this report to Company actions, assets/liabilities, or contracts may be references to actions taken, assets/liabilities held, or contracts entered into by one or more Company current subsidiaries; however, the Company has distinguished between the actions taken by Legacy BlackSky or Osprey for certain time based, historical transactions.

The Company's results of operations and statements of assets and liabilities may not be comparable between periods as a result of the Merger.

Company Overview

We own and operate one of the industry's leading high-performance low earth orbit ("LEO") small satellite constellations. Our constellation is optimized to cost-efficiently capture imagery at high revisit rates where and when our customers need it. The orbital configuration of our constellation is designed to collect data on the most critical and strategic locations in the world. With fourteen satellites in orbit as of December 31, 2022, our constellation is able to image certain locations every 60 to 90 minutes, from dawn to dusk, providing our customers with insights and situational awareness throughout the day. Our satellites are designed with agile pointing capabilities that enable our customers to task our constellation on demand to collect specific locations of interest. Our tasking methodology employs proprietary artificial intelligence ("AI")-enabled software to efficiently collect images of the most important strategic and economic assets and areas of interest to our customers. We believe that our focus on critical strategies and economic infrastructure and the AI-enabled tasking of our constellation differentiates us from our competitors, who are dedicated primarily to mapping the entirety of the Earth on a routine basis and who, therefore, require up to hundreds of satellites or incrementally more expensive satellites to support their mission. Our differentiated approach to space enables us to deliver highly targeted and valuable intelligence with a smaller constellation fleet that has the added benefit of greater operating and capital efficiencies.

Our Spectra AI software platform can, among other things, process millions of observations a day from our proprietary satellite constellation and from multiple external data sources including imaging, radar and radio frequency satellites, environmental sensors, asset tracking sensors, Internet-of-Things ("IoT") connected devices, internet-enabled narrative sources, and a variety of geotemporal data feeds. Spectra AI employs advanced, proprietary AI and machine learning ("ML") techniques to process, analyze, and transform these data feeds into alerts, information, and insights that our customers receive, all fully automated. Customers can access Spectra AI's data and analytics through easy-to-use web services or through platform application programming interfaces.

Our next generation satellites ("Gen-3"), expected to launch in 2024, are designed to improve our imaging resolution even further and include short wave infrared imaging technology for a broad set of imaging conditions, including nighttime and low-light. We believe these advancements will expand the relevance and certainty of our analytics to continue to ensure our importance to our customers. We also believe the combination of our high-revisit, small satellite constellation, our Spectra AI platform, and low constellation cost is transforming the market for geospatial imagery and space-based data and analytics.

Our operating strategy is to continue to enhance the capabilities of our satellite constellation, to increase the number of third-party data sources processed by our Spectra AI platform, and to expand our analytics offerings in order to increase the value we deliver to our customers. Our two strategic assets—our satellite constellation and our Spectra AI platform—are mutually reinforcing: as we capture ever more information about the world's most important strategic and economic assets and locations, our proprietary database expands and increases its utility; enabling us to better detect, understand, and predict changes that matter most to our customers. Our business has a natural and powerful "flywheel" effect: the more data we collect and analyze, the more valuable the insights we can deliver to our customers.

Our current customer base and end market mix are weighted towards U.S. and international defense and intelligence customers and markets. We believe there are significant opportunities to expand our imagery and software analytical services, as well as our professional and engineering service offerings, to a broad set of customers both domestically and internationally. In addition, our services and products can benefit customers in a variety of commercial markets including, but not limited to, energy and utilities, insurance, commodities, mining, manufacturing, logistics, supply chain management, agriculture, environmental monitoring, disaster and risk management, engineering and construction, retail and consumer behavior.

We offer a variety of pricing and utilization options for our imagery and software analytical service offerings, with the majority of our agreements structured as subscription contracts, followed by usage-based pricing and transactional licenses. These options provide customers flexibility to utilize our imagery and software analytical services in a manner that best suits their business needs. We offer a range of pricing tiers that enables the customer to manage collection priorities, when during critical events they can pay a premium to prioritize their monitoring and collection requirements. At other times, customers can select lower priority collections to allow for more economical utilization. We currently derive revenue from variable and fixed pricing plans that allow our customers to choose what matters most to them—platform licensing-levels, priority for imagery tasking, and whether to apply analytics or monitoring capabilities overtop the imaging service.

Merger with Osprey Technology Acquisition Corp

Upon the consummation of the Merger, a number of parties purchased an aggregate of 18.0 million shares of our Class A common stock (the "PIPE Shares"), for a purchase price of $10.00 per share, or an aggregate purchase price of $180.0 million, pursuant to a separate subscription agreement.

78,993,201 shares of Osprey common stock were issued for all of the issued and outstanding equity interests of Legacy BlackSky, inclusive of shares of Osprey's common stock issued in exchange for both Legacy BlackSky's issued and outstanding preferred stock and issued and outstanding convertible notes, (inclusive of interest accrued thereon), as if each had converted into Legacy BlackSky common stock immediately prior to the Merger.

The Merger was accounted for as a Reverse Recapitalization in accordance with GAAP. Under this method of accounting, Osprey is treated as the acquired company for financial reporting purposes, and Legacy BlackSky is treated as the accounting acquiror. In accordance with this accounting, the Merger is treated as the equivalent of Legacy BlackSky issuing stock for Osprey's net assets, accompanied by a recapitalization. Osprey's net assets are stated at historical cost, with no goodwill or other intangible assets recorded, and the Legacy BlackSky operations will be those of BlackSky. Legacy BlackSky was considered the acquirer based on the facts and circumstances, including the following factors evaluated at the time of the Merger:

- Legacy BlackSky's former stockholders held a majority ownership interest in BlackSky;
- Legacy BlackSky's senior management team comprise senior management of BlackSky;
- Legacy BlackSky was able to designate all but one director to BlackSky's initial board;
- Legacy BlackSky was the larger of the companies based on historical operating activity and employee base; and
- Legacy BlackSky's operations comprise the ongoing operations of BlackSky.

We received approximately $283.0 million in gross proceeds upon consummation of the Merger, comprised of approximately $103.0 million in cash held in trust by Osprey and the proceeds of a $180.0 million sale of PIPE Shares. Transaction expenses paid on closing totaled approximately $39.9 million and we paid post-closing transaction expenses of $6.3 million. Additionally, we repaid approximately $21.4 million in debt and accrued interest and $6.1 million in other close-related expenses. On September 13, 2021, we raised an additional $8.0 million through a direct sale of Class A common stock to Palantir Technologies at $10.00 per share. Net cash proceeds from the Merger, the PIPE Shares, and the Palantir financing, less transaction costs, debt repayments, accrued interest and other closing payments, totaled approximately $223.6 million.

As a public company, we are required to comply with Securities and Exchange Commission rules and regulations and New York Stock Exchange listing requirements.

Components of Operating Results

Revenue

Our revenue is generated by selling imagery and software analytics services through our Spectra AI platform and by providing professional and engineering services to strategic customers on a project basis.

- **Imagery and Software Analytical Services Revenue**

    - ***Imagery:*** We offer our customers high-revisit, on-demand high resolution electro optical satellite imaging services. Through our Spectra AI platform, customers can directly task our proprietary satellite constellation to collect and deliver imagery over specific locations, sites, and regions that are critical to their operations. We offer customers several service level options that include basic plans for on-demand tasking or multi-year assured access programs, where customers can secure priority access and imaging capacity at a premium over a region of interest on a take or pay basis.

    - ***Data, Software, and Analytics:*** Our analytics services are also offered on a subscription basis and provide customers with access to our site monitoring, event monitoring and global data services. We leverage our proprietary AI and ML algorithms to analyze data coming from both our proprietary sensor network and third-party space sources in real-time to provide data, insights, and analytics for our customers. We provide services related to object, change and anomaly detection, site monitoring, and enhanced analytics through which we can detect key pattern of life changes in critical locations. These critical locations can include strategic locations and infrastructure such as ports, airports, and construction sites; retail activity; commodities stockpiles; and other sites that contain critical commodities and supply chain inventory.

    We expect continued imagery and software analytical services revenue growth in the year ending December 31, 2023, as compared to the prior year, as a result of increases in our sales orders driven by stronger customer demand.

- **Professional and Engineering Services Revenue—**We develop and deliver advanced launch vehicle, satellite and payload systems for specific strategic customers that desire to leverage our capabilities in mission systems engineering and operations, ground station operations, software, analytics and systems development. These systems are sold to government customers under fixed price contracts and are often bundled with our imagery services offerings. In certain cases, we retain rights to intellectual property for developed technology of certain systems, and this paid effort offsets some of our product development effort.

    We also provide technology enabled professional service solutions to support customer-specific feature request and to support the integration, testing, and training of our imagery and software analytical services into the customers organizational processes and workflows. We also provide software systems engineering development services to support the integration of high volume and mass quantities of data in their operating platforms. We expect continued meaningful contribution from our professional and engineering services revenue.

Costs and Expenses

Our costs and expenses are incurred from the following categories:

- Imagery and software analytical services costs primarily include internal aerospace and geospatial software development labor, third-party data and imagery, internal labor to support the ground stations and space operations, and cloud computing and hosting services. Costs are expensed as incurred except for incremental costs to obtain a contract, primarily sales commissions, which are capitalized and amortized to selling, general, and administrative expenses on a systematic basis consistent with the transfer of goods and services. Expense related to stock-based payments is classified in the consolidated statements of operations and comprehensive loss based upon the classification of each employees' cash compensation. We recognize stock-based compensation expense for those employees whose work supports the imagery and software analytical service costs we provide to customers, under imagery and software analytical service costs, excluding depreciation and amortization.

- Professional and engineering service costs primarily include the cost of internal labor for design and engineering in support of long-term development contracts for launch vehicle, satellite, and payload systems as well as subcontract direct materials and external labor costs to build and test specific components, such as the communications system, payload demands, and sensor integration. In addition, we also recognize internal labor costs and external subcontract labor costs for our customer-centric software service solutions. We recognize stock-based compensation expense for those employees who provide professional and engineering services support to customers, under professional and engineering service costs, excluding depreciation and amortization.

Operating Expenses

Our operating expenses are incurred from the following categories:

- Selling, general, and administrative expense consists of salaries and benefit costs, development costs, professional fees, and other expenses which includes other personnel-related costs, stock-based compensation expenses for those employees who generally support our business and operations, and occupancy costs. Our development costs include internal labor costs to develop critical real-time software and geospatial analytic solutions and solution enhancements, including mapping, analysis, site target monitoring, and news feeds.
- Research and development expense consists of employees' salaries, taxes, and benefits costs incurred for data science modeling and algorithm development related to our Spectra AI platform, and for the strategic development efforts to support our long-term strategy. In addition, we employ and classify third-party vendors who fulfill our strategic projects as research and development expense. We intend to continue to invest appropriate resources in research and development efforts, as we believe that investment is critical to maintaining our competitive position.
- Depreciation expense is related to property and equipment which mainly consists of operational satellites. Amortization expense is related to intangible assets which mainly consists of customer relationships.

Results of Operations for the Years Ended December 31, 2022 and 2021

Effective January 1, 2022, the Company reorganized its captions on the consolidated statements of operations and comprehensive loss to better align the Company's broad portfolio. As a result, for the year ended December 31, 2021, the amounts presented to reflect the impact of the reorganization have been recasted. This resulted in a $9.7 million reclassification between imagery & software analytical services revenue and professional & engineering services revenue and an $8.5 million reclassification between imagery & software analytical service costs, excluding depreciation and amortization and professional & engineering service costs, excluding depreciation and amortization in the Company's consolidated statements of operations and comprehensive loss. Period to period comparisons are not necessarily indicative of future results. The following table provides the components of results of operations for the years ended December 31, 2022 and 2021:

	Years Ended December 31, 2022	2021	$ Change	% Change
	(dollars in thousands)			
Revenue				
Imagery & software analytical services	$ 47,415	$ 15,365	$ 32,050	208.6 %
Professional & engineering services	17,935	18,720	(785)	(4.2)%
Total revenue	65,350	34,085	31,265	91.7 %
Costs and expenses				
Imagery & software analytical service costs, excluding depreciation and amortization	14,462	13,013	1,449	11.1 %
Professional & engineering service costs, excluding depreciation and amortization	21,365	21,735	(370)	(1.7)%
Selling, general and administrative	79,672	86,655	(6,983)	(8.1)%
Research and development	739	112	627	559.8 %
Depreciation and amortization	35,661	14,306	21,355	149.3 %
Satellite impairment loss	—	18,407	(18,407)	NM
Operating loss	(86,549)	(120,143)	33,594	28.0 %
Gain on debt extinguishment	—	4,059	(4,059)	NM
Gain on derivatives	11,812	23,885	(12,073)	(50.5)%
Income on equity method investment	2,087	1,027	1,060	103.2 %
Interest income	1,116	—	1,116	NM
Interest expense	(5,426)	(5,165)	(261)	(5.1)%
Other income (expense), net	2,081	(147,656)	149,737	101.4 %
Loss before income taxes	(74,879)	(243,993)	169,114	69.3 %
Income tax (expense) benefit	—	—	—	— %
Loss from continuing operations	(74,879)	(243,993)	169,114	69.3 %
Discontinued operations:				
Gain (loss) from discontinued operations, net of income taxes	707	(1,650)	2,357	142.8 %
Income tax (expense) benefit	—	—	—	— %
Gain (loss) from discontinued operations, net of income taxes	707	(1,650)	2,357	142.8 %
Net loss	$ (74,172)	$ (245,643)	$ 171,471	69.8 %

- NM – Fluctuation in terms of percentage change is not meaningful.

Revenue

	Years Ended December 31,		$	%
	2022	2021	Change	Change
	(dollars in thousands)			
Imagery & software analytical revenue	$ 47,415	$ 15,365	$ 32,050	208.6 %
% of total revenue	72.6 %	45.1 %		
Professional & engineering services revenue	17,935	18,720	(785)	(4.2)%
% of total revenue	27.4 %	54.9 %		
Total revenue	$ 65,350	$ 34,085	$ 31,265	91.7 %

Imagery and Software Analytical Services Revenue

Imagery and software analytical services revenue significantly increased for the year ended December 31, 2022, as compared to the same period in 2021, driven by increased imagery and analytics orders from existing customers and several firm-fixed price subscription contracts with new domestic and international customers. In May 2022, we were awarded a subscription contract to deliver advanced high frequency imagery services with an initial contract value of $85.8 million, over a five-year base period, with future year options that, if exercised in full, would increase the contract value to over $1.0 billion and increase the contract term up to ten years. This contract is expected to have a material impact to future revenue. In addition, we were awarded a multi-million dollar contract to provide on-demand satellite imagery and analytics for an international government, which significantly contributed to the increased revenue in the year ended December 31, 2022 compared to the same period in 2021. In addition, analytics revenue also increased primarily from the fulfillment of recently awarded firm-fixed price delivery orders for economic activity monitoring. Expansion of our constellation after placing seven satellites into orbit in 2021 and the growing capabilities of our constellation also contributed to meeting increased customer demand for imagery and analytics orders.

Professional and Engineering Services Revenue

Professional and engineering services revenue decreased slightly for the year ended December 31, 2022, as compared to the same period in 2021, primarily due to fewer active contracts in 2022, partially offset by increases in the percentage completion of two engineering services contracts, driven by achievement of critical design milestones and delivery of major components of the contract requirements.

Costs and Expenses

	Years Ended December 31,		$	%
	2022	2021	Change	Change
	(dollars in thousands)			
Imagery & software analytical service costs, excluding depreciation and amortization	$ 14,462	$ 13,013	$ 1,449	11.1 %
Professional & engineering service costs, excluding depreciation and amortization	21,365	21,735	(370)	(1.7) %
Total costs	$ 35,827	$ 34,748	$ 1,079	3.1 %

Imagery and Software Analytical Service Costs

Imagery and software analytical service costs increased for the year ended December 31, 2022, as compared to the same period in 2021, primarily due to increased data sourced from different sensors such as synthetic aperture radar, third-party service costs such as increased hosting costs due to increased data volumes and maintaining the growth of our satellite and ground stations networks, and third-party subcontractor costs to meet specific needs of new customer programs partially offset by lower stock-based compensation expense. We recorded $0.6 million of stock-based compensation expense during the year ended December 31, 2022 as compared to $1.8 million for the year ended December 31, 2021 primarily related to vesting of restricted stock units ("RSUs") triggered by the completion of the Merger.

Professional and Engineering Service Costs

Professional and engineering service costs decreased slightly for the year ended December 31, 2022 as compared to the same period in 2021, primarily due to fewer active contracts in 2022, partially offset by an increase of $1.3 million in the estimate to complete on two contracts in 2022 as compared to the prior year. The estimation of total estimated costs to complete on long-term projects are subject to many variables and requires judgment and we may have future changes in estimates, which may have an impact on professional and engineering service costs and associated revenues.

Selling, General, and Administrative

	Years Ended December 31, 2022	Years Ended December 31, 2021	$ Change	% Change
	(dollars in thousands)			
Stock-based compensation expense	$ 18,131	$ 38,450	$ (20,319)	(52.8)%
Salaries and benefit costs	36,517	27,323	9,194	33.6 %
Development costs	826	1,419	(593)	(41.8)%
Professional fees	5,082	6,061	(979)	(16.2)%
Information technology, recruiting, and other administrative expenses	6,290	5,823	467	8.0 %
Selling and marketing	5,553	3,817	1,736	45.5 %
Rent expense	2,821	1,958	863	44.1 %
Insurance	4,452	1,804	2,648	146.8 %
Selling, general and administrative	$ 79,672	$ 86,655	$ (6,983)	(8.1)%

Selling, general, and administrative expenses decreased during the year ended December 31, 2022 as compared to the same period in 2021. Stock-based compensation expense decreased approximately $20.3 million related to the cumulative vesting of RSUs triggered by the successful execution of the Merger in the third quarter of 2021. Salaries and payroll-related benefits increased due to headcount growth in sales, software engineers, and administrative functions. In addition, our public company insurance costs increased during the year ended December 31, 2022 as a result of increased time as a public company caused by the Merger in the third quarter of 2021 and selling and marketing increased due to more advertising, commissions, and trade show expenses.

The following is our forecast for total RSU expense as of December 31, 2022, which, in addition to the amounts recognized in selling, general, and administrative expenses, includes the portion that will be capitalized or classified in imagery and software analytical service costs and professional and engineering service costs:

		(in thousands)
For the years ending December 31,		
2023	$	9,043
2024		4,384
2025		3,352
2026		1,200
	$	17,979

Research and Development

	Years Ended December 31,		$	%
	2022	2021	Change	Change
	(dollars in thousands)			
Research and development	$ 739	$ 112	$ 627	559.8 %

Research and development expense increased for the year ended December 31, 2022 as compared to the same period in 2021. The increase was driven by contracting third-party vendors who fulfill our strategic projects as research and development expense.

Depreciation and Amortization

	Years Ended December 31,		$	%
	2022	2021	Change	Change
	(dollars in thousands)			
Depreciation of satellites	$ 33,053	$ 12,493	$ 20,560	164.6 %
Depreciation of all other property and equipment	2,047	455	1,592	349.9 %
Amortization	561	1,358	(797)	(58.7)%
Depreciation and amortization	$ 35,661	$ 14,306	$ 21,355	149.3 %

Depreciation expense from satellites increased for the year ended December 31, 2022 as compared to 2021. The increase was driven by six satellites placed in service in the last quarter of 2021 and two satellites placed in service in the first half of 2022.

Depreciation expense from all other property and equipment increased for the year ended December 31, 2022 as compared to 2021, primarily driven by capitalization of software in 2022 and additional computer equipment that was placed into service.

Amortization expense decreased for the year ended December 31, 2022 as compared to 2021 primarily as a result of in-process research and development from a prior acquisition being fully amortized in 2021.

Satellite Impairment Loss

We recorded a satellite impairment loss for the year ended December 31, 2021 resulting from the loss of two of our satellites, which occurred on May 15, 2021 when a rocket carrying those satellites suffered a failure during flight. This resulted in an impairment loss of $18.4 million, the full carrying value of the satellites, recorded to earnings during the year ended December 31, 2021. The $18.4 million loss included satellite procurement, launch, shipping, launch support, and other associated costs. There were no satellite impairment losses in the year ended December 31, 2022.

Non-Operating Expenses

	Years Ended December 31,		$	%
	2022	2021	Change	Change
	(dollars in thousands)			
Gain on debt extinguishment	$ —	$ 4,059	$ (4,059)	NM
Gain on derivatives	11,812	23,885	(12,073)	(50.5)%
Income on equity method investment	2,087	1,027	1,060	103.2 %
Interest income	1,116	—	1,116	NM
Interest expense	(5,426)	(5,165)	(261)	(5.1)%
Other income (expense), net	2,081	(147,656)	149,737	101.4 %

- NM – Fluctuation in terms of percentage change is not meaningful.

Gain on derivatives

Fluctuations in our equity warrants and other equity instruments that we classify as derivative liabilities and measure at fair value are significantly driven by our common stock price; these instruments generated a gain during the year ended December 31, 2022.

During the year ended December 31, 2021, we recorded a gain on derivative liabilities primarily due to the change in our common stock price following the Merger.

Income on equity method investment

The fluctuations in earnings from our equity method investment is directly related to the operating performance of our joint venture LeoStella.

Interest income

Interest income increased during the year ended December 31, 2022 as a result of our short-term investments purchased in 2022.

Interest expense

Interest expense was consistent year over year.

Other income (expense), net

For the year ended December 31, 2022, other income (expense), net primarily included $2.0 million of proceeds from an earnout payment from Spaceflight, Inc.

For the year ended December 31, 2021, we incurred an initial loss of $99.7 million upon issuances of the Bridge Notes and Bridge Notes Rights Offering executed in the first half of 2021 as the fair value of these notes and the accompanying Legacy BlackSky common shares and Class A common stock warrants that were granted to certain investors was in excess of the proceeds received.

We also incurred $47.7 million in debt issuance costs in 2021 related to the Bridge Notes and the modification of existing debt arrangements. We expensed the debt issuance costs because the Bridge Notes were carried in the consolidated balance sheets at fair value. Upon consummation of the Merger, the Bridge Notes and associated warrant liabilities were converted to equity and extinguished. We do not expect similar charges in future periods.

Gain (loss) from discontinued operations, net of income taxes

	Years Ended December 31, 2022	Years Ended December 31, 2021	$ Change	% Change
	(dollars in thousands)			
Gain (loss) from discontinued operations, net of income taxes	$ 707	$ (1,650)	$ 2,357	142.8 %

On June 12, 2020, we completed the sale of 100% of our interests in Spaceflight to M&Y Space for a final purchase price of $31.6 million. During the year ended December 31, 2021, we recorded a liability for a potential working capital adjustment primarily related to target accounts receivable amount in accordance with the sale.

During the year ended December 31, 2022, the Company received an indemnification claim notice regarding certain collection and tax payments related to the Share Purchase Agreement among BlackSky Holdings, Inc., Spaceflight, Inc., and M&Y Space Co., Ltd. The parties agreed to the framework for a global settlement of such indemnification claims, to include a settlement payment by the Company of $1.0 million and a holdback amount of $0.1 million subject to M&Y Space Co.'s ability to collect against certain receivables. As a result, we reduced our existing contingent liability by $707 thousand.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, management utilizes certain non-GAAP performance measures, Adjusted EBITDA, and free cash flow for purposes of evaluating our ongoing operations and for internal planning and forecasting purposes. Our management and board of directors believe that these non-GAAP operating measures, when reviewed collectively with our GAAP financial information, provide useful supplemental information to investors in assessing our operating performance.

Adjusted EBITDA

Adjusted EBITDA is defined as net income or loss attributable to us before interest income, interest expense, income tax expense or benefit, depreciation and amortization, as well as significant non-cash and/or non-recurring expenses as our management believes these items are not useful in evaluating our core operating performance. These items include, but are not limited to, realized loss on conversion of Bridge Notes, stock-based compensation expense, unrealized (gain) loss on certain warrants/shares classified as derivative liabilities, satellite impairment loss, proceeds from an earnout payment, gain on debt extinguishment, (gain) loss from discontinued operations, net of income taxes, severance, income on equity method investment, transaction-related legal settlements, and transaction costs associated with equity instruments accounted for as derivative liabilities. We have presented Adjusted EBITDA because it is a key measure used by our management and board of directors to understand and evaluate our operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. In particular, we believe that the exclusion of certain items in calculating Adjusted EBITDA can produce a useful measure for period-to-period comparisons of our business. Accordingly, we believe that Adjusted EBITDA provides useful information in understanding and evaluating our operating results. In addition, we believe that Adjusted EBITDA provides additional information for investors to use in evaluating our ongoing operating results and trends. This non-GAAP measure provides investors with incremental information for the evaluation of our performance after isolation of certain items deemed unrelated to our core business operations.

Adjusted EBITDA is presented as a supplemental measure to our GAAP measures of performance. When evaluating Adjusted EBITDA, you should be aware that we may incur future expenses similar to those excluded when calculating this measure. In addition, our presentation of this measure should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Furthermore, our computation of Adjusted EBITDA may not be directly comparable to similarly titled measures computed by other companies, as the nature of the adjustments that other companies may include or exclude when calculating Adjusted EBITDA may differ from the adjustments reflected in our measure. Because of these limitations, Adjusted EBITDA should not be considered in isolation, nor should this measure be viewed as a substitute for the most directly comparable GAAP measure, which is net loss. We compensate for the limitations of non-GAAP measures by relying primarily on our

GAAP results. You should review the reconciliation of our net loss to Adjusted EBITDA below and not rely on any single financial measure to evaluate our performance.

The table below reconciles our Net loss to Adjusted EBITDA for the years ended December 31, 2022 and 2021:

	Years Ended December 31,	
	2022	**2021**
	(in thousands)	
Net loss	$ (74,172)	$ (245,643)
Interest income	(1,116)	—
Interest expense	5,426	5,165
Depreciation and amortization	35,661	14,306
Loss on issuance of Bridge Notes, including debt issuance costs expensed for debt carried at fair value	—	147,387
Stock-based compensation expense	20,025	42,571
Gain on derivatives	(11,812)	(23,885)
Satellite impairment loss	—	18,407
Proceeds from earn-out payment	(2,000)	—
(Gain) loss from discontinued operations, net of income taxes	(707)	1,650
Severance	1,196	—
Income on equity method investment	(2,087)	(1,027)
Forgiveness of non-trade receivables	106	—
Contingent legal liability	—	399
Transaction costs associated with derivative liabilities	—	291
Gain on debt extinguishment	—	(4,059)
Adjusted EBITDA	$ (29,480)	$ (44,438)

Free Cash Flow

We define free cash flow as cash flows used in, or provided by, operating activities—continuing operations plus cash flows used in, or provided by, operating activities—discontinued operations less purchase of property and equipment and satellite procurement work in process. We have presented free cash flow because it is used by our management and board of directors as an indicator of the amount of cash we generate or use and to evaluate our ability to satisfy current and future obligations and to fund future business opportunities. Accordingly, we believe that free cash flow provides useful information to investors and others, enhancing the overall understanding of our ability to satisfy our financial obligations and pursue business opportunities, and allowing for greater transparency with respect to a key financial metric used by our management in their financial and operational decision-making.

Free cash flow is not defined by GAAP and should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP. There are a number of limitations related to the use of free cash flow rather than net cash from (used in) operating activities, which is the most directly comparable GAAP equivalent. Some of these limitations are:

- free cash flow is not a measure of cash available for discretionary expenditures since we have certain non-discretionary obligations such as debt repayments or capital lease obligations that are not deducted from the measure; and
- other companies, including companies in our industry, may calculate free cash flow differently, which reduces its usefulness as a comparative measure.

The table below reconciles our net cash used in operating activities to free cash flow for the years ended December 31, 2022 and 2021:

	Years Ended December 31,	
	2022	2021
	(in thousands)	
Net cash used in operating activities	$ (44,456)	$ (53,872)
Purchase of property and equipment	(11,677)	(1,266)
Satellite procurement work in process	(32,385)	(62,643)
Free cash flow	$ (88,518)	$ (117,781)
Net cash used in investing activities	$ (81,579)	$ (63,614)
Net cash (used in) provided by financing activities	(5,053)	275,017

Liquidity and Capital Resources

As of December 31, 2022, our existing sources of liquidity included cash and cash equivalents and short-term investments. Our cash and cash equivalents excluding restricted cash totaled $34.2 million and $165.6 million as of December 31, 2022 and December 31, 2021, respectively, and our short-term investments totaled $38.0 million and $0 as of December 31, 2022 and December 31, 2021, respectively. We have incurred losses and generated negative cash flows from operations since our inception in September 2014. As of December 31, 2022, we had an accumulated deficit of $545.1 million.

Our short-term liquidity as of December 31, 2022 was comprised of the following:

	(in thousands)
Cash and cash equivalents	$ 34,181
Restricted cash[(1)]	2,835
Short-term investments[(2)]	37,982
	$ 74,998

[(1)] We expect that $1.0 million of restricted cash will transfer to cash and cash equivalents by June 30, 2023.
[(2)] Short-term investments are included in cash flows from investing activities in the consolidated statements of cash flows.

We expect cash and cash equivalents and cash generated from operating activities to be sufficient to meet our working capital and capital expenditure needs for the foreseeable future. Our future long-term capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support solution development efforts, the expansion of sales and marketing activities, the ongoing investments in technology infrastructure, the introduction of new and enhanced solutions, and the continuing market acceptance of our solutions.

On March 8, 2023, the Company completed the closing of a private placement where the Company issued 16,403,677 shares of the Company's Class A common stock (the "Shares") and warrants to purchase up to an additional 16,403,677 shares of Common Stock.

The purchase price of each Share and associated warrant was $1.79. The aggregate gross proceeds to the Company from the private placement were approximately $29.5 million, before deducting the placement agent fees and other offering expenses payable by the Company. The Company intends to use the net proceeds from the private placement for general corporate purposes, including working capital.

On March 10, 2023, Silicon Valley Bank ("SVB") was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver. On March 13, 2023, the FDIC announced that it had transferred all insured and uninsured deposits and substantially all assets of SVB to a newly created, full-service FDIC-operated "bridge bank" called Silicon Valley Bank, N.A., where depositors would have full access to their money beginning immediately. We believe that the impact to our operations, vendors and customers is immaterial to our liquidity.

From time to time, we may seek additional equity or debt financing to fund capital expenditures, strategic initiatives or investments and our ongoing operations. We do not have a line of credit or access to immediate funds and we are not subject to any financial or minimum cash metrics. If we decide, or are required, to seek additional financing from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, financial condition and results of operations could be adversely affected.

Funding Requirements

While our expenses may continue to exceed our revenues in the near term due to investments we are making in sales, marketing and products to increase our market share, we expect this difference to decline as we progress to becoming operating cash flow positive. We expect to continue to incur capital expenditures as we procure and launch satellites to increase image collection capacity, as well as investing in our Gen-3 satellites and our Spectra AI platform to significantly expand our product capabilities in the future.

Short-term liquidity requirements

As of December 31, 2022, our current assets were approximately $88.5 million, consisting primarily of cash and cash equivalents, restricted cash, short-term investments, trade receivables, prepaid expenses and other current assets, and contract assets.

As of December 31, 2022, our current liabilities were approximately $26.9 million, consisting primarily of accounts payable and accrued liabilities, contract liabilities, and other non-recurring current liabilities. Accordingly, we have sufficient cash and working capital to fund our short-term liquidity requirements.

Long-Term Liquidity Requirements

We anticipate that our most significant long-term liquidity and capital needs will relate to continued funding of operations, satellite development capital expenditures, launch capital expenditures, and ongoing investments in our Spectra AI platform and internal infrastructure that will enable us to scale the business efficiently and securely. We can manage the timing for a large part of our capital expenditures, including the design, build, and launch of our new satellites currently under development, to provide us with additional flexibility to optimize our long-term liquidity requirements. Macroeconomic conditions and credit markets could also impact the availability and, or, the cost of potential future debt or equity financing.

Cash Flow Analysis

The following table provides a summary of cash flow data for the years ended December 31, 2022 and 2021:

	Years Ended December 31, 2022	Years Ended December 31, 2021	$ Change
	(in thousands)		
Net cash used in operating activities	$ (44,456)	$ (53,872)	$ 9,416
Net cash used in investing activities[1]	(81,579)	(63,614)	(17,965)
Net cash (used in) provided by financing activities	(5,053)	275,017	(280,070)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(131,088)	157,531	(288,619)
Cash, cash equivalents, and restricted cash – beginning of year	168,104	10,573	157,531
Cash, cash equivalents, and restricted cash – end of period[2]	$ 37,016	$ 168,104	$ (131,088)

[1] Includes purchase of $50.3 million of short-term investments not categorized as cash
[2] $38.0 million of short-term investments are not classified as cash, cash equivalents, or restricted cash. Our short-term liquidity at December 31, 2022 was $75.0 million

Operating activities

For the year ended December 31, 2022, net cash used in operating activities was approximately $44.5 million. The contributor to the decrease in cash used during the year ended December 31, 2022 was the decrease in the operating loss, adjusted for depreciation, amortization, stock-based compensation expense, and other non-cash items in the year ended December 31, 2022 as compared to the year ended December 31, 2021. The operatingloss decrease in the year ended December 31, 2022 was primarily due to increased imagery and analytics revenue. This was partially offset by an increase in our unbilled contract assets.

Investing activities

We continue to have significant cash outflows for satellite procurement and launch related services. Cash paid for the procurement of satellites and other launch-related costs decreased in the year ended December 31, 2022 as compared to 2021. Satellite capital expendituresdecreased year over year by optimizing cash spend to meet our short and long-term operational needs. In addition, we purchased $50.3 million of short-term investments in corporate debt and governmental securities, which was partially offset by $13.0 million of proceeds from the investments.

We also continue to incur labor costs for internally developed capitalized software as we add innovative new services and tools to our Spectra AI platform.

Financing activities

The most significant impact in the change in cash flows from financing activities in the year ended December 31, 2022 as compared to the year ended December 31, 2021 was related to the $244.9 million proceeds from the Merger, or recapitalization transaction, net of equity issuance costs, and the $58.6 million loan proceeds from the Bridge Notes, both of which occurred in the prior year.

Contractual Obligations and Commitments

As of December 31, 2022, we have a debt facility from related parties with an outstanding principal amount of $77.1 million and $1.2 million of accrued interest, which matures in October 2024. Please see Note 22 for further information on this facility. We have operational commitments for the next several years related to office leases and remote ground station service arrangements of $6.3 million and $1.5 million, respectively. Please see Note 24 for further information.

We have commitments for launch and integration services with a launch services provider. As of December 31, 2022, we have a commitment for one launch to include up to two satellites totaling an amount of $1.7 million with options for additional launches. The terms of the arrangement also allow for us to re-manifest the satellites if there are delays in excess of 365 days or other inexcusable delays occur with the provider. If re-manifest efforts fail, we can request a refund of all recoverable costs after 487 days from original launch date. The launch service provider invoices are based on time-based milestone payments from estimated launch dates. Payment terms are 15 days from invoice date. In addition, we entered into various other operational commitments for the next several years totaling $9.8 million as of December 31, 2022.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements and related notes requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Management has based its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

For a description of our significant accounting policies see Note 2—"Basis of Presentation and Summary of Significant Accounting Policies," of the notes to the consolidated financial statements. An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements. Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our consolidated financial statements.

Revenue Recognition

The recognition and measurement of revenue requires the use of judgments and estimates. Specifically, judgment is used in interpreting complex arrangements with nonstandard terms and conditions and determining when all criteria for revenue recognition have been met.

We primarily generate revenue from the sale of imagery, data, software, and analytics, as well as, professional and engineering services.

Identifying the performance obligations contained in a contract, determining transaction price, allocating transaction price, and determining when performance obligations are satisfied can require the application of significant judgment, as further discussed below.

Identifying the performance obligations in a contract

We execute contracts for a single promise or multiple promises. Specifically, our firm fixed price contracts typically include multiple promises which are accounted for as separate performance obligations. Significant judgment is required in determining performance obligations, and these decisions could change the amount of revenue and profit or loss recorded in each period.

Classification of Revenue

We classify revenue as imagery and software analytical services, and professional and engineering services in our consolidated statements of operations and comprehensive loss based on the predominant attributes of the performance obligations.

Determination of and Allocation of Transaction Price

Each customer purchase order sets forth the transaction price for the products and services purchased under the arrangement. The Company estimates any variable consideration, and whether the transaction price is constrained, upon execution of each contract. We may adjust the transaction price over time for any estimated constraints that become probable based on service level provisions within some of our customer purchase orders. For contracts with multiple performance obligations, we evaluate whether the stated selling prices for the products or services represent their standalone selling prices. When it is necessary to allocate the transaction price to multiple performance obligations, management typically uses the expected cost plus a reasonable profit margin to estimate the standalone selling price of each product or service. We also sell standard products or services with observable standalone revenue transactions. In these situations, the observable standalone revenue transactions are used to determine the standalone selling price.

Determination of when Performance Obligations are Satisfied

Imagery revenue is recognized ratably over the subscription period or at the point in time the customer receives access to the imagery. Software analytical services revenue derived from data, software, and analytics is recognized from the rendering of analytical and monitoring services over time on a firm-fixed price, or at the point in time the customer receives access to an analytic product. Professional and engineering services revenue is generated from both time and materials basis contracts and firm-fixed price service solutions contracts and firm-fixed price long-term engineering and construction contracts. Due to the long-term nature of our engineering and construction contracts, we generally recognize revenue over time using a cost-to-cost measure of progress because it best depicts the transfer of control to the customer as we incur costs on the contracts. Under the percentage-of-completion cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs to complete the performance obligation(s). The estimation of total estimated costs at completion is subject to many variables and requires judgment. We recognize changes in contract estimates on a cumulative catch-up basis in the period in which the changes are identified. Such changes in contract estimates can result in the recognition of revenue in a current period for performance obligations which were satisfied or partially satisfied in a prior period. If at any time, the estimate of contract profitability indicates a probable anticipated loss on the contract, we recognize the total loss as and when known.

Equity Valuations

As there was not a market for Legacy BlackSky equity, valuations of Legacy BlackSky equity instruments require the application of significant estimates, assumptions, and judgments. These valuations impact various amounts and accounting conclusions reflected in our consolidated financial statements, inclusive of the recognition of equity-based compensation, debt discounts when debt issuances were accompanied by the issuance of equity (e.g., warrants), and the evaluation of whether beneficial conversion features existed within our convertible financial instruments. The following discussion provides additional details regarding the significant estimates, assumptions, and judgments that impacted the determination of the fair values of equity-based compensation awards, warrants, and the preferred stock and common stock that comprised our capital structure prior to the Merger. The following discussion also explains why these estimates, assumptions, and judgments could be subject to uncertainties and future variability.

Equity-Based Compensation

Legacy BlackSky issued equity and equity-based awards under our 2021 Equity Incentive Plan (“2021 Plan”), 2014 stock incentive plan, and 2011 stock incentive plan. Awards issued include stock options, restricted stock awards (“RSAs”), and RSUs. Awards under these Plans were approved by the board of directors, and awards that have been canceled, forfeited, or expired are available for issuance in connection with our 2021 Plan.

For purposes of recognizing equity-based compensation related to RSAs, RSUs, and stock options granted to employees, management estimates the grant date fair values of such awards to measure the costs to be recognized for services received. For awards with time-based vesting conditions, we recognize compensation costs based upon the straight-line amortization of the grant date fair value of the awards over the requisite service period. When equity-based compensation awards include a performance condition, no compensation is recognized until the performance condition is deemed probable to occur; we then recognize compensation costs based on the accelerated attribution method, which accounts for awards with discrete vesting dates as if they were a separate award.

Stock Option and Class A Common Stock Warrant Valuations

We use the Black-Scholes option-pricing model to value all options and Class A common stock warrants. Estimating the fair value of stock options using the Black-Scholes option-pricing model requires the application of significant assumptions, such as the fair value of our Class A common stock, the estimated term of the options, risk-free interest rates, the expected volatility of the price of our Class A common stock, and an expected dividend yield. Each of these assumptions is subjective, requires significant judgement, and is based upon management's best estimates. If any of these assumptions were to change significantly in the future, equity-based compensation related to future awards may differ significantly, as compared with awards previously granted.

We have largely moved towards granting RSAs and RSUs to the bulk of our employees, for which the grant date fair value is equal to the trading price fair value of the Class A common stock on the date of grant. For stock options, which are primarily granted to certain management employees, we use the following inputs under Black-Scholes as follows:

Expected Dividend Yield—The Black-Scholes valuation model requires an expected dividend yield as an input. The dividend yield is based on historical experience and expected future changes. We currently have no plans to pay dividends on our Class A common stock and, accordingly, have assumed no dividend yield upon valuation of our stock options.

Expected Volatility—As there was no observable volatility with respect to our Legacy BlackSky Class A common stock and due to the lack of sufficient history of BlackSky Class A common stock, the expected volatility of our Legacy BlackSky and BlackSky Class A common stock was estimated based upon the historical share price volatility of guideline comparable companies.

Risk-free Interest Rate—The yield on actively traded, non-inflation indexed U.S. Treasury notes was used to extrapolate an average risk-free interest rate based on the expected term of the underlying grants.

Expected Term—For options granted in 2021 and 2022, since there is not a history of option exercises as a public company, we considered the option vesting terms and contractual period, as well as the demographics of the holders, in estimating the expected term. For options granted prior to 2021, the expected term was the estimated duration to a liquidation event based on a weighted average consideration of the most likely exit prospects for that stage of development. Legacy BlackSky was privately funded and, accordingly, the lack of marketability was factored into the expected term of options granted. We will continue to review our estimate in the future and adjust it, if necessary, due to changes in our historical exercises.

Private Placement Warrants and Sponsor Shares

We have classified the Private Placement Warrants and Sponsor Shares as long-term liabilities in our consolidated balance sheets as of December 31, 2022 and December 31, 2021. Each liability was initially recorded at fair value on the date of the Merger. The Private Placement Warrants were recorded at fair value using a Black-Scholes option pricing model and the Sponsor Shares were recorded at fair value using a Monte Carlo simulation model. These liabilities are re-measured to fair value at each subsequent reporting date and recorded to gain on derivatives on our consolidated statements of operations and comprehensive loss. We will continue to adjust the liability for changes in fair value until the financial instruments are exercised, redeemed, cancelled or released.

The fair value models require inputs including, but not limited to, the fair value of our Class A common stock, the risk-free interest rate, expected term, expected dividend yield and expected volatility. The fair value of our Class A common stock is the closing stock price on the NYSE as of the measurement date. The risk-free interest rate assumption is determined by using U.S. Treasury rates for the same period as the expected terms of the financial instruments. The dividend yield assumption is based on the dividends expected to be paid over the expected life of the financial instruments. We have historically been a private company and lacked sufficient company-specific historical and implied volatility information. Therefore, the expected stock volatility includes both BlackSky's Class A common stock and public warrant historical volatility as well as the historical volatility of a publicly traded set of peer companies. Changes in these assumptions can materially affect the estimate of the fair value of these instruments and ultimately the change in fair value.

Goodwill Impairment

We assess goodwill for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment. Goodwill is tested annually for impairment as of October 1st, or more frequently if events or circumstances indicate the carrying value may be impaired. A significant amount of judgement is involved in determining if an indicator of impairment has occurred. Such indicators may include (a) a significant decline in our common stock value; (b) a significant decline in our expected future cash flows; (c) a significant adverse change in legal factors or the business climate; (d) unanticipated competition; or (e) slower growth rates. We identify potential impairment by comparing the fair value of each of our reporting units with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

We performed an annual qualitative goodwill assessment over the balance of goodwill we held related to the BlackSky reporting unit as of October 1, 2022. We also determined that no triggering events occurred during the year ended December 31, 2022 that would require a quantitative assessment. We determined that it is more likely than not that the fair value of the BlackSky reporting unit sufficiently exceeds its carrying value, including goodwill. Although we have a history of recurring losses from operations, negative cash flows from operations, and a significant accumulated deficit, as of the October 1, 2022 analysis, the fair value was greater than 34% in excess of the carrying value for BlackSky. As of December 31, 2022, we believe that the estimated fair values of the BlackSky reporting unit is still in excess of its respective carrying value and therefore is not at-risk of being impaired.

Long Lived Asset Impairment

We evaluate long-lived assets, including finite-lived intangible assets, property and equipment, satellite procurement work in process and other long-term assets, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. Significant judgments in this area involve determining whether a triggering event has occurred and determining the future cash flows for assets involved. In conducting this analysis, we compare the undiscounted cash flows expected to be generated from the long-lived assets (or asset group) to the related net book values. If the undiscounted cash flows exceed the net book value, the long-lived assets are considered not to be impaired. If the net book value exceeds the undiscounted cash flows, an impairment charge is measured and recognized based upon the difference between the carrying value of long-lived assets (or asset group) and their fair value.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is set forth beginning on page F-1 on this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report, is recorded, processed, summarized, and reported within the time period specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of reasonably ensuring that such information is accumulated and communicated to our management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer (our "Certifying Officers"), the effectiveness of our disclosure controls and procedures as of December 31, 2022, pursuant to Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our Certifying Officers concluded that, as of December 31, 2022, our disclosure controls and procedures were effective at a reasonable assurance level.

In designing and evaluating the disclosure controls and procedures, management recognized that controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company will be detected.

Management's Report on Internal Control Over Financial Reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, and effected by the Company's board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not detect or prevent misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of December 31, 2022, our management assessed the effectiveness of our internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on the assessment, management believes that we maintained effective internal control over financial reporting as of December 31, 2022, based on those criteria.

Attestation Report of the Registered Public Accounting Firm

Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal control over financial reporting for as long as we are an "emerging growth company" pursuant to the provisions of the JOBS Act.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting, (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the year ended December 31, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We will provide information that is responsive to this Item 10 in our definitive proxy statement for our 2023 Annual Meeting of Stockholders or in an amendment to this Annual Report on Form 10-K not later than 120 days after December 31, 2022. Such information is incorporated into this Item 10 by reference.

ITEM 11. EXECUTIVE COMPENSATION

We will provide information that is responsive to this Item 11 in our definitive proxy statement for our 2023 Annual Meeting of Stockholders or in an amendment to this Annual Report on Form 10-K not later than 120 days after December 31, 2022. Such information is incorporated into this Item 11 by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

We will provide information that is responsive to this Item 12 in our definitive proxy statement for our 2023 Annual Meeting of Stockholders or in an amendment to this Annual Report on Form 10-K not later than 120 days after December 31, 2022. Such information is incorporated into this Item 12 by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

We will provide information that is responsive to this Item 13 in our definitive proxy statement for our 2023 Annual Meeting of Stockholders or in an amendment to this Annual Report on Form 10-K not later than 120 days after December 31, 2022. Such information is incorporated into this Item 13 by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information about aggregate fees billed to us by our principal accountant, Deloitte & Touche LLP (PCAOB ID No. 34) will be presented in our definitive proxy statement for our 2023 Annual Meeting of Stockholders or in an amendment to this Annual Report on Form 10-K not later than 120 days after December 31, 2022. Such information is incorporated into this Item 14 by reference.

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

1. and 2. Financial Statements and Financial Statement Schedules

The consolidated financial statements and financial statement schedules of BlackSky required by Part II, Item 8, are included in Part IV of this report. See Index to Consolidated Financial Statements and Financial Statement Schedules beginning on Page F-1.

3. Exhibits

The documents listed below are incorporated by reference or are filed with this report, in each case as indicated therein.

Exhibit No.	Exhibit Description	Form	SEC File No.	Exhibit No.	Filing Date	Filed or Furnished Herewith
2.1†	Agreement and Plan of Merger, dated as of February 17, 2021, by and among Osprey Technology Acquisition Corp., Osprey Technology Merger Sub, Inc., and BlackSky Technology Inc.	424(b)(3)	333-256103	Annex A	August 11, 2021	
3.1	Amended and Restated Certificate of Incorporation of the Company	8-K	001-39113	3.1	September 15, 2021	
3.2	Amended and Restated Bylaws of the Company	8-K	001-39113	3.2	September 15, 2021	
4.1	Specimen Common Stock Certificate	S-3	333-267889	4.1	October 14, 2022	
4.2	Form of Indenture	S-3	333-267889	4.3	October 14, 2022	
4.3	Specimen Warrant Certificate	S-1	333-234180	4.2	October 11, 2019	
4.4	Warrant Agreement, dated October 31, 2019, between Continental Stock Transfer & Trust Company and Osprey Technology Acquisition Corp.	8-K	001-39113	4.4	November 5, 2019	
4.5	Description of Securities					X
4.6	Form of Warrant	8-K	001-39113	4.1	March 9, 2023	
10.1	Private Placement Warrants Purchase Agreement, dated October 31, 2019, by and between Osprey Technology Acquisition Corp. and Osprey Sponsor II, LLC	8-K	001-39113	10.4	November 5, 2019	
10.2+	BlackSky Technology Inc. 2021 Equity Incentive Plan	424(b)(3)	333-256103	Annex E	August 11, 2021	
10.3+	BlackSky Technology Inc. 2021 Employee Stock Purchase Plan	424(b)(3)	333-256103	Annex F	August 11, 2021	
10.4+	BlackSky Technology Inc. Outside Director Compensation Policy					X
10.5+	BlackSky Technology Inc. Form of Indemnification Agreement	8-K	001-39113	10.4	September 15, 2021	
10.6	Right of First Offer Agreement, dated as of October 31, 2019, by and between Spaceflight Industries, Inc. and Intelsat Jackson Holdings, S.A.	S-4	333-256103	10.10	May 13, 2021	
10.7	Sponsor Support Agreement, dated as of February 17, 2021	8-K	001-39113	10.3	February 22, 2021	
10.8	Form of Stockholder Support Agreement	424(b)(3)	333-256103	Annex H	August 11, 2021	
10.9	Form of Registration Rights Agreement	8-K	001-39113	10.5	February 22, 2021	
10.10	Form of Subscription Agreement	8-K	001-39113	10.1	February 22, 2021	
10.11+	Executive Employment Agreement for Brian O'Toole	S-4/A	333-256103	10.15	June 25, 2021	
10.12+	Offer Letter from BlackSky Holdings Inc. to Brian O'Toole, dated August 18, 2021	8-K	001-39113	10.1	August 18, 2021	
10.13+	Offer Letter from BlackSky Holdings Inc. to Johan Broekhuysen, dated August 18, 2021	8-K	001-39113	10.2	August 18, 2021	
10.14+	Offer Letter from BlackSky Holdings Inc. to Henry Dubois, dated August 18, 2021	8-K	001-39113	10.3	August 18, 2021	
10.15+	Offer Letter from BlackSky Holdings Inc. to Chris Lin, dated August 18, 2021	8-K	001-39113	10.4	August 18, 2021	

Exhibit No.	Exhibit Description	Form	SEC File No.	Exhibit No.	Filing Date	Filed or Furnished Herewith
10.16+	Transition and Consulting Agreement from BlackSky Holdings Inc. to Brian Daum, dated August 18, 2021	8-K	001-39113	10.5	August 18, 2021	
10.17	Amended and Restated Loan and Security Agreement, dated October 31, 2019, by and between Intelsat Jackson Holdings SA, Seahawk SPV Investment LLC, Spaceflight Industries, Inc. and its subsidiaries.	S-4/A	333-256103	10.17	June 25, 2021	
10.18	Satellite Program Contract, dated March 12, 2018, by and between LeoStella LLC and BlackSky Global LLC	S-4/A	333-256103	10.18	June 25, 2021	
10.19	Amendment No. 1 to Satellite Program Contract, dated February 20, 2019, by and between LeoStella LLC and BlackSky Global LLC	S-4/A	333-256103	10.19	June 25, 2021	
10.20	Amendment No. 2 to Satellite Program Contract, dated May 27, 2020, by and between LeoStella LLC and BlackSky Global LLC	S-4/A	333-256103	10.20	June 25, 2021	
10.21	Palantir Subscription Agreement, dated as of September 13, 2021, by and between BlackSky Holdings, Inc. and Palantir Technologies, Inc.	8-K	001-39113	99.2	September 1, 2021	
10.22	Sponsor Support Agreement, dated as of February 17, 2021, by and among BlackSky Holdings, Inc., Osprey Sponsor II, LLC, and Osprey Technology Acquisition Corp.	8-K	001-39113	10.3	February 22, 2021	
10.23	First Amendment, Consent and Joinder to Amended and Restated Loan and Security Agreement, dated as of September 9, 2021, by and among BlackSky Holdings, Inc. and the subsidiaries named therein, Intelsat Jackson Holdings SA and Seahawk SPV Investment LLC	8-K	001-39113	10.5	September 15, 2021	
10.24	BlackSky HQ Lease Agreement	S-1	333-260458	10.25	October 25, 2021	
10.25+	BlackSky Technology Inc. Executive Change in Control and Severance Plan, adopted August 16, 2021, and form of participation agreement attached as appendix A	8-K	001-39113	10.6	August 18, 2021	
10.26+	Form of Stock Option Agreement under the BlackSky 2021 Equity Incentive Plan	S-8	333-261778	4.4	December 20, 2021	
10.27+	Form of Restricted Stock Unit Agreement under the BlackSky 2021 Equity Incentive Plan	S-8	333-261778	4.5	December 20, 2021	
10.28+	Form of Stock Appreciation Right Agreement under the BlackSky 2021 Equity Incentive Plan	S-8	333-261778	4.7	December 20, 2021	
10.29+	2014 Equity Incentive Plan	S-8	333-261778	4.8	December 20, 2021	
10.30+	Spaceflight, Inc. Amended and Restated 2011 Equity Incentive Plan Assumed by Spaceflight Industries and forms of agreements thereunder	S-8	333-261778	4.9	December 20, 2021	
10.31+	Form of Restricted Stock Award Agreement	S-8	333-261778	4.6	December 20, 2021	
10.32+	Form of Restricted Stock Unit Agreement under the BlackSky 2014 Equity Incentive Plan	S-8	333-261778	4.4	March 4, 2022	
10.33+	2022 Executive Incentive Compensation Plan	10-K	001-39113	10.34	March 31, 2022	
10.34+	Separation Agreement and Release, by and between Johan Broekhuysen and BlackSky Technology Inc., dated June 14, 2022	10-Q	001-39113	10.3	August 10, 2022	
10.35+	Amendment to Offer Letter from BlackSky Holdings Inc. to Henry Dubois, dated June 10, 2022	10-Q	001-39113	10.2	August 10, 2022	
10.36†	NRO Contract, dated May 23, 2022, by and between the National Reconnaissance Office and BlackSky Technology Inc.	10-Q	001-39113	10.1	August 10, 2022	
10.37	Open Market Sale Agreement, dated December 15, 2022, by and between BlackSky Technology Inc. and Jefferies LLC	8-K	001-39113	1.1	December 15, 2022	

Exhibit No.	Exhibit Description	Form	SEC File No.	Exhibit No.	Filing Date	Filed or Furnished Herewith
10.38	Form of Securities Purchase Agreement, dated as of March 6, 2023 by and among the Company and the Investors	8-K	001-39113	10.1	March 9, 2023	
10.39	Form of Registration Rights Agreement, dated as of March 6, 2023 by and among the Company and the Investors	8-K	001-39113	10.2	March 9, 2023	
16.1	Letter from Marcum LLP to the SEC, dated September 14, 2021	8-K	001-39113	16.1	September 15, 2021	
21.1	List of Subsidiaries					X
23.1	Consent of Deloitte & Touche LLP, independent registered public accounting firm of BlackSky Technology Inc.					X
24.1	Power of Attorney (included in signature pages hereto)					X
31.1	Certification of the Company's Chief Executive Officer, Brian O'Toole, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of the Company's Chief Financial Officer, Henry Dubois, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1*	Certification of the Company's Chief Executive Officer, Brian O'Toole, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2*	Certification of the Company's Chief Financial Officer, Henry Dubois, pursuant to Section 906 of the Sarbanes- Oxley Act of 2002					X
101.INS	Inline XBRL Instance Document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

\+ Indicates management contract or compensatory plan.

† Certain portions of this exhibit have been omitted in accordance with Regulation S-K Item 601. The Registrant agrees to furnish an unredacted copy of the exhibit to the SEC upon request.

* The certifications attached as Exhibit 32.1 and 32.2 that accompany this Annual Report on Form 10-K are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

ITEM 16. FORM 10-K SUMMARY

None.

ITEM 16A. SIGNATURES

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 23, 2023	BlackSky Technology Inc.
	By: /s/ Brian E. O’Toole Brian E. O'Toole Chief Executive Officer and Director (Principal Executive Officer)
	By: /s/ Henry Dubois Henry Dubois Chief Financial Officer (Principal Financial Officer)
	By: /s/ Tracy Ward Tracy Ward Vice President and Controller (Principal Accounting Officer)

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Brian O'Toole, Henry Dubois, and Tracy Ward, and each one of them, as his or her true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for such individual in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or the individual's substitute, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated on behalf of the registrant.

Signature	Title	Date
/s/ Brian E. O'Toole	Chief Executive Officer, President and Director (Principal Executive Officer)	March 23, 2023
Brian O'Toole		
/s/ Henry Dubois	Chief Financial Officer (Principal Financial Officer)	March 23, 2023
Henry Dubois		
/s/ Tracy Ward	Vice President and Controller (Principal Accounting Officer)	March 23, 2023
Tracy Ward		
/s/ Magid Abraham	Director	March 23, 2023
Magid Abraham		
/s/ David DiDomenico	Director	March 23, 2023
David DiDomenico		
/s/ Susan Gordon	Director	March 23, 2023
Susan Gordon		
/s/ Timothy Harvey	Director	March 23, 2023
Timothy Harvey		
/s/ William Porteous	Director	March 23, 2023
William Porteous		
/s/ James Tolonen	Director	March 23, 2023
James Tolonen		

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of BlackSky Technology Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of BlackSky Technology Inc. (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity (deficit), and cash flows, for each of the twoyears in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

/s/ Deloitte & Touche LLP

McLean, VA
March 23, 2023
We have served as the Company's auditor since 2015.

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

BLACKSKY TECHNOLOGY INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)

	December 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 34,181	$ 165,586
Restricted cash	2,835	2,518
Short-term investments	37,982	—
Accounts receivable, net of allowance of $0 and $39, respectively	3,112	2,629
Prepaid expenses and other current assets	4,713	6,264
Contract assets	5,706	1,678
Total current assets	88,529	178,675
Property and equipment - net	71,584	70,551
Operating lease right of use assets - net	3,586	—
Goodwill	9,393	9,393
Investment in equity method investees	5,285	4,002
Intangible assets - net	1,918	2,480
Satellite procurement work in process	50,954	40,102
Other assets	2,841	560
Total assets	$ 234,090	$ 305,763
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 14,368	$ 10,837
Amounts payable to equity method investees	3,728	5,613
Contract liabilities - current	6,783	11,266
Other current liabilities	2,048	2,819
Total current liabilities	26,927	30,535
Liability for estimated contract losses	714	6,054
Long-term contract liabilities	109	568
Operating lease liabilities	3,132	—
Derivative liabilities	5,113	16,925
Long-term debt - net of current portion	76,219	71,408
Other liabilities	2	653
Total liabilities	112,216	126,143
Commitments and contingencies (Note 24)		
Stockholders' equity:		
Class A common stock, $0.0001 par value-authorized, 300,000 shares; issued, 121,938 and 117,160 shares; outstanding, 119,508 shares and 114,452 shares as of December 31, 2022 and 2021, respectively.	12	11
Additional paid-in capital	666,973	650,518
Accumulated deficit	(545,111)	(470,909)
Total stockholders' equity	121,874	179,620
Total liabilities and stockholders' equity	$ 234,090	$ 305,763

See notes to consolidated financial statements

BLACKSKY TECHNOLOGY INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except per share amounts)

	Years Ended December 31, 2022	2021
Revenue		
Imagery & software analytical services	$ 47,415	$ 15,365
Professional & engineering services	17,935	18,720
Total revenue	65,350	34,085
Costs and expenses		
Imagery & software analytical service costs, excluding depreciation and amortization	14,462	13,013
Professional & engineering service costs, excluding depreciation and amortization	21,365	21,735
Selling, general and administrative	79,672	86,655
Research and development	739	112
Depreciation and amortization	35,661	14,306
Satellite impairment loss	—	18,407
Operating loss	(86,549)	(120,143)
Gain on debt extinguishment	—	4,059
Gain on derivatives	11,812	23,885
Income on equity method investment	2,087	1,027
Interest income	1,116	—
Interest expense	(5,426)	(5,165)
Other income (expense), net	2,081	(147,656)
Loss before income taxes	(74,879)	(243,993)
Income tax (expense) benefit	—	—
Loss from continuing operations	(74,879)	(243,993)
Discontinued operations:		
Gain (loss) from discontinued operations	707	(1,650)
Income tax (expense) benefit	—	—
Gain (loss) from discontinued operations, net of income taxes	707	(1,650)
Net loss	(74,172)	(245,643)
Other comprehensive income	—	—
Total comprehensive loss	$ (74,172)	$ (245,643)
Basic and diluted loss per share of common stock:		
Loss from continuing operations	$ (0.64)	$ (3.37)
Gain (loss) from discontinued operations, net of income taxes	0.01	(0.02)
Net loss per share of common stock	$ (0.63)	$ (3.39)

See notes to consolidated financial statements

BLACKSKY TECHNOLOGY INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands)

	Year Ended December 31, 2022				
	Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance as of January 1, 2022	114,452	$ 11	$ 650,518	$ (470,909)	$ 179,620
Stock-based compensation	—	—	21,477	—	21,477
Issuance of common stock upon exercise of stock options	709	—	47	—	47
Issuance of common stock upon vesting of restricted stock awards	200	—	—	—	—
Issuance of common stock upon vesting of restricted stock units	6,728	1	—	—	1
Withholding of stock units to satisfy tax withholding obligations upon the vesting of restricted stock units and exercise of stock options	(2,566)	—	(5,069)	—	(5,069)
Repurchase and retirement of common stock	(15)	—	—	(30)	(30)
Net loss	—	—	—	(74,172)	(74,172)
Balance as of December 31, 2022	119,508	$ 12	$ 666,973	$ (545,111)	$ 121,874

	Year Ended December 31, 2021				
	Common Stock		Additional Paid-In	Accumulated	Total Stockholders' Equity
	Shares	Amount	Capital	Deficit	(Deficit)
Balance as of January 1, 2021, as adjusted	34,692	$ 3	$ 191,168	$ (223,984)	$ (32,813)
Stock-based compensation	—	—	42,582	—	42,582
Issuance of common stock due to Bridge Notes	20,343	2	106,351	—	106,353
Issuance of common stock upon exercise of stock options	1,044	—	130	—	130
Issuance of common stock upon exercise of warrants, inclusive of preferred stock warrants exercised then converted to common stock in connection with the merger	3,251	—	2,289	—	2,289
Issuance of common stock upon vesting of restricted stock awards	546	—	—	—	—
Issuance of common stock upon vesting of restricted stock units	111	—	—	—	—
Conversion of bridge notes and accrued interest into common stock	7,736	1	77,096	—	77,097
Exercise of warrants in connection with merger	11,187	1	38,328	—	38,329
Issuance of sponsor earn-out shares	—	—	(17,659)	—	(17,659)
Reverse recapitalization, net (Note 4)	34,584	4	202,195	(1,282)	200,917
Issuance of common stock upon settlement of promissory notes	958	—	8,038	—	8,038
Net loss	—	—	—	(245,643)	(245,643)
Balance as of December 31, 2021	114,452	$ 11	$ 650,518	$ (470,909)	$ 179,620

See notes to consolidated financial statements

BLACKSKY TECHNOLOGY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,	
	2022	2021
Cash flows from operating activities:		
Net loss	$ (74,172)	$ (245,643)
Gain (loss) from discontinued operations, net of income taxes	707	(1,650)
Loss from continuing operations	(74,879)	(243,993)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	35,661	14,306
Operating lease right of use assets amortization	1,640	—
Gain on debt extinguishment	—	(4,059)
Bad debt (recovery) expense	(22)	58
Stock-based compensation expense	20,025	42,571
Loss on issuance of 2021 convertible Bridge Notes	—	99,669
Issuance costs for derivative liabilities and debt carried at fair value	—	48,009
Amortization of debt discount and issuance costs	1,805	1,807
Income on equity method investment	(2,087)	(1,027)
Loss on disposal of property and equipment	—	24
Gain on derivatives	(11,812)	(23,885)
Satellite impairment loss	—	18,407
Interest income	(656)	—
Other, net	106	—
Changes in operating assets and liabilities:		
Accounts receivable	(461)	216
Contract assets - current and long-term	(5,996)	2,118
Prepaid expenses and other current assets	1,413	(5,207)
Other assets	(12)	(309)
Accounts payable and accrued liabilities	(74)	2,543
Other current liabilities	(1,180)	(2,680)
Contract liabilities - current and long-term	(4,942)	(5,262)
Liability for estimated contract losses	(5,340)	(198)
Other liabilities	2,355	3,020
Net cash used in operating activities	(44,456)	(53,872)
Cash flows from investing activities:		
Purchase of property and equipment	(11,677)	(1,266)
Satellite procurement work in process	(32,385)	(62,643)
Purchase of short-term investments	(50,343)	—
Proceeds from maturities of short-term investments	13,000	—
Purchase of domain name	—	(7)
Proceeds from equity method investment	804	302
Cash flows used in investing activities - continuing operations	(80,601)	(63,614)
Cash flows used in investing activities - discontinued operations	(978)	—
Net cash used in investing activities	(81,579)	(63,614)
Cash flows from financing activities:		
Proceeds from recapitalization transaction, net of payment of equity issuance costs	—	244,880
Payments of transaction costs related to Sponsor Shares	—	(291)
Proceeds from issuance of debt	—	58,573
Proceeds from options exercised	47	130
Proceeds from warrants exercised	—	163
Capital lease payments	—	(2)
Debt payments	—	(22,198)
Payments for deferred offering costs	(31)	—
Payments for debt issuance costs	—	(6,238)
Withholding tax payments on vesting of restricted stock units	(5,069)	—
Net cash (used in) provided by financing activities	(5,053)	275,017
Net (decrease) increase in cash, cash equivalents, and restricted cash	(131,088)	157,531
Cash, cash equivalents, and restricted cash – beginning of year	168,104	10,573
Cash, cash equivalents, and restricted cash – end of period	$ 37,016	$ 168,104

See notes to consolidated financial statements

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	December 31,	
	2022	2021
Cash and cash equivalents	$ 34,181	$ 165,586
Restricted cash	2,835	2,518
Total cash, cash equivalents, and restricted cash	$ 37,016	$ 168,104

	Years Ended December 31,	
	2022	2021
	(in thousands)	
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 5	$ 378
Supplemental disclosures of non-cash financing and investing information:		
Property and equipment additions accrued but not paid	$ 6,455	$ 5,222
Capitalized stock-based compensation	1,470	11
Capitalized interest for property and equipment placed into service	220	620
Accretion of short-term investments' discounts and premiums	640	—
Repurchase and retirement of common stock	30	—
Equity issuance costs accrued but not paid	491	—
Issuance of common stock due to Bridge Notes, net of issuance costs	—	106,353
Issuance of common stock warrants due to Bridge Notes	—	18,800
Issuance of common stock upon settlement of promissory notes	—	8,038
Net exercise of common stock warrants	—	210
Net exercise of common stock warrants in connection with merger	—	1,324
Conversion of Bridge Notes	—	77,097
Net exercise of Bridge Note warrants	—	38,329
Contingent liability for working capital adjustment and use taxes to M&Y Space Co. Ltd	—	1,650
Increase of debt principal for paid-in-kind interest	3,006	2,889

See notes to consolidated financial statements

BLACKSKY TECHNOLOGY INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

1. Organization and Business

On September 9, 2021, Osprey Technology Acquisition Corp. ("Osprey") consummated the previously announced merger (the "Merger") with BlackSky Holdings, Inc. (f/k/a Spaceflight Industries, Inc.), a Delaware corporation ("Legacy BlackSky"), pursuant to the agreement and plan of merger, dated February 17, 2021, by and among Osprey, Osprey Technology Merger Sub, Inc., a direct, wholly owned subsidiary of Osprey, and Legacy BlackSky. Immediately following the Merger, Osprey changed its name to BlackSky Technology Inc. ("BlackSky" or the "Company"). Legacy BlackSky survived the Merger and is now a wholly owned subsidiary of BlackSky. As a special purpose acquisition corporation, Osprey had no pre-Merger operations other than to identify and consummate a merger. Therefore, BlackSky's operations post-Merger are attributable to those of Legacy BlackSky and its subsidiaries, and references to "BlackSky" or the "Company" should be read to include BlackSky's wholly owned subsidiaries. References in this report to Company actions, assets/liabilities, or contracts may be references to actions taken, assets/liabilities held, or contracts entered into by one or more current Company subsidiaries; however, the Company has distinguished between actions taken by Legacy BlackSky or Osprey for certain time based, historical transactions.

BlackSky, headquartered in Herndon, Virginia, is a leading provider of real-time geospatial intelligence. The Company owns and operates one of the industry's leading high-performance low earth orbit small satellite constellations. Our constellation is optimized to cost-efficiently capture imagery at high revisit rates where and when our customers need it. BlackSky's Spectra AI software platform processes millions of observations a day from our proprietary satellite constellation and from multiple external data sources including imaging, radar and radio frequency satellites, environmental sensors, asset tracking sensors, Internet of Things ("IoT") connected devices, internet-enabled narrative sources, and a variety of geotemporal data feeds. Spectra AI employs advanced, proprietary artificial intelligence ("AI") and machine learning ("ML") techniques to process, analyze, and transform these data feeds into alerts, information, and insights. Customers can access Spectra AI's data and analytics through easy-to-use web services or through platform application programming interfaces.

As of December 31, 2022, BlackSky had 14 satellites in commercial operation. BlackSky hastwo primary operating subsidiaries, BlackSky Global LLC and BlackSky Geospatial Solutions, Inc. The Company also owns fifty percent of LeoStella LLC ("LeoStella"), its joint venture with Thales Alenia Space US Investment LLC ("Thales"). LeoStella is a vertically-integrated small satellite design and manufacturer based in Tukwila, Washington, from which the Company procures satellites to operate its business. The Company accounts for LeoStella and X-Bow Launch Systems Inc. ("X-Bow"), a space technology company specializing in additive manufacturing of solid rocket motors of which BlackSky owns less than 20%, as equity method investments (Note 7).

The Company made two disclosures related to 2021 that were previously undisclosed. The first relates to a supplemental cash flow disclosure on the paid-in-kind interest on a loan. The second relates to payments made to Thales Alenia Space in the FN 22 – Related Party Transactions. The Company believes both disclosures are immaterial to the 2021 consolidated financial statements.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Preparation

The Company has prepared its consolidated financial statements in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP") and the instructions to Form 10-K and Article 8 of Regulation S-X of the Securities and Exchange Commission (the "SEC"). The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. In addition, the consolidated financial statements include the Company's proportionate share of the earnings or losses of its equity method investments and a corresponding increase or decrease to its investment, with recorded losses limited to the carrying value of the Company’s investment. All intercompany transactions and balances have been eliminated upon consolidation.

For accounting purposes, the Merger constituted a reverse recapitalization (the “Reverse Recapitalization”), with Osprey treated as the “acquired” company and Legacy BlackSky as the “acquirer”. The Reverse Recapitalization was treated as the equivalent of Legacy BlackSky issuing equity for the net assets of Osprey, accompanied by a recapitalization, rather than a business combination, which would have included goodwill and intangible assets. Legacy BlackSky was considered the acquirer based on the facts and circumstances, including the following factors evaluated at the time of the Merger:

- Legacy BlackSky’s former stockholders held a majority ownership interest in BlackSky;
- Legacy BlackSky’s senior management team comprise senior management of BlackSky;
- Legacy BlackSky was able to designate all but one director to BlackSky’s initial board;
- Legacy BlackSky was the larger of the companies based on historical operating activity and employee base; and
- Legacy BlackSky’s operations comprise the ongoing operations of BlackSky.

Accordingly, all historical financial information presented in these consolidated financial statements represents the accounts of Legacy BlackSky and its wholly owned subsidiaries “as if” Legacy BlackSky is the predecessor and legal successor. The historical operations of Legacy BlackSky are deemed to be those of the Company. Thus, the financial statements included in this report reflect (i) the historical operating results of Legacy BlackSky prior to the Merger; (ii) the combined results of Osprey and Legacy BlackSky following the Merger; (iii) the assets and liabilities of Legacy BlackSky at their historical carrying value; and (iv) the Company’s equity structure for all periods presented.

Effective January 1, 2022, the Company reorganized its captions on the consolidated statements of operations and comprehensive loss to better align the Company’s broad portfolio. As a result, for the year ended December 31, 2021, the amounts presented to reflect the impact of the reorganization have been recasted. This resulted in a $9.7 million reclassification between imagery & software analytical services revenue and professional & engineering services revenue and an $8.5 million reclassification between imagery & software analytical service costs, excluding depreciation and amortization and professional & engineering service costs, excluding depreciation and amortization in the Company's consolidated statements of operations and comprehensive loss.

Effective January 1, 2022, we adopted Accounting Standards Codification (ASC) Topic 842, "*Leases*" ("ASC 842") (Note 3). The adoption of this standard is reflected in the amounts and disclosures set forth in this Form 10-K.

The Company’s consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities, including derivative financial instruments, which are stated at fair value. The Company also incurred debt, which was also stated at fair value and subsequently converted to equity in the Merger. Unless otherwise indicated, amounts presented in the Notes pertain to the Company’s continuing operations.

Emerging Growth Company

The Company is an emerging growth company (“EGC”), as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). The JOBS Act permits companies with EGC status to take advantage of an extended transition period to comply with new or revised accounting standards, delaying the adoption of these accounting standards until they would apply to private companies. The Company has elected to use this extended transition period to enable it to defer the adoption of new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date it (i) is no longer an emerging growth company or (ii) affirmatively and irrevocably opts out of the extended transition period provided for by the JOBS Act. As a result, the Company’s financial statements may not be comparable to companies that comply with the new or revised accounting standards as of public company effective dates.

In addition, the Company intends to rely on the other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, if, as an EGC, the Company intends to rely on such exemptions, the Company is not required to, among other things: (i) provide an auditor's attestation report on its system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; (ii) provide certain of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd Frank Wall Street Reform and Consumer Protection Act; (iii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis); and (iv) disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive Officer's compensation to median employee compensation.

Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the reporting date, and the reported amounts of revenue and expenses during the reporting period. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Actual results could materially differ from these estimates. Significant estimates made by the Company include, but are not limited to, revenue and associated cost recognition, the collectability of accounts receivable, the recoverability and useful lives of property and equipment, the valuation of equity warrants and warrant liabilities, fair value estimates, the recoverability of goodwill and intangible assets, the provision for income taxes, and stock-based compensation.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash in banks and highly liquid investments with original maturities of three months or less.

Restricted Cash

The Company classifies cash as restricted when the cash is unavailable for withdrawal or usage for general operations. Restricted cash represents certificates of deposits held by a bank as a compensating balance for letters of credit that facilitate certain contracts with customers and cash collateral for leasing arrangements.

Accounts Receivable - net

Accounts receivable are customer obligations due to the Company under normal trade terms. The majority of the Company's sales are with U.S. federal government and agencies, which limits uncollectible accounts receivable. The Company performs continuing credit evaluations on each customer's financial condition and reviews accounts receivable on a periodic basis to determine if any accounts receivable will potentially be uncollectible. The Company reserves for any accounts receivable balances that are determined to be uncollectible in the allowance for doubtful accounts. After all attempts to collect an accounts receivable balance have failed, the accounts receivable balance is written off against the allowance for doubtful accounts. The Company assessed all existing accounts receivable and recorded an allowance for doubtful accounts of $0 and $39 thousand as of December 31, 2022 and 2021, respectively.

Prepaid Expenses and Other Current Assets

Prepaid expenses are advance payments made in the ordinary course of business and are amortized on a straight-line basis over the period of benefit. Other current assets consist primarily of non-trade receivables.

Investments

In May 2022, we began investing a portion of our cash and cash equivalents in short-term investments, which generally consist of A-1, or higher, rated corporate debt and governmental securities. Our investments are classified as held-to-maturity and have a stated maturity date of one year or less from the balance sheet date. Any investments with original maturities less than three months are considered cash equivalents.

As of December 31, 2022 and 2021, the Company's short-term investments had a carrying value of $38.0 million and $0, respectively, which represents amortized cost, and an aggregate fair value of $37.9 million and $0, respectively. The gross unrecognized holding losses as of December 31, 2022 and 2021 was $134 thousand and $0, respectively; there were not any gross unrecognized holding gains as of December 31, 2022 or 2021.

Property and Equipment - net

Property and equipment are stated at cost, less accumulated depreciation. Depreciation expense is recognized in the consolidated statements of operations and comprehensive loss on a straight-line basis over the estimated useful life of the related asset to its residual value.

The estimated useful lives are as follows:

	Estimated useful lives-years
Satellites	3
Computer equipment and software	3
Site and other equipment	2 - 5
Office furniture and fixtures	5
Leasehold improvements	shorter of useful life or remaining lease term

Capitalized satellite costs include material costs, labor costs incurred from the start of the pre-acquisition stage through the construction stage, insurance, and the costs incurred to launch the satellite into orbit for its intended use. Labor costs incurred prior to and after the pre-acquisition and construction stages are charged to expense. Once the satellite has reached orbit and makes contact with the Company's network, the Company commences depreciation. The designated useful life of the Company's satellites is estimated to be three years, and depreciation is recognized using the straight-line method. Subsequent to launch, the Company's satellites must meet certain performance and operational criteria to be deemed commercially viable. If the criteria are not met, the Company assesses the satellite for impairment.

The Company capitalizes internal and external costs incurred to develop and implement internal-use software, which consist primarily of costs related to design, coding, and testing. Internal costs include salaries and allocations of fringe and stock-based compensation. When the software is ready for its intended use, capitalization ceases and such costs are amortized on a straight-line basis over the estimated life to either depreciation or cost of sales depending on the nature of the software. Costs incurred prior to and after the application development stage are charged to expense. We regularly review our capitalized software projects for impairment.

Goodwill, Intangible Assets - net, and Other Long-Lived Assets

<u>Goodwill</u>

Goodwill represents the excess of purchase price over the fair value of the identifiable assets acquired less the liabilities assumed in the acquisition of a business.

Goodwill is tested annually for impairment at October 1, or more frequently if events or circumstances indicate that the carrying value of goodwill may be impaired. Goodwill is tested for impairment at the reporting unit level by first taking a qualitative approach to determine whether it is more likely than not that a reporting unit's fair value is less than its carrying value. If the Company determines that it is more likely than not that a reporting unit's fair value is less than its carrying amount, the Company compares the reporting unit's carrying amount to the fair value of the reporting unit. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. In testing for goodwill impairment, the Company may utilize a mix of income and market approaches that include the use of comparable multiples of publicly traded companies whose services are comparable to ours.

The Company continuously evaluates whether indicators of impairment exist to determine whether it is necessary to perform a quantitative goodwill impairment test. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include (a) a significant decline in the Company's common stock value; (b) a significant decline in the Company's expected future cash flows; (c) a significant adverse change in legal factors or in the business climate; (d) unanticipated competition; (e) the testing for recoverability of a significant asset group within a reporting unit; or (f) slower growth rates. Any adverse change in these factors could have a significant impact on the recoverability of goodwill and could have a material impact on the consolidated financial statements.

Long-Lived Assets and Finite-Lived Intangible Assets

The Company reviews long-lived assets, including finite-lived intangible assets, property and equipment, satellite procurement work in process and other long-term assets, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. Significant judgments in this area involve determining whether a triggering event has occurred and determining the future cash flows for assets involved. In conducting this analysis, the Company compares the undiscounted cash flows expected to be generated from the long-lived assets (or asset group) to the related net book values. If the undiscounted cash flows exceed the net book value, the long-lived assets are considered not to be impaired. If the net book value exceeds the undiscounted cash flows, an impairment charge is measured and recognized based upon the difference between the carrying value of long-lived assets (or asset group) and their fair value.

Intangible assets subject to amortization include customer backlog and relationships, distribution agreements, and technology. Such intangible assets, excluding customer-related intangibles, are amortized on a straight-line basis over their estimated useful lives. Customer-related intangible assets are amortized on either a straight-line or accelerated basis, depending upon the pattern in which the economic benefits of the intangible asset are utilized.

The estimated useful lives of the Company's finite-lived intangible assets are as follows:

	Estimated useful lives-years
Distribution agreements	2
Customer backlog and relationships	1 - 10
Technology	3 - 5

Leases

The Company leases office space under various non-cancellable operating leases with varying lease expiration dates through 2033. We determine whether a contract is or contains a lease and whether the lease should be classified as an operating or finance lease at contract inception.

The Company determines if an arrangement is a lease at inception of the contract. Operating leases are included in operating lease right-of-use ("ROU") assets, current portion of operating lease liabilities, and long-term operating lease liabilities in the consolidated balance sheets.

ROU assets represent the Company's right to use underlying assets for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the leases. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company uses the implicit rate when readily determinable. For leases where the rate is not determinable, the Company determines the incremental borrowing rate. We do not recognize a ROU asset and a lease liability for leases with an initial term of 12 months or less; we recognize lease expense for these leases on a straight-line basis over the lease term. Many of the Company's lease agreements contain incentives for tenant improvements. For tenant improvement incentives received, if the incentive is determined to be a leasehold improvement owned by the lessee, the Company generally records the incentives as a reduction to the ROU asset, which reduces rent expense over the lease term. For these lease incentives, the Company uses the date of initial possession as the commencement date, which is generally when the Company is given the right of access to the space and begins to make improvements in preparation for intended use. Finance leases are not material to our consolidated financial statements and the Company is not a lessor in any material arrangements. We do not have any material restrictions or covenants in our lease agreements, sale-leaseback transactions, land easements or residual value guarantees.

Equity Method Investments

Investments where the Company has the ability to exercise significant influence, but not control, are accounted for under the equity method of accounting and are included in investment in equity method investees on the Company's consolidated balance sheets. Significant influence typically exists if the Company has a 20% to 50% ownership interest in the investee or retains a voting seat on the investee's board of directors. Under this method of accounting, the Company's share of the net earnings or losses of the investee are included in the Company's consolidated statements of operations and comprehensive loss.

Equity method investments are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may be impaired. If a decline in the value of an equity method investment is determined to be other than temporary, a loss is recorded in earnings in the current period.

Intra-entity profits arising from the sale of assets from the equity method investments to the Company are eliminated and deferred if those assets are still held by the Company at the end of the reporting period. The intra-entity profits will be recognized as the assets are consumed.

Satellite Procurement Work in Process

Satellite procurement work in process primarily represents deposits paid to (a) LeoStella for the progress payments associated with the engineering, long lead procurement of satellite components, and manufacturing of the Company's satellites and (b) launch service vendors for the costs associated with launching the Company's satellites. Satellite procurement work in process capitalized, but not yet paid, is recognized as the Company has the rights to the in-process assets that LeoStella is engineering on the Company's behalf or a refund of amounts paid to date, less certain costs. At launch, these costs, and other costs incurred to put a satellite into service, are aggregated and reclassified as property and equipment, subject to depreciation (Note 9).

Contingent Liabilities

The Company may become involved in litigation or other financial claims in the normal course of its business operations. The Company periodically analyzes currently available information relating to these claims, assesses the probability of loss, and provides a range of possible outcomes when it believes that sufficient and appropriate information is available. The Company accrues a liability for those contingencies where the occurrence of a loss is probable and the amount can be reasonably estimated. If a loss is probable and a range of amounts can be reasonably estimated but no amount within the range is a better estimate than any other amount in the range, then the minimum of the range is accrued. We do not accrue a liability when the likelihood that the liability has been incurred is believed to be probable but the amount cannot be reasonably estimated or when the likelihood that a liability has been incurred is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is reasonably possible and the impact could potentially be material, we disclose the nature of the contingency and, where feasible, an estimate of the possible loss or range of loss.

Debt Issuance Costs and Debt Discount

Debt issuance costs are capitalized and amortized to interest expense using the effective interest method over the life of the related debt. In prior years, a debt discount was recorded upon the issuance of detachable warrants, which were granted in conjunction with the issuance of debt and calculated at fair market value. The debt discount was amortized to interest expense using the effective interest method over the life of the related debt. Short-term and long-term debt are presented net of the unamortized debt issuance costs and debt discount in the consolidated balance sheets.

Fair Value of Financial Instruments

The Company accounts for certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The process for analyzing the fair value measurement of certain financial instruments on a recurring, or non-recurring, basis includes significant judgment and estimates of inputs including, but not limited to, share price, volatility, discount for lack of marketability, application of an appropriate discount rate, and probability of liquidating events. The Company utilizes the market valuation methodology and specific option pricing methodology, such as the Monte Carlo simulation, method to value the more complex financial instruments and the Black-Scholes option-pricing model to value standard common stock warrants and common stock options.

The framework for measuring fair value specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy are as follows:

Level 1 Inputs. Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2 Inputs. Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3 Inputs. Inputs are unobservable inputs which reflect the Company’s own assumptions on what assumptions market participants would use in pricing the asset or liability based on the best available information.

Revenue Recognition

The Company generates revenue from the sale of imagery and software analytical services and professional and engineering services. Imagery and software analytical services revenue includes imagery, data, software, and analytics. This revenue is recognized from services rendered under non-cancellable subscription order agreements or variable not-to-exceed purchase orders. Professional and engineering services revenue is generated from both time and materials basis contracts and firm fixed price service solutions contracts and firm fixed price long-term engineering and construction contracts.

The Company generates revenue primarily through contracts with government agencies. Some of the fixed price contracts include multiple promises, which are generally separated as distinct performance obligations. The Company allocates the transaction price to each performance obligation based on the relative standalone selling prices using observable sales transactions where applicable.

In accordance with Accounting Standards Update No. 2014-09, “*Revenue from Contracts with Customers (Topic 606)*” (“ASC 606”), the Company uses the five-step model of identifying the performance obligations contained in a contract, determining transaction price, allocating transaction price, and determining when performance obligations are satisfied can require the application of significant judgment, as further discussed below.

Revenue is measured at the fair value of consideration received or receivable and net of discounts. The Company applies a policy election to exclude transaction taxes collected from customer sales when the tax is both imposed on and concurrent with a specific revenue-producing transaction. The Company estimates any variable consideration, and whether the transaction price is constrained, upon execution of each contract. The Company did not have any active contracts with significant variable consideration as of December 31, 2022.

Imagery & Software Analytical Services Revenue

Imagery

Imagery services include imagery delivered from the Company's satellites in orbit via our Spectra AI platform and in limited cases directly uploaded to certain customers. Customers can directly task our proprietary satellite constellation to collect and deliver imagery over specific locations, sites and regions that are critical to their operations. We offer customers several service level options that include basic plans for on-demand tasking or multi-year assured access programs, where customers can secure priority access and imaging capacity at a premium over a region of interest on a take or pay basis. Imagery revenue is recognized ratably over the subscription period or at the point in time the customer receives access to the imagery.

Data, Software, and Analytics

The Company leverages proprietary AI and ML algorithms to analyze data coming from both the Company's proprietary sensor network and third-party space and terrestrial sources to provide hard-to-get data, insights, and analytics for customers. The Company continues to integrate and enhance its offerings by performing contract development, while retaining the intellectual property rights. The Company also offers services related to object, change and anomaly detection, site monitoring, and enhanced analytics, through which the Company can detect key pattern of life changes in critical locations such as ports, airports, and construction sites; retail activity; commodities stockpiles; and other sites that contain critical commodities and supply chain information**.**

Our analytics services are also offered on a subscription or consumption basis and provide customers with access to our site monitoring, event monitoring and global data services. Software analytical services revenue derived from data, software, and analytics is recognized from the rendering of analytical and monitoring services over time on a firm fixed price, or at the point in time the customer receives access to an analytic product.

Professional and Engineering Services Revenue

The Company provides technology enabled professional service solutions to support customer-specific software development requests, integration, testing, and training. The Company uses system engineers to support customer efforts to manage mass quantities of data. For firm fixed price professional service contracts, the Company recognizes revenue using total estimated costs to complete the performance obligation, ("Estimate at Completion" or "EAC"). A performance obligation's EAC includes all direct costs such as labor, materials, subcontract costs and overhead. In addition, an EAC of a performance obligation includes future losses estimated to be incurred on contracts, as and when known. For contracts structured as cost-plus-fixed-fee or on a time and materials basis, the Company generally recognizes revenue based on the right-to-invoice when practically expedient, as the Company is contractually able to invoice the customer based on the control transferred to the customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date.

The Company also develops and delivers advanced launch vehicle, satellite and payload systems for a limited number of customers that leverage the Company's capabilities in mission systems engineering and operations, ground station operations, and software and systems development. These systems are sold to government customers under fixed price contracts. The Company generally recognizes revenue over time using the cost-to-cost method to measure progress, pursuant to which the extent of progress towards completion is measured based on the ratio of costs incurred to date to the EAC. The estimation of total estimated costs at completion is subject to many variables and requires judgment. The Company recognizes changes in contract estimates on a cumulative catch-up basis in the period in which the changes are identified. Such changes in contract estimates can result in the recognition of revenue in a current period for performance obligations which were satisfied or partially satisfied in a prior period. If at any time, the estimate of profitability for a performance obligation indicates a probable anticipated loss, the Company recognizes the total loss for the performance obligation in the period it is identified. Changes in estimates related to contracts accounted for using the cost-to-cost measure of progress are recognized in the period in which such changes are made for the inception-to-date effect of the changes. For the year ended December 31, 2022, the Company recognized $2.3 million of unfavorable cumulative adjustments to revenue directly from estimated cost increases on two professional and engineering services contracts (Note 6). All, or a portion, of this cumulative adjustment will be recognized in future revenue as the percentage of completion increases over time. During the year ended December 31, 2021, the Company recognized a $4.6 million unfavorable impact to revenue attributable to changes in estimates for two professional and engineering services contracts. During the year ended December 31, 2022, there was no revenue recognized from performance obligations satisfied in previous period~~s~~.

Imagery and Software Analytical Service and Professional and Engineering Service Costs

Imagery and software analytical service costs primarily include internal labor to support the ground station network and space operations, third-party data and imagery, and cloud computing and hosting services. The Company recognizes stock-based compensation expense for those employees whose work supports the imagery and software analytical service costs we provide to customers, under imagery and software analytical service costs, excluding depreciation and amortization. For those employees who provide these services to support customer-based programs, the stock-based compensation expense is classified under imagery and software analytical services costs.

Professional and engineering service costs primarily include the cost of internal labor for design and engineering in support of long-term development contracts for launch vehicle, satellite, and payload systems, as well as subcontract direct materials and external labor costs to build and test specific components, such as the communications system, payload demands, and sensor integration. In addition, we also recognize internal labor costs and external subcontract labor costs for our customer-centric software service solutions. We recognize stock-based compensation expense for those employees who provide professional and engineering services support to customers, under professional and engineering service costs, excluding depreciation and amortization.

Research and Development Costs

The Company primarily incurs research and development costs, which are expensed as incurred, for data science modeling and algorithm development related to its geospatial analytical platform. In addition, the Company recognizes costs incurred before the technological feasibility stage for internal projects, such as aerospace and other satellite developments, as research and development costs.

Advertising Costs

Advertising costs are expenses associated with promoting the Company’s services and products. Advertising costs are expensed as incurred and included in selling, general and administrative expenses in the accompanying consolidated statements of operations and comprehensive loss. For the years ended December 31, 2022 and 2021, advertising costs were $1.3 million and $1.1 million, respectively.

Income Taxes

The Company accounts for income taxes following the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on differences between the consolidated financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on the deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enacted date.

The Company measures deferred tax assets based on the amount that the Company believes is more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including reversals of existing taxable temporary differences, tax-planning strategies, and historical results of recent operations. In evaluating the objective evidence that historical results provide, the Company considers three trailing years of cumulative operating income or loss. Valuation allowances are provided, if, based upon the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. A full valuation allowance was recorded against the deferred tax assets as of December 31, 2022 and 2021. Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and the Company's effective tax rate in the future.

The Company believes that its tax positions comply with applicable tax law. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

The Company's income tax expense or benefit, liability and/or receivable, deferred tax assets and liabilities, and liabilities for uncertain tax benefits reflect management’s best assessment of estimated current and future taxes to be paid or received.

Stock-Based Compensation

Restricted Stock Awards and Restricted Stock Units

The Company has granted restricted stock awards ("RSAs") and grants restricted stock units ("RSUs") to certain employees, for which the grant date fair value is equal to the trading price fair value of the Class A common stock on the date of grant. In order to determine the fair value of its Class A common stock on the date of grant and prior to the Merger, Legacy BlackSky historically performed a valuation analysis using a combination of market and income approaches. Subsequent to the Merger, the Company uses the New York Stock Exchange (“NYSE”) trading price as the fair value of the Class A common stock for valuation purposes. For all awards for which vesting is only subject to a service condition, including those subject to graded vesting, the Company has elected to use the straight-line method to recognize the fair value as compensation cost over the requisite service period.

Certain of the Company’s outstanding RSUs had performance vesting conditions that were triggered upon the consummation of the Merger. Therefore, since the performance conditions attributable to these RSUs had been met, the Company commenced recording the associated compensation expense, inclusive of a catch-up amount for the service period between their grant date and satisfaction of the performance condition, as of the closing of the Merger. The fair value of the RSUs that include a performance condition is recognized as compensation expense over the requisite service period using the accelerated attribution method, which accounts for RSUs with discrete vesting dates as if they were a separate award. Expense related to stock-based payments is classified in the consolidated statements of operations and comprehensive loss based upon the classification of each employees’ cash compensation.

Stock Options

The Company uses the Black-Scholes option pricing model to value all options and the straight-line method to recognize the fair value as compensation cost over the requisite service period. The fair value of each option granted was estimated as of the date of grant. The Company granted options in the year ended December 31, 2022. The Company uses the following inputs when applying the Black-Scholes option pricing model:

Expected Dividend Yield. The Black-Scholes valuation model requires an expected dividend yield as an input. The dividend yield is based on historical experience and expected future changes. The Company currently has no plans to pay dividends on its Class A common stock.

Expected Volatility. The Company does not have enough historical share price history; therefore, the expected volatility was estimated based upon the historical share price volatility of guideline comparable companies.

Risk-free Interest Rate. The yield on actively traded non-inflation indexed U.S. Treasury notes was used to extrapolate an average risk-free interest rate based on the expected term of the underlying grants.

Expected Term. For options granted in 2021 and 2022, since there is not a history of option exercises as a public company, the Company considered the option vesting terms and contractual period, as well as the demographics of the holders, in estimating the expected term. For options granted prior to 2021, the expected term was the estimated duration to a liquidation event based on a weighted average consideration of the most likely exit prospects for that stage of development. Legacy BlackSky was privately funded and, accordingly, the lack of marketability was factored into the expected term of options granted. The Company will review its estimate in the future and adjust it, if necessary, due to changes in the Company's historical exercises.

The most significant assumption used to determine the fair value of the Legacy BlackSky equity-based awards was the estimated fair value of the Class A common stock on the grant date. In order to determine the fair value of its Class A common stock on the date of grant and prior to the Merger, Legacy BlackSky historically performed a valuation analysis using a combination of market and income approaches. Subsequent to the Merger, the Company uses the NYSE trading price as the fair value of the Class A common stock for valuation purposes.

Legacy BlackSky historically adjusted the exercise price of certain outstanding stock options. For each award with an adjusted exercise price, Legacy BlackSky calculated the incremental fair value, which was the excess of the fair value of the modified award over the fair value of the original award immediately before the modification. The incremental fair value was recognized as stock-based compensation expense immediately to the extent that the modified stock option already had vested, and for stock options that were not yet vested, the incremental fair value has been recognized as stock-based compensation expense over the remaining vesting period.

Common Stock Repurchases and Retirements

The Company may repurchase common stock from employees or former employees and recognizes any excess of the repurchase price over the fair value of the instruments repurchased as additional compensation cost. Further, when that same common stock is retired, the excess is charged entirely to retained earnings. During the year ended December 31, 2022, the Company repurchased and retired 14,603 shares of common stock. The Company recorded $30 thousand to retained earnings in the consolidated balance sheets as of December 31, 2022 and $18 thousand to stock-based compensation as part of selling, general, and administrative expense in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2022.

Segment Information

The Company's Chief Operating Decision Maker (as defined under GAAP), who is the Company's Chief Executive Officer, has determined the allocation of resources and assessed performance based upon the consolidated results of the Company. Accordingly, the Company is currently deemed to be comprised of only one operating segment and one reportable segment. This segment, which comprises the continuing operations of the Company's single operating and reportable segment, provides geospatial intelligence, imagery and related data analytic products and services, and mission systems that include the development, integration, and operation of satellite and ground systems to government and commercial customers.

Sponsor Shares

Osprey pre-Merger class B common shares were exchanged for the Company's class A common shares upon the consummation of the merger ("Sponsor Shares"). The Company accounted for the Sponsor Shares in accordance with the guidance contained in ASC 815-40, under which the Sponsor Shares did not meet the criteria for equity treatment and were recorded as derivative liabilities in the Company's consolidated balance sheets as of December 31, 2022. The Sponsor Shares are adjusted to fair value at each reporting period and the change in fair value is recognized in gain on derivatives in the Company's consolidated statements of operations and comprehensive loss.

Transaction Costs

Transaction costs consist of legal fees, accounting fees, underwriting fees, and other third-party costs related directly to the Reverse Recapitalization. As a reverse recapitalization transaction between a private operating company and a public shell company that had cash on its balance sheet and that was accounted for as the issuance of equity by Legacy BlackSky for the cash of the shell company, the transaction costs incurred by Legacy BlackSky were permitted to be charged directly to equity. Upon the closing of the Merger, $19.2 million of transaction costs that had been incurred by Legacy BlackSky, inclusive of amounts that previously had been capitalized as other assets prior to the closing of the Merger, were recorded as a reduction to additional paid-in capital in the consolidated statements of changes in stockholders' equity (deficit) and consolidated balance sheets, and as a reduction to proceeds from the transaction in the consolidated statements of cash flows. The transaction costs of $0.3 million related to the Sponsor Shares were expensed.

Deferred Offering Costs

Offering costs consist of legal fees, accounting fees, underwriting fees, and other third-party costs that are directly related to the Company's future equity offering(s) and will be charged to additional paid in capital upon the completion of the applicable future transaction. During the year ended December 31, 2022 the Company incurred offering costs of $0.5 million, which are included in other assets in the Company's consolidated balance sheets as of December 31, 2022; there were no deferred offering costs capitalized as of December 31, 2021.

3. Accounting Standards Updates ("ASU")

Accounting Standards Recently Adopted

Effective January 1, 2022, the Company adopted ASC 842. The amendments in this update required the recognition of lease assets and lease liabilities on the balance sheet, as well as certain qualitative disclosures regarding leasing arrangements. The Company adopted ASC 842 using the modified retrospective method, with the cumulative effect of initially applying these updates recognized at the date of initial application. The adoption of this standard is reflected in the amounts and disclosures set forth in this Form 10-K. Upon adoption, the Company recognized operating lease ROU assets of $3.6 million, current operating lease liabilities of $530 thousand and long-term operating lease liabilities of $3.1 million, respectively in its consolidated balance sheets. There were no material impacts to the consolidated statements of operations and comprehensive loss or consolidated statements of cash flows.

Effective January 1, 2022, the Company adopted ASU No. 2019-12, *Income Taxes (Topic 740):* "*Simplifying the Accounting for Income Taxes*". The amendments in this update are intended to simplify various aspects related to accounting for income taxes. This ASU removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. This ASU was applied on a prospective basis. There were no material impacts to the consolidated financial statements upon adoption.

Accounting Standards Recently Issued But Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, "*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*". The amendments in this update are primarily for entities holding financial assets and net investment leases measured under an incurred loss impairment methodology. A new methodology must be adopted to reflect expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates, which would include losses on trade accounts receivable. This ASU requires modified retrospective application. The guidance is effective for public business entities that are not smaller reporting companies for fiscal years beginning after December 15, 2019, including interim periods therein. For all other entities, the guidance is effective for fiscal years beginning after December 15, 2022, including interim periods therein. The Company will adopt this guidance as of January 1, 2023 and we do not expect this guidance will materially impact the Company.

4. Reverse Recapitalization

As described in Note 1, the Merger between Osprey and Legacy BlackSky closed on September 9, 2021. In connection with the Merger:

- A number of parties agreed to purchase an aggregate of 18.0 million shares of Osprey class A common stock (the "PIPE Shares"), for a purchase price of $10.00 per share, and an aggregate purchase price of $180.0 million, pursuant to the subscription agreements dated February 17, 2021. While executed pre-Merger, the sale of PIPE Shares was consummated substantially concurrently with the closing of the Merger and participants received shares of BlackSky Class A common stock.
- As part of a strategic partnership, Palantir Technologies Inc. ("Palantir") agreed to purchase an aggregate of 0.8 million shares of Osprey class A common stock for a purchase price of $10.00 per share and an aggregate purchase price of $8.0 million pursuant to a subscription agreement entered into on August 31, 2021, which contained substantially similar terms as the PIPE subscription agreement described above. The Palantir subscription agreement closed on September 13, 2021, two business days subsequent to the closing of the Merger, and Palantir received 0.8 million shares of BlackSky Class A common stock.
- 79.0 million shares of Osprey class A common stock were issued for all of the issued and outstanding equity interests of Legacy BlackSky, inclusive of shares of Osprey's class A common stock issued in exchange for Legacy BlackSky's (1) issued and outstanding class A common stock, (2) issued and outstanding preferred stock, (3) shares of common stock issued upon the conversion of Legacy BlackSky's convertible promissory notes (inclusive of interest accrued thereon), as if each had converted into Legacy BlackSky class A common stock immediately prior to the Merger, and (4) shares of preferred stock and common stock issued upon the manual or automatic exercise of certain warrants immediately prior to the Merger. Both outstanding preferred stock shares and preferred stock share activity related to all of Legacy BlackSky's redeemable convertible preferred stock have been retrospectively adjusted for the exchange and included as equity in the Company's consolidated balance sheets and statements of changes in redeemable convertible preferred stock and stockholders' equity (deficit) from the beginning of the earliest period presented in order to reflect the Company's equity structure for all reporting periods.
- Outstanding Legacy BlackSky RSUs, RSAs, options, and common stock warrants that were neither exercised nor forfeited immediately prior to the Merger were exchanged, based on the exchange ratio applicable to shares of Legacy BlackSky's class A common stock, for RSUs, RSAs, options, and warrants, respectively, that vest into or become exercisable for the Company's Class A common stock. Upon exchange, these awards remained subject to the same vesting and exercise terms and conditions as were applicable to the awards pre-Merger.
- 21.4 million shares of Osprey class A common stock were redeemed by Osprey pre-Merger public shareholders. The price paid in excess of the pro-rata portion of additional paid-in capital was recorded

in accumulated deficit in the consolidated balance sheets and consolidated statements of changes in stockholders' equity (deficit) as of and for the year ended December 31, 2021.

- 7.9 million shares of Osprey class B common stock that were outstanding immediately prior to the Merger were converted to 7.9 million shares of Osprey class A common stock, inclusive of 2.4 million shares that are subject to (1) up to a seven year lockup period, with release terms that are based upon the performance of the Company's common stock or a change in control event and (2) potential forfeiture.

The following table reconciles the elements of the Merger to the consolidated statements of cash flows and the consolidated statement of changes in stockholder's equity (deficit) for the year ended December 31, 2021 (in thousands):

Cash – Osprey's trust and cash (net of redemptions)	$	103,049
Cash - PIPE financings (PIPE Shares and Palantir)		188,000
Gross Merger proceeds	$	291,049
Less: fees paid to Osprey IPO underwriters		(11,173)
Less: other Osprey transaction costs		(15,831)
Less: BlackSky transaction costs		(19,165)
Proceeds from Reverse Recapitalization, net payment of BlackSky equity issuance costs	$	244,880
Less: non-cash assets and warrant liabilities assumed from Osprey		(43,963)
Net impact from Reverse Recapitalization to BlackSky's equity	$	200,917

The number of shares of Company Class A common stock originally issued by Osprey prior to Merger and the recapitalization of the Class A common stock following the Merger are as follows:

	Number of Shares (in thousands)
Osprey class A common stock, outstanding prior to Merger	31,625
Less: redemption of Osprey class A common stock	(21,375)
Total Osprey class A common stock pre-Merger	10,250
Osprey Founder class A common stock	5,534
Class A common stock issued in PIPE and Palantir financing	18,800
Total Merger, PIPE, and Palantir financing class A common stock	34,584

5. Revenue

Disaggregation of Revenue

The Company earns revenue through the sale of imagery and software analytical services and professional and engineering services. The Company's management primarily disaggregates revenue as follows: (i) imagery; (ii) data, software and analytics; and (iii) professional and engineering services. This disaggregation allows the Company to evaluate market trends in certain imagery and software analytical services and professional and engineering services. These offerings currently have both recurring and non-recurring price attributes, particularly the professional and engineering services offerings.

The following table disaggregates revenue by type for the years ended December 31, 2022 and 2021:

	Years Ended December 31,	
	2022	2021
	(in thousands)	
Imagery	$ 34,242	$ 8,648
Data, software and analytics	13,173	6,717
Engineering services	9,372	9,039
Professional services	8,563	9,681
Total revenue	$ 65,350	$ 34,085

The approximate revenue based on geographic location of customers is as follows for the years ended December 31, 2022 and 2021:

	Years Ended December 31,	
	2022	2021
	(in thousands)	
North America	$ 54,052	$ 29,557
Middle East	3,459	2,661
Asia	6,246	1,300
Other	1,593	567
Total revenue	$ 65,350	$ 34,085

Revenue from significant customers for the years ended December 31, 2022 and 2021 is as follows:

	Years Ended December 31,	
	2022	2021
	(in thousands)	
U.S. federal government and agencies	$ 53,186	$ 29,382
International governments	11,375	4,102
Commercial and other	789	601
Total revenue	$ 65,350	$ 34,085

As of December 31, 2022 and 2021, accounts receivable consisted of the following:

	December 31, 2022	December 31, 2021
	(in thousands)	
U.S. federal government and agencies	$ 2,540	$ 2,576
International government	261	76
Commercial and other	311	16
Allowance for doubtful accounts	—	(39)
Total accounts receivable	$ 3,112	$ 2,629

Backlog

Backlog represents the future sales we expect to recognize on firm orders received by the Company and is equivalent to the Company's remaining performance obligations at the end of each period. It comprises both funded backlog (firm orders for which funding is authorized and appropriated) and unfunded backlog. The Company's backlog excludes unexercised contract options. As of December 31, 2022, the Company had $259.4 million of backlog, which represents the transaction price of executed contracts less inception to date revenue recognized. The Company expects to recognize revenue relating to our backlog, of which a portion is recorded in deferred revenue in the consolidated balance sheets, of $63.0 million, $28.5 million, and $167.9 million in the fiscal year 2023, 2024, and thereafter, respectively.

6. Contract Assets and Liabilities

The components of contract assets and contract liabilities consisted of the following:

	December 31, 2022	December 31, 2021
	(in thousands)	
Contract assets - current		
Unbilled revenue	$ 5,706	$ 788
Contract assets	—	890
Total contract assets - current	$ 5,706	$ 1,678
Contract assets - long-term		
Unbilled revenue - long-term	$ 1,287	$ —
Contract assets - long-term	681	—
Total contract assets - long-term(1)	$ 1,968	$ —
Contract liabilities - current		
Deferred revenue - short-term	$ 6,783	$ 11,082
Other contract liabilities - short-term	—	184
Total contract liabilities - current	$ 6,783	$ 11,266
Deferred revenue - long-term	—	568
Other contract liabilities - long-term	109	—
Total contract liabilities - long-term	$ 109	$ 568

(1) Total contract assets - long term is included in other assets in the consolidated balance sheets.

Deferred revenue and other contract liabilities are reported as contract liabilities in the accompanying consolidated balance sheets. Contract liabilities include payments received and billings made in advance of the satisfaction of performance obligations under the contract and are realized when the associated revenue is recognized under the contract. Contract assets include (i) unbilled revenue, which is the amount of revenue recognized in excess of the amount billed to customers, where the rights to payment are not just subject to the passage of time; and (ii) costs incurred to fulfill contract obligations. Other contract assets and other contract liabilities primarily relate to contract commissions on customer contracts.

Changes in short-term and long-term contract assets and contract liabilities for the year ended December 31, 2022 were as follows:

	Contract Assets	Contract Liabilities
	(in thousands)	
Balance on January 1, 2022	$ 1,678	$ 11,834
Billings or revenue recognized that was included in the beginning balance	(788)	(10,576)
Changes in contract assets or contract liabilities, net of reclassification to receivables	6,992	2,317
Cumulative catch-up adjustment arising from changes in estimates to complete	—	2,778
Cumulative catch-up adjustment arising from contract modification	—	614
Changes in costs to fulfill and amortization of commission costs	(208)	—
Changes in contract commission costs	—	(75)
Balance on December 31, 2022	$ 7,674	$ 6,892

7. Equity Method Investments

LeoStella

The Company accounts for its investment in LeoStella as an equity method investment. The Company did not make any additional capital investments in LeoStella during the years ended December 31, 2022 or 2021; the Company received distributions of $0.8 million and $0.3 million during the years ended December 31, 2022 and 2021, respectively. During the years ended December 31, 2022 and 2021, the Company remitted $28.0 million and $19.3 million, respectively, of payments to LeoStella for satellite manufacturing and satellite software development.

LeoStella's revenue from related parties was $26.1 million and $46.2 million for the years ended December 31, 2022 and 2021, respectively. The Company had differences between the carrying value of its equity method investments and the underlying equity in the net assets of the investees of $2.6 million and $2.9 million as of December 31, 2022 and 2021, respectively. The difference is the result of the elimination of upstream intra-entity profits from the sale of satellites.

X-Bow

In 2017, the Company entered into a stock subscription and technology transfer agreement with X-Bow, whereby the Company assigned and transferred certain intellectual property rights owned by the Company to X-Bow in exchange for 13.5 million shares of X-Bow, a strategic investment in a space technology company specializing in additive manufacturing of solid rocket motors. As of December 31, 2022, the Company's interest in X-Bow was less than 20%.

The following tables present summarized financial information for the Company's equity method investments as of December 31, 2022 and December 31, 2021 and for the years ended December 31, 2022 and 2021.

Summarized balance sheets	December 31, 2022		December 31, 2021	
	(in thousands)			
Current assets	$	61,473	$	60,652
Non-current assets		10,308		5,798
Total assets	$	71,781	$	66,450
Current liabilities	$	35,695	$	39,612
Noncurrent liabilities		2,642		706
Total liabilities	$	38,337	$	40,318

Summarized statements of operations	Years Ended December 31, 2022		2021	
	(in thousands)			
Revenue	$	41,668	$	61,802
Net (loss) income		(6,000)		6,540

Current assets of the Company's equity method investees primarily consisted of cash of $30.5 million and $25.8 million as of December 31, 2022 and 2021, respectively. Total liabilities of the Company's equity method investees primarily consisted of customer advances of $ 29.2 million and $35.2 million as of December 31, 2022 and 2021, respectively.

8. Discontinued Operations

On June 12, 2020, the Company completed the sale of100% of its equity interests in Spaceflight to M&Y Space. Under a transition services agreement that ended in March 2022, the Company provided post-closing transition services to Spaceflight, including, but not limited to, the sublease of the Company's office facility in Seattle, Washington and common area maintenance fees related to the sublease.

Settlement Arrangement for the Sale of Spaceflight

On March 30, 2021, the Company settled certain disputes with respect to the purchase price in the total amount of $6.8 million, which was accrued as a liability as of December 31, 2020. The Company paid the settlement amount in two tranches—(i) $2.0 million on April 1, 2021 and (ii) the remaining $4.8 million was triggered at the closing of the Merger. In April 2021, the Company also terminated a launch arrangement with Spaceflight and, as agreed upon by the parties, offset the amount due to M&Y Space with a contractual refund of $3.9 million, of which the net amount of $819 thousand was settled for cash in September 2021. As a result, the Company recorded a reduction to the accrued liability and a reduction to satellite procurement in the consolidated balance sheet as of December 31, 2021.

On February 9, 2022, the Company received an indemnification claim notice regarding certain collection and tax payments related to the Share Purchase Agreement dated as of January 31, 2020 among BlackSky Holdings, Inc., Spaceflight, and M&Y Space. On October 21, 2022, the parties agreed to the framework for a global settlement of such indemnification claims, to include a settlement payment by the Company of $1.0 million and a holdback amount of $0.1 million subject to M&Y Space Co.'s ability to collect against certain receivables. As a result, we reduced our existing contingent liability by $ 0.7 million, which was recorded as a gain from discontinued operations in the year ended December 31, 2022.

The following summarizes the components of the gain (loss) from discontinued operations, net of income taxes, that the Company has reported in the consolidated statements of operations and comprehensive loss. The Company recognized an unfavorable working capital adjustment of $1.7 million during the year ended December 31, 2021 primarily related to a potential shortfall in accounts receivable in the closing balance sheet delivered to M&Y Space.

	Years Ended December 31,	
	2022	2021
	(in thousands)	
Major classes of line items constituting loss from discontinued operations:		
Revenue - launch services	$ —	$ —
Total operating costs and expenses	—	—
Operating loss	—	—
Loss from discontinued operations, before income taxes	—	—
Gain (loss) on disposal of discontinued operations	707	(1,650)
Total gain (loss) from discontinued operations, net of income taxes	707	(1,650)

9. Property and Equipment - net

The following summarizes property and equipment - net as of:

	December 31, 2022	December 31, 2021
	(in thousands)	
Satellites	$ 116,219	$ 93,709
Software	8,503	—
Software development in process	2,942	—
Computer equipment	1,996	1,372
Office furniture and fixtures	674	744
Other equipment	631	682
Site equipment	2,558	1,504
Total	133,523	98,011
Less: accumulated depreciation	(61,939)	(27,460)
Property and equipment — net	$ 71,584	$ 70,551

Depreciation of property and equipment from continuing operations was $35.1 million and $12.9 million for the years ended December 31, 2022 and 2021, respectively.

The Company disposed of property and equipment, which consisted of site equipment, furniture and ground station equipment of $0.6 million and $2.9 million, during the years ended December 31, 2022 and 2021, respectively, for a loss of $0 and $24 thousand for the years ended December 31, 2022 and 2021, respectively.

On May 15, 2021, a rocket carrying two of the Company's satellites suffered a failure during flight, resulting in the loss of both satellites. This resulted in the total carrying value of $18.4 million being impaired in the second quarter of 2021. The $18.4 million includes satellite procurement, launch, shipping, launch support and other associated costs. There was no impairment for the year ended December 31, 2022.

10. Goodwill and Intangible Assets

Goodwill

The Company performed an annual qualitative goodwill assessment of the goodwill held related to the BlackSky reporting unit as of October 1, 2022. The Company determined that no triggering events occurred that would require the Company to quantitatively test goodwill for impairment during the year ended December 31, 2022. As of December 31, 2022, the Company believes that the estimated fair values of the BlackSky reporting unit is still in excess of its respective carrying value and therefore is not at-risk of being impaired. To the extent this reporting unit realizes actual operating results in the future below forecasted results, or realizes decreases in forecasted results as compared to previous forecasts or, in the event the estimated fair value of the reporting unit decreases (as a result, among other things, of changes in market capitalization, including further declines in the stock price), the Company may incur goodwill impairment charges in the future. Goodwill was as follows:

	December 31, 2022	December 31, 2021
	(in thousands)	
Gross carrying amount	$ 9,393	$ 9,393
Accumulated impairment losses	—	—
Net carrying value of goodwill	$ 9,393	$ 9,393

Intangible Assets

The components of intangible assets were as follows:

	December 31, 2022	December 31, 2021
	(in thousands)	
Gross carrying amount	$ 6,530	$ 6,530
Accumulated amortization	(4,612)	(4,050)
Net carrying amount [(1)]	$ 1,918	$ 2,480

(1) For the years ended December 31, 2022 and 2021, the net carrying amount of intangible assets was made up entirely of customer relationships.

For the years ended December 31, 2022 and 2021, amortization expense related to intangible assets was $0.6 million and $1.4 million, respectively. These amounts were included in depreciation and amortization expense in the consolidated statements of operations and comprehensive loss. The Company estimates that it will have the following amortization expense for the future periods indicated below:

For the years ending December 31:	(in thousands)
2023	$ 561
2024	561
2025	561
2026	235
Total	$ 1,918

11. Accounts Payable and Accrued Liabilities

The components of accounts payable and accrued liabilities were as follows:

	December 31, 2022	December 31, 2021
	(in thousands)	
Accounts payable	$ 2,421	$ 1,723
Accrued payroll	6,127	4,089
Accrued professional services, legal, and other general and administrative	3,040	2,043
Accrued cost of goods sold and other expenses	2,780	2,982
Total accounts payable and accrued liabilities	$ 14,368	$ 10,837

12. Other Current Liabilities

The components of other current liabilities were as follows:

	December 31, 2022	December 31, 2021
	(in thousands)	
Other current liabilities	$ 256	$ 324
Accrued interest	1,176	—
Current portion of capital lease	—	49
Operating lease right-of-use liabilities	530	—
Contingent liability	86	761
Working capital liability	—	1,685
Total other current liabilities	$ 2,048	$ 2,819

13. Employee Benefit Plan

The Company has a 401(k) savings plan. Eligible employees may voluntarily contribute a percentage of their compensation to their 401(k) account. The Company provides a 401(k) employer match of 50% of the first 6% of the employee’s salary contribution. The benefit vests over a five-year period beginning 90 days after the employee’s date of hire. For the years ended December 31, 2022 and 2021, the 401(k) employer match expense was $0.9 million and $0.6 million, respectively, for continuing operations.

14. Income Taxes

The Company's consolidated effective income tax rate from continuing operations for the years ended December 31, 2022 and 2021 was 0.0%. The Company's provision for income taxes from continuing operations for the years ended December 31, 2022 and 2021 is as follows:

	Years Ended December 31,	
	2022	2021
	(in thousands)	
Current:		
Federal	$ —	$ —
State	—	—
Total current	$ —	$ —
Deferred:		
Federal	—	—
State	—	—
Total deferred	$ —	$ —
Total provision for income taxes	$ —	$ —

The Company's operations are domestically located and therefore, the Company is not subject to tax in foreign jurisdictions. Income tax (benefit) expense differed from the amount computed by applying the federal statutory income tax rate of 21% to loss before income taxes due to the following items for the years ended December 31, 2022 and 2021:

	Years Ended December 31,	
	2022	2021
	(in thousands)	
Tax benefit at federal statutory rate	$ (15,725)	$ (51,673)
Non-deductible compensation	(1,092)	4,431
State tax, net of federal benefit	(3,227)	(3,296)
Valuation allowance	18,834	25,631
Shortfall of stock compensation deduction	3,190	—
Non-deductible interest	—	21,715
Non-taxable warrants	(2,481)	(5,016)
Uncertain tax position	—	8,449
Other	501	(241)
Income tax (expense) benefit	$ —	$ —

The income tax (expense) benefit as of December 31, 2022 and 2021 was $0. The tax benefits associated with losses generated by the consolidated group have been reduced by a full valuation allowance as the Company does not believe it is more-likely-than-not that the losses will be utilized.

Deferred tax assets and liabilities as of December 31, 2022 and 2021, consisted of the following:

	December 31,	
	2022	2021
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforwards	$ 54,892	$ 45,181
Sec. 163(j) carryforward	7,741	6,414
Accruals and reserves	1,613	2,359
Deferred revenue	271	778
Capital loss carryforward	3,919	3,689
Section 174 - research expenditures	6,238	—
Other deferred tax assets	6,385	3,631
Total deferred tax assets	81,059	62,052
Valuation allowance	(80,137)	(61,460)
Total net deferred tax assets	922	592
Deferred tax liabilities		
Basis difference in intangibles	(468)	(588)
Other deferred tax liabilities	(454)	(4)
Total deferred tax liabilities	(922)	(592)
Net deferred tax liabilities	$ —	$ —

The Company continues to provide for a full valuation allowance on its net deferred tax assets as the Company does not believe it is more-likely-than-not that the losses will be utilized after evaluation of all significant positive and negative evidence including, but not limited to, historical cumulative losses over the prior three-year period, as adjusted for permanent items, insufficient sources of taxable income in prior carryback periods and unavailability of prudent and feasible tax-planning strategies.

Below is a summary of the Company's estimated loss and tax credit carryforwards. In the year ended December 31, 2022, the Company performed a historic ownership change analysis and concluded that $1.5 million of federal net operating loss carryforward pre-tax attributes were subject to limitations, as defined by the Internal Revenue Code Sections 382 and 383.

	Tax Effected	Expiration
	(in thousands)	
Federal net operating loss ("NOL") carryforward	$ 7,966	2033-2036
Federal NOL carryforward	45,122	Indefinite
Federal capital loss carryforward	3,919	2025
State NOL carryforwards	1,804	2037-2042

At December 31, 2022 and 2021 the Company had $252.8 million and $213.9 million of net operating loss ("NOL") carryforwards for U.S. federal tax purposes, respectively. U.S. federal tax NOL carryforwards generated prior to 2018 of $37.9 million will expire, if unused, between 2033-2036. Under the Tax Cuts and Jobs Act of 2017, as modified by the Coronavirus Aid, Relief, and Economic Security Act, federal NOL carryforwards generated in tax years beginning after December 31, 2017 may be carried forward indefinitely. As of December 31, 2022, the Company had $214.9 million of NOL carryforwards generated after 2017 for U.S. federal tax purposes, which may be used to offset 80% of its taxable income annually.

The Company files income tax returns in the United States federal jurisdiction and various state jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities. Tax years 2014-2021 remain open for examination.

Below is a tabular reconciliation of the total amounts of unrecognized tax benefits:

	2022	2021
	(in thousands)	
Unrecognized tax benefits - January 1	$ 8,443	$ —
Gross increase - tax positions in current period	—	8,443
Gross increase - tax positions in prior period	563	—
Unrecognized tax benefits - December 31	$ 9,006	$ 8,443

The majority of the unrecognized tax benefits as of the year ended December 31, 2022 is from the valuation of guaranteed incentives shares issued for SVB guarantors. The balance of unrecognized tax benefits as of December 31, 2022 and 2021, if recognized, would not affect our effective tax rate and would result in adjustments to other tax accounts, primarily deferred tax assets and the net operating loss carry forward.

15. Debt and Other Financing

The carrying value of the Company's outstanding debt consisted of the following amounts:

	December 31, 2022	December 31, 2021
	(in thousands)	
Current portion of long-term debt	$ —	$ —
Non-current portion of long-term debt	77,132	74,126
Total long-term debt	77,132	74,126
Unamortized debt issuance cost	(913)	(2,718)
Outstanding balance	$ 76,219	$ 71,408

The outstanding debt was solely comprised of loans from related parties with effective interest rates of7.41% to 8.00% and a maturity date of October 31, 2024.

Under the Company's loan agreements, minimum required maturities are as follows:

For the years ending December 31,	(in thousands)
2023	—
2024	77,132
Total outstanding	$ 77,132

Bridge Notes and Related Transactions

On February 2, 2021, Legacy BlackSky amended its omnibus agreement dated June 27, 2018 (the "2021 Omnibus Amendment"). As a result of the amendment, Legacy BlackSky was permitted to enter into additional indebtedness by issuing new subordinated, unsecured convertible promissory notes (the "Bridge Notes"), between February 2, 2021 and June 30, 2021, for up to an aggregate principal amount of $60 million.

During the period from February 2, 2021 through February 3, 2021, Legacy BlackSky completed the closing of its initial tranche of the Bridge Notes from existing stockholders. The aggregate principal amount of the Bridge Notes issued in the initial tranche was $18.1 million. All investors participating in the initial tranche also received incentive equity equal to seven shares of class A common stock of Legacy BlackSky for each dollar invested. Certain investors participating in the initial tranche additionally received warrants exercisable for shares of Legacy BlackSky class A common stock in amounts ranging from 0.14% of Legacy BlackSky's fully-diluted share capital for each dollar invested divided by $1.0 million to 3.5% of Legacy BlackSky's fully-diluted share capital (Note 16). On February 18, 2021, the Company completed the closing of a second tranche of the Bridge Notes, raising an aggregate principal amount of $40.0 million from an existing stockholder and from new investors. Participants in the second tranche did not receive shares of Legacy BlackSky class A common stock or warrants to purchase Legacy BlackSky class A common stock.

Upon the closing of the two previously mentioned tranches, $1.9 million of Bridge Notes remained available to be offered to certain shareholders under terms similar to the initial tranche pursuant to a rights offering ("Rights Offering"). The Company subsequently completed the Rights Offering in June 2021 with a total of $0.5 million additional investment, resulting in final aggregate proceeds of $58.6 million in principal investments pursuant to the Bridge Notes. As the terms of the Rights Offering were substantially identical to those offered in the initial tranche of the Bridge Notes, participants received seven shares of the Legacy BlackSky's class A common stock for each dollar invested, as well as warrants.

The Bridge Notes, in all three tranches, bore interest at a rate of 10% and had a maturity date of April 30, 2025. There were no covenants in the Bridge Notes that were tied to financial metrics. The Company made an irrevocable election to carry the Bridge Notes at fair value.

In connection with the Merger, all of the Company's issued and outstanding Bridge Notes were converted into Legacy BlackSky class A common stock at a conversion price of 80% of the deemed value of a single Legacy BlackSky class A common share and, immediately thereafter, those Legacy BlackSky class A common shares were exchanged for Osprey class A common shares based on the class A common stock exchange ratio. As of December 31, 2022 and 2021, the Company had no convertible Bridge Notes outstanding.

In connection with the 2021 Omnibus Amendment, the investors guaranteeing the Silicon Valley Bank ("SVB") line of credit further reaffirmed their guarantees and received a one-time issuance of seven shares of Legacy BlackSky class A common stock for every dollar guaranteed. Additionally, Legacy BlackSky agreed to pay a fee to each of its senior secured lenders ("Consent Fees"). The Consent Fees were payable in either cash or shares of Legacy BlackSky's class A common stock at the choice of the lender. The Consent Fees were considered variable share-settled liabilities and were recorded at fair value. All of the Consent Fees were settled for cash at the closing of the Merger.

The following table summarizes the additional shares of Legacy BlackSky class A common stock and warrants to purchase Legacy BlackSky class A common stock issued as a result of the Bridge Notes.

	Legacy BlackSky Class A Common Stock[(1)]	Legacy BlackSky Class A Common Stock Warrants[(1)]
	(in thousands)	
Issued to SVB guarantors	8,485	—
Issued in connection with the initial tranche of Bridge Notes	11,544	3,873
Issued as incentive shares and as incentive warrants, in connection with the Rights Offering	314	51
Total	20,343	3,924

(1) Issuance of class A common stock and class A common stock warrants has been retroactively restated to give effect to the reverse recapitalization.

In connection with the Merger, all issued and outstanding Legacy BlackSky Bridge Notes and Class A common stock warrants granted in accordance with the Bridge Notes were automatically exercised into Legacy BlackSky class A common stock and those shares were exchanged for the Company's common shares at the exchange rate applicable to the Company's common stock.

Loans from Related Parties

After the Merger, the Company’s primary debt (and its sole secured debt) consists of its amended and restated loan and security agreement dated October 31, 2019, as amended or modified from time to time, with Intelsat Jackson Holdings SA (“Intelsat”) and Seahawk SPV Investment LLC (“Seahawk”). Interest accrues on the amounts outstanding under this facility at a fixed rate of 9% until October 31, 2023 and 10% from November 1, 2023 to the maturity date of October 31, 2024. Interest is payable in cash semi-annually in arrears commencing on May 1, 2023. This facility is secured by substantially all of the Company’s assets, is guaranteed by the Company’s subsidiaries, and contains customary covenants and events of default. There are no covenants tied to financial metrics.

Fair Value of Debt

The estimated fair value of all of the Company’s outstanding long-term debt was $73.2 million and $76.1 million as of December 31, 2022 and December 31, 2021, respectively, which is different than the historical costs of such long-term debt as reflected in the Company’s consolidated balance sheets. The fair value of the long-term debt was estimated using Level 3 inputs, based on interest rates available for debt with terms and maturities similar to the Company’s existing debt arrangements and credit rating.

Compliance with Debt Covenants

As of December 31, 2022, all debt instruments contain customary covenants and events of default. There are no covenants tied to financial metrics and the Company was in compliance with all non-financial covenants as of December 31, 2022.

16. Equity Warrants Classified as Derivative Liabilities

Equity warrants that are classified as derivative liabilities must be measured at fair value upon issuance and re-valued at the end of each reporting period through expiration and are included in derivative liabilities in the Company's consolidated balance sheets. Any change in fair value between the respective reporting dates is recognized as an unrealized gain or loss in the accompanying consolidated statements of operations and comprehensive loss (Note 23). In the year ended December 31, 2022, the Company's derivative liabilities were made up of only the equity warrants and the Sponsor Shares. In the year ended December 31, 2021, the Company's derivative liabilities included warrants, Consent Fees from the Bridge Notes (see Note 15), and Legacy BlackSky preferred stock warrants.

The following table is a summary of the number of shares of the Company’s Class A common stock issuable upon exercise of warrants at December 31, 2022:

	Number of Shares	Exercise Price	Redemption Price	Expiration Date	Classification	Gain in value for the year ended December 31, 2022	Fair Value at December 31, 2022
	(in thousands)					(in thousands)	
Public Warrants	15,813	$ 11.50	$ 18.00	9/9/2026	Liability	$ 6,600	$ 2,097
Private Placement Warrants	4,163	$ 11.50	$ 18.00	9/9/2026	Liability	1,623	874
Private Placement Warrants	4,163	$ 20.00	$ 18.00	9/9/2026	Liability	541	458

In addition, the Company has 1.8 million Class A common stock warrants outstanding which have an exercise price of $0.11 and expiration dates from June 27, 2028 to October 31, 2029. These warrants are equity classified and are included in additional paid-in capital in the Company’s consolidated balance sheets.

17. Other (Expense) Income

	Years Ended December 31,	
	2022	2021
	(in thousands)	
Loss on issuance of Bridge Notes tranche one	$ —	$ (84,291)
Loss on issuance of Bridge Notes tranche two	—	(12,185)
Loss on issuance of Bridge Notes Rights Offering	—	(3,193)
Debt issuance costs expensed for debt carried at fair value	—	(47,718)
Transaction costs associated with derivative liabilities	—	(291)
Proceeds from earn-out payment	2,000	—
Other	81	22
	$ 2,081	$ (147,656)

In the year ended December 31, 2022, performance on an earn-out condition within the Share Purchase Agreement dated as of January 31, 2020 among BlackSky Holdings, Inc., Spaceflight, and M&Y Space was met and thus, the Company received payment of $2.0 million.

In February 2021, Legacy BlackSky issued Bridge Notes intwo tranches (Note 15). The first tranche of the Bridge Notes were issued at par to several existing investors at a principal amount of $18.1 million and a fair value of $24.2 million. Additionally, certain investors in the first tranche of Bridge Notes received11.5 million shares of Legacy BlackSky class A common stock with a fair value of $59.8 million and warrants to purchase 3.9 million shares of Legacy BlackSky class A common stock with a fair value of $18.4 million. The transaction involved investments primarily by the existing Legacy BlackSky investors at that time. Legacy BlackSky, which had an external valuation performed on the Bridge Notes, Legacy BlackSky class A common stock, and Legacy BlackSky warrants, determined that the fair value of the financial instruments issued exceeded the cash proceeds received. Since no unstated rights and/or privileges were identified with the first tranche of the Bridge Notes, Legacy BlackSky recorded a loss on issuance of $84.3 million.

The second tranche of the Bridge Notes were issued at par to several new investors and an existing investor at a principal amount of $40.0 million and a fair value of $52.2 million, resulting in a loss on issuance of $12.2 million.

Legacy BlackSky incurred and expensed $47.6 million in debt issuance costs related to the Bridge Notes issued in February 2021 and the modification of existing debt arrangements at that time. These debt issuance costs consisted of 8.5 million shares of Legacy BlackSky class A common stock valued at $43.9 million that were issued to certain guarantors in conjunction with modification of Legacy BlackSky's SVB line of credit and $3.7 million paid to third-parties in cash. Additionally, the Company incurred $0.1 million in debt issuance costs related to the rights offering, which was expensed.

The debt issuance costs were expensed because the Bridge Notes were being carried on the balance sheet at fair value. The modification of existing debt did not qualify as a troubled debt restructuring, nor did it result in the extinguishment of the debt.

18. Stockholders' Equity

Class A Common Stock

As of December 31, 2022, the Company was authorized to issue 300.0 million shares of Class A common stock and100.0 million shares of preferred stock.

Issued and outstanding stock as of December 31, 2022 consisted of121.9 million and 119.5 million shares of Class A common stock, respectively. The par value of each share of the class A common stock is $0.0001 per share.

The Company had reserved shares of Class A common stock for issuance in connection with the following:

	December 31, 2022	December 31, 2021
	(in thousands)	
Common stock warrants (exercisable for class A common stock) treated as equity	1,770	1,770
Stock options outstanding	8,641	5,022
Restricted stock units outstanding	7,854	10,959
Public Warrants (exercisable for class A common stock) treated as liability	15,813	15,813
Private Placement Warrants (exercisable for class A common stock) treated as liability	8,325	8,325
Shares available for future grant	135,645	140,951
Total class A common stock reserved	178,048	182,840

The Company has approximately 2.4 million Sponsor Shares that are subject to specific lock-up provisions and potential forfeitures depending upon the post-Merger performance of the Company's Class A common stock, and therefore are required to be recorded as derivative liabilities at their fair value and adjusted to fair value at each reporting period. As a result, as of December 31, 2022 and December 31, 2021, the Company's derivative liabilities in the consolidated balance sheets included Sponsor Shares of $1.7 million and $4.7 million, respectively. The Company recorded a $3.0 million gain on derivatives in the Company's consolidated statements of operations and comprehensive loss for the year ended December 31, 2022 related to the fair value adjustments of these Sponsor Shares. The Sponsor Shares have the following provisions:

	Terms
Contractual Life	Seven years from the closing date of the Merger
Release Provision	Exactly half of the Sponsor Shares have a release provision ("Release") at such time that the volume weighted average price ("VWAP") is equal to, or greater than, $15.00 per share for ten of any twenty consecutive trading days. The remaining Sponsor Shares Release at such time that the VWAP is equal to, or greater than, $17.50 per share for ten of any twenty consecutive trading days. There is an additional provision for acceleration of the Release upon a defined change in control.
Forfeiture Provision	If, within the seven year period, the Sponsor Shares have not met the Release provisions, the Sponsor Shares will automatically forfeit and be cancelled.

19. Net Loss Per Share of Class A Common Stock

The following table includes the calculation of basic and diluted net (loss) income per share:

	Years Ended December 31, 2022	Years Ended December 31, 2021
	(in thousands except per share information)	
Loss from continuing operations	$ (74,879)	$ (243,993)
Gain (loss) from discontinued operations	707	(1,650)
Net loss available to common stockholders	$ (74,172)	$ (245,643)
Basic and diluted net loss per share - continuing operations	$ (0.64)	$ (3.37)
Basic and diluted net gain (loss) per share - discontinued operations	0.01	(0.02)
Basic and diluted net loss per share	$ (0.63)	$ (3.39)
Shares used in the computation of basic and diluted net loss per share	117,821	72,462

The potentially dilutive securities listed below were not included in the calculation of diluted weighted average common shares outstanding, as their effect would have been anti-dilutive during the years ended December 31, 2022 and 2021.

	Years Ended December 31, 2022	Years Ended December 31, 2021
	(in thousands)	
Restricted class A common stock	57	335
Common Stock warrants	1,770	1,770
Stock options	8,641	5,022
Restricted stock units	7,854	10,959
Public Warrants (exercisable for class A common stock) treated as liability	15,813	15,813
Private Placement Warrants (exercisable for class A common stock) treated as liability	8,325	8,325
Sponsor Shares	2,372	2,372

20. Stock-Based Compensation

The Company adopted two equity incentive plans in prior years. Legacy BlackSky issued equity and equity-based awards under its 2014 stock incentive plan (the "2014 Plan") and 2011 stock incentive plan (the "2011 Plan", together with the 2014 Plan, collectively the "Plans"), which are now administered by the Company's board of directors. The Plans are no longer active; however, outstanding awards granted under these Plans will not be affected. Both Plans allowed the board of directors to grant stock options, designated as incentive or nonqualified, and stock awards to employees, officers, directors, and consultants. Stock options were granted with an exercise price per share equal to at least the estimated fair value of the underlying class A common stock on the date of grant. The vesting period was determined through individual award agreements and was generally over a four-year period. Awards generally expired 10 years from the date of grant. As of December 31, 2022, the Company had41 thousand and 1.4 million options outstanding, respectively, under the 2011 and 2014 Plans.

The stock-based compensation expense attributable to continuing operations is included in the consolidated statements of operations and comprehensive loss as indicated in the table below. Effective January 1, 2022, the Company reorganized its captions on the consolidated statements of operations and comprehensive loss to better align the Company's broad portfolio. As a result, for the year ended December 31, 2021, the amounts presented to reflect the impact of the reorganization have been recasted. This resulted in a $2.3 million reclassification of stock compensation expense between imagery & software analytical service costs, excluding depreciation and amortization and professional & engineering service costs, excluding depreciation and amortization in the Company's consolidated statements of operations and comprehensive loss.

	Years Ended December 31,	
	2022	2021
	(in thousands)	
Imagery & software analytical service costs, excluding depreciation and amortization	$ 553	$ 1,824
Professional & engineering service costs, excluding depreciation and amortization	1,341	2,297
Selling, general and administrative	18,131	38,450
Total stock-based compensation expense	$ 20,025	$ 42,571

The stock-based compensation expense recorded for the RSUs during the year ended December 31, 2021 included a cumulative adjustment for service completed from the grant date to the close of the Merger as the result of a vested performance condition. Additionally, the Company recorded stock-based compensation related to capitalized internal labor for software development activities of $1.5 million and $11 thousand during the years ended December 31, 2022 and 2021, respectively. These amounts are included in property, plant, and equipment - net in the consolidated balance sheets.

Stock Options

Following the Merger, the outstanding stock options issued under the 2011 Plan and the 2014 Plan may be exercised (subject to their original vesting, exercise and other terms and conditions) to purchase a number of shares of class A common stock equal to the number of shares of Legacy BlackSky class A common stock, as adjusted for the common stock exchange ratio, subject to the same terms and conditions as were applicable to such Legacy BlackSky stock option (each an "Assumed Company Stock Option"). The exercise price per share of each Assumed Company Stock Option was equal to the quotient obtained by dividing the exercise price per share applicable to such Legacy BlackSky stock option by the common stock exchange ratio.

The Black-Scholes option pricing model is used to determine the fair value of options granted. The Company utilized assumptions concerning expected term, a risk-free interest rate, and expected volatility to determine such values. A summary of the weighted-average assumptions used by the Company is presented below:

	Years Ended December 31,	
	2022	2021
Fair value per common share	$2.06 - $2.15	$ 5.40
Weighted-average risk-free interest rate	3.20% - 4.72%	1.44 %
Volatility	33.90% - 41.10%	33.40 %
Expected term (in years)	7.63	8.00
Dividend rate	0 %	0 %

Legacy BlackSky historically adjusted the exercise price of certain outstanding stock options. For each award with an adjusted exercise price, Legacy BlackSky calculated the incremental fair value, which was the excess of the fair value of the modified award over the fair value of the original award immediately before the modification. The incremental fair value was recognized as stock-based compensation expense immediately to the extent that the modified stock option already had vested, and for stock options that were not yet vested, the incremental fair value has been recognized as stock-based compensation expense over the remaining vesting period.

A summary of the Company's stock option activity under the Plans during the year ended December 31, 2022 is presented below:

	Options	Weighted-Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value
	(in thousands)		(in years)	(in thousands)
Outstanding - January 1, 2022	5,022	$ 4.49		
Granted	5,305	2.14		
Exercised	(709)	0.07		
Forfeited	(977)	7.21		
Outstanding - December 31, 2022	8,641	3.10	8.68	$ 1,868
Exercisable - December 31, 2022	1,898	2.73	6.15	1,333

For options exercised, intrinsic value is calculated as the difference between the estimated fair value on the date of exercise and the exercise price. The total intrinsic value of options exercised during the years ended December 31, 2022 and 2021 was $1.8 million and $7.1 million, respectively. The total fair value of options vested during the years ended December 31, 2022 and 2021 was $1.2 million and $0.9 million, respectively.

As of December 31, 2022, there was $6.6 million of total unrecognized compensation cost, which is expected to be recognized over a weighted-average period of 3.4 years.

Restricted Stock Awards

During the year ended December 31, 2020, the Company granted RSAs, which vest based upon the individual award agreements and generally vest over a three to four-year period. These shares are deemed issued as of the date of grant, but not outstanding until they vest. The Company intends to settle the RSAs in stock, and the Company has the shares available to do so.

A summary of the Company's nonvested RSA activity during the year ended December 31, 2022 is presented below:

	Restricted Stock Awards	Weighted-Average Grant-Date Fair Value
	(in thousands)	
Nonvested - January 1, 2022	335	$ 0.01
Vested	(200)	0.01
Canceled	(78)	0.01
Nonvested - December 31, 2022	57	0.01

The Company has not granted any RSAs since 2020.

As of December 31, 2022, there was $1 thousand of total unrecognized compensation cost related to nonvested RSAs granted under the Plan, which is expected to be recognized over a weighted-average period of 1.7 years. The total grant date fair value of shares vested during the year ended December 31, 2022 was $2 thousand.

Restricted Stock Units

The Company granted an aggregate of 4.6 million RSUs to certain employees and service providers during the year ended December 31, 2022 under the 2021 Plan. The general vesting provisions are that 25% will vest on the one-year anniversary of the vesting commencement date and 75% will vest ratably over twelve consecutive quarters on specified quarterly vesting dates, with the first of such quarterly vesting dates occurring at least three months after the vesting of the initial 25% of the RSUs. During March 2022, 155 thousand RSUs were granted with a different vesting schedule, whereby 50% will vest annually on the anniversary of the vesting commencement date and during September 2022, 419 thousand RSUs were granted whereby 100% of such RSUs will vest at the earlier of (i) the one-year anniversary of the grant date or (ii) the date of the next annual meeting following the grant date.

A summary of the Company's nonvested RSU activity during the year ended December 31, 2022 is presented below:

	Restricted Stock Units	Weighted-Average Grant-Date Fair Value
	(in thousands)	
Nonvested - January 1, 2022	10,959	$ 6.77
Granted	4,558	2.06
Vested	(6,728)	6.92
Canceled	(935)	5.36
Nonvested - December 31, 2022	7,854	4.08

A significant portion of the pre-Merger RSU grants vested in accordance with the vesting schedule of 180 days subsequent to the Merger. During the year ended December 31, 2022, 2.6 million of the vested RSUs were withheld to satisfy payroll tax withholding obligations, which was recorded to additional paid-in capital totaling $5.1 million. Unrecognized compensation costs related to nonvested restricted stock units totaled $18.0 million as of December 31, 2022, which is expected to be recognized over a weighted-average period of 2.5 years.

21. Leases

Total Lease Cost

As described in Note 3, effective January 1, 2022, we adopted ASC 842 using the optional transition method. We did not recast the prior period consolidated financial statements and all prior period amounts and disclosures are presented under ASC Topic 840, "*Leases*".

The components of rent expense, which are included in selling, general and administrative expenses in the Company's consolidated statements of operations and comprehensive loss, were as follows:

	Year Ended December 31, 2022
	(in thousands)
Operating lease expense	$ 1,861
Variable lease expense	960
Short-term lease expense	127
Sublease income	(127)
Total rent expense	$ 2,821

Supplemental Balance Sheet Information

Supplemental operating lease balance sheet information consists of the following:

		As of December 31, 2022
		(in thousands)
Operating lease right of use assets - net	$	3,586
Other current liabilities		530
Operating lease liabilities		3,132
Total operating lease liabilities	$	3,662

Other Supplemental Information

Other supplemental operating lease information consists of the following for the year ended December 31, 2022:

Operating cash flows for operating leases (in thousands)	$	1,771
ROU assets obtained in exchange for new lease liabilities (in thousands)	$	5,225
Weighted average remaining lease term (in years)		9.36
Weighted average discount rate		10.95 %

22. Related Party Transactions

A summary of the Company's related party transactions during the year ended December 31, 2022 is presented below:

Name	Nature of Relationship	Description of the Transactions	Amount Due to Related Party as of December 31, 2022		December 31, 2021	
			(in thousands)			
Seahawk	Debt Issuer	In 2019, the Company raised and converted $18.4 million from prior debt into new, outstanding debt and issued 13.5 million warrants to purchase Legacy BlackSky common stock.	$	20,787	$	19,977
Intelsat	Debt Issuer	In 2019, the Company entered into a term loan facility for $50.0 million and issued 20.2 million warrants to purchase Legacy BlackSky common stock.		56,345		54,149

Name	Nature of Relationship	Description of the Transactions	Total Payments in the year ended December 31,		Amount Due to Related Party as of	
			2022	2021	December 31, 2022	December 31, 2021
			(in thousands)			
LeoStella	Joint Venture	Design, development and manufacture of multiple satellites.	$ 28,042	$ 19,257	$ 3,728	$ 8,381
X-Bow	Equity Method Investee	In 2017, the Company received stock in X-Bow. As of December 31, 2022, the Company had a less than 20% investment in X-Bow and had one Board seat. As described in Note 7, the Company has engaged X-Bow to develop a rocket for the Company.	900	1,865	—	—
Ursa Space Systems	Strategic Partner	The chairman of the Company's board of directors, Will Porteous, is also an investor and member of the board of directors of Ursa Space Systems. The Company has a non-cancelable operational commitment with Ursa Space Systems.	583	809	—	83
Thales Alenia Space	Shareholder and Parent of Wholly-owned Subsidiary, Seahawk (Debt Issuer)	Design, development and manufacture of telescopes.	11,388	6,050	693	—

In January 2023, the Company finalized a settlement agreement with LeoStella whereby the Company agreed to pay certain outstanding invoices of $1.4 million and LeoStella agreed to purchase certain customer satellite equipment from the Company for $1.0 million. The net amount due from the Company of $0.4 million was paid to LeoStella in February 2023. As a result of the agreement, as of December 31, 2022, the Company accrued for the proceeds from the sale of the equipment as a reduction in the amounts owed to LeoStella and reduced professional & engineering service costs, excluding depreciation and amortization for the year ended December 31, 2022.

Interest on the term loan facility is accrued and compounded annually. No significant interest payments were made in the years ended December 31, 2022 or 2021. The Company had interest due to related parties of $1.2 million, included in other current liabilities as of December 31, 2022, and $0.5 million included in other liabilities as of December 31, 2021. In February 2021, in connection with the Bridge Notes, the Company agreed to pay Consent Fees of $2.5 million to Intelsat and Seahawk, which were settled for cash at the closing of the Merger (Note 15).

During the first half of 2021, the Company paid $2.5 million to the Founders towards the principal balance, along with a $25 thousand interest payment. In December 2021, the Company issued Class A common stock in exchange for the outstanding principal and accrued interest totaling $ 12.1 million (Note 15). The total number of Class A common stock exchanged to settle the outstanding debt was 958,082.

23. Fair Value of Financial Instruments

The following tables present information about the Company's liabilities that are measured at fair value on a recurring basis as of December 31, 2022 and 2021 and indicate the fair value hierarchy level of the valuation techniques and inputs that the Company utilized to determine such fair value:

December 31, 2022	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Input (Level 2)	Significant Other Unobservable Inputs (Level 3)
		(in thousands)	
Liabilities			
Public Warrants	$ 2,097	$ —	$ —
Private Placement Warrants	—	—	1,332
Sponsor Shares	—	—	1,684
	$ 2,097	$ —	$ 3,016

December 31, 2021	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Input (Level 2)	Significant Other Unobservable Inputs (Level 3)
		(in thousands)	
Liabilities			
Public Warrants	$ 8,697	$ —	$ —
Private Placement Warrants	—	—	3,496
Sponsor Shares	—	—	4,732
	$ 8,697	$ —	$ 8,228

The carrying values of the following financial instruments approximated their fair values as of December 31, 2022 and December 31, 2021 based on their maturities: cash and cash equivalents, restricted cash, short-term investments, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued liabilities, leases payable and other current liabilities.

There were no transfers into or out of any of the levels of the fair value hierarchy during the years ended December 31, 2022 or 2021.

Changes in the fair value of the Level 3 liabilities during the year ended December 31, 2021 of $3.4 million included the Bridge Notes, Private Placement Warrants, Sponsor Shares, Class A common stock warrants, Legacy BlackSky preferred stock warrants, and Consent Fees. The following is a summary of changes in the fair value of the Level 3 liabilities during the year ended December 31, 2022:

	Sponsor Shares	Private Placement Warrants
	(in thousands)	
Balance, January 1, 2022	$ 4,732	$ 3,496
Gain from changes in fair value	(3,048)	(2,164)
Balance, December 31, 2022	$ 1,684	$ 1,332

24. Commitments and Contingencies

Leases

The Company leases office space under various non-cancellable operating leases with varying lease expiration dates through 2033. Future minimum lease payments under non-cancellable office leases as of December 31, 2022 are as follows:

		(in thousands)
For the years ending December 31,		
2023	$	604
2024		889
2025		475
2026		489
2027		504
Thereafter		3,303
Total lease payments		6,264
Less: imputed interest		(2,602)
Present value of lease liabilities	$	3,662

As of December 31, 2022, the Company has approximately $149 thousand of commitments for an office space lease that has not yet commenced. The lease commenced in January 2023 with a lease term of 4 years.

Ground Station Services

The Company has purchase commitments for ground station services to be performed by third-parties subsequent to December 31, 2022.Future purchase commitments under non-cancellable ground station service contracts as of December 31, 2022 are as follows:

		(in thousands)
For the years ending December 31,		
2023	$	619
2024		443
2025		298
2026		125
	$	1,485

Legal Proceedings

From time to time, we may become involved in various claims and legal proceedings arising in the ordinary course of business, which, by their nature, are inherently unpredictable. We are not currently a party to any material claims or legal proceedings the outcome of which, if determined adversely to us, would individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. Regardless of outcome, litigation and other legal proceedings can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Other Contingencies

The Company analyzed its unique facts and circumstances related to potential obligations in a certain state jurisdiction, including the delivery nature of its prior year intercompany services, payroll and other benefits-related services, current shared services between the parent and subsidiaries, and changing state laws and interpretations of those laws, and has determined that the Company may have an indirect tax obligation.

The Company has continued correspondence with the applicable authorities in an effort toward identifying a taxpayer-favorable resolution of the potential liabilities. As a result of this correspondence, the Company has updated its liability including interest and penalties based on its best estimate as of December 31, 2022.

The following table summarizes the estimated indirect tax liability activity during the year ended December 31, 2022:

		(in thousands)
Balance, January 1, 2022	$	737
Payments		(504)
Adjustment to Expense		(146)
Balance, December 31, 2022	$	87

The Company continues to analyze the additional obligations it may have, if any, and it will adjust the liability accordingly.

Other Commitments

The Company has a commitment for launch and integration services with a launch services provider. As of December 31, 2022, the Company had a commitment for one launch, to include up to two satellites at a future estimated launch date for $1.7 million. The terms of the arrangement also allow the Company to remanifest the satellites if significant delays in excess of 365 days or other inexcusable delays occur with the provider. Subsequent to remanifest efforts four months after the 365 days, the Company can request a refund of all recoverable costs. Payment terms are 15 days from invoice date.

In addition, we have various other operational commitments for the next several years totaling $9.8 million as of December 31, 2022.

25. Concentrations, Risks, and Uncertainties

The Company maintains all cash and cash equivalents with one financial institution. Financial instruments that potentially subject the Company to concentrations of credit risk are primarily accounts receivable and cash deposits.

For the years ended December 31, 2022 and 2021, revenue from customers representing 10% or more of the consolidated revenue from continuing operations was $27.3 million and $15.4 million, respectively. Accounts receivable related to these customers as of December 31, 2022 and 2021 was $0 and $1.3 million, respectively.

Revenue from the U.S. federal government and agencies was $53.2 million and $29.4 million for the years ended December 31, 2022 and 2021, respectively. Accounts receivable related to U.S. federal government and agencies was $2.5 million and $2.6 million as of December 31, 2022 and 2021, respectively.

The Company generally extends credit on account, without collateral. Outstanding accounts receivable balances are evaluated by management, and accounts are reserved when it is determined collection is not probable. As of December 31, 2022 and 2021, the Company evaluated the realizability of the aged accounts receivable, giving consideration to each customer’s financial history and liquidity position, credit rating and the facts and circumstances of collectability on each outstanding account, and did not have a significant reserve for uncollectible account.

26. Subsequent Events

On March 8, 2023, the Company completed the closing of a private placement whereby the Company issued16,403,677 shares of the Company's Class A common stock and warrants to purchase up to an additional 16,403,677 shares of Common Stock.

The purchase price of each share and associated warrant was $1.79. The aggregate gross proceeds to the Company from the private placement were approximately $29.5 million, before deducting the placement agent fees and other offering expenses payable by the Company. The Company intends to use the net proceeds from the private placement for general corporate purposes, including working capital.

The warrants have an exercise price of $2.20 per share of common stock, and are exercisable beginning on September 8, 2023 until September 8, 2028. The warrants issued in the private placement provide that a holder of warrants will not have the right to exercise any portion of its warrants if such holder, together with its affiliates, would beneficially own in excess of 4.99% of the number of shares of common stock outstanding immediately after giving effect to such exercise; provided, however, that each holder may increase or decrease the beneficial ownership limitation by giving notice to the Company; but not to any percentage in excess of 9.99%.

Exhibit 4.5

DESCRIPTION OF SECURITIES

The following description of the securities of BlackSky Technology Inc., a Delaware corporation ("us," "our," "we," "BlackSky" or the "Company") is a summary of the rights of our securities and certain provisions of our Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and Amended and Restated Bylaws (the "Bylaws") as currently in effect. Because the following description is only a summary, it does not contain all of the information that may be important to you. For a complete description of matters set forth herein, you should refer to our Certificate of Incorporation and Bylaws and the other agreements described below, copies of which have been filed as exhibits to the Annual Report on Form 10-K of which this Exhibit is a part, as well as to the applicable provisions of the Delaware General Corporation Law ("DGCL").

General

The authorized capital stock of BlackSky consists of 400,000,000 shares, $0.0001 par value per share, of which:

- 300,000,000 shares are designated as Class A common stock; and
- 100,000,000 shares are designated as preferred stock.

Class A Common Stock

Our Certificate of Incorporation authorizes one class of common stock, the Class A common stock (the "Common Stock"). All outstanding shares of our Common Stock will be fully paid and nonassessable. Our Common Stock will not be entitled to preemptive rights and will not be subject to redemption or sinking fund provisions.

Dividend Rights

Subject to preferences that may apply to any shares of our preferred stock outstanding at the time, the holders of our Common Stock will be entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and then only at the times and in the amounts that our board of directors may determine. The declaration of any future cash dividend will be at the discretion of our Board and will depend upon our earnings, if any, our capital requirements and financial position, general economic conditions, and subject to limitations prescribed by the DGCL.

Voting Rights

Holders of our Common Stock are entitled to one vote for each share held as of the record date for the determination of the stockholders entitled to vote on such matters, including the election and removal of directors, except as otherwise required by law. Under Delaware law, the right to vote cumulatively does not exist unless the certificate of incorporation specifically authorizes cumulative voting. Our Certificate of Incorporation does not authorize cumulative voting and provides that no stockholder will be permitted to cumulate votes at any election of directors.

Right to Receive Liquidation Distributions

If we become subject to a liquidation, dissolution, or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our Common Stock and any participating series of our preferred stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of our preferred stock.

Preferred Stock

Our board of directors are authorized, subject to limitations prescribed by the DGCL, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers, preferences, and rights of the shares of each series and any of its qualifications, limitations, or restrictions, in each case without further vote or action by our stockholders. Our board of directors is empowered to increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors is able to authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of Common Stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring, or preventing a change in control of BlackSky and might adversely affect the market price of our Common Stock and the voting and other rights of the holders of our Common Stock. There are currently no plans to issue any shares of preferred stock.

Warrants

Public Warrants

Each whole Public Warrant entitles the registered holder to purchase one share of Common Stock at an exercise price of $11.50 per share, subject to adjustment as discussed in *"—Anti-Dilution Adjustments*" below. The Public Warrants are exercisable, subject to the registration conditions in the next paragraph and our obligation to have a registration statement declared effective covering the issuance of the shares issuable upon exercise of the warrants as discussed below. The Public Warrants will expire on September 9, 2026, or earlier upon redemption or liquidation.

We are not be obligated to deliver any shares of Common Stock pursuant to the exercise of a Public Warrant and we have no obligation to settle such Public Warrant exercise unless a registration statement under the Securities Act of 1933, as amended (the "Securities Act") covering the issuance of the shares of Common Stock issuable upon exercise of the Public Warrants is then effective and a current prospectus relating to those shares of Common Stock is available, subject to satisfaction of our obligations described below with respect to registration. No Public Warrant is exercisable for cash or on a cashless basis, and we are not obligated to issue any shares to holders seeking to exercise their Warrants, unless the issuance of the shares upon such exercise is registered or qualified under the securities laws of the state of the exercising holder, or an exemption from registration is available. In the event that the conditions in the two immediately preceding sentences are not satisfied with respect to a Public Warrant, the holder of such Public Warrant will not be entitled to exercise such Public Warrant and such Public Warrant may have no value and expire worthless.

BlackSky has agreed to maintain a registration statement covering the shares of Common Stock issuable upon the exercise of the warrants, until the warrants expire or are redeemed. Notwithstanding the above, if the Common Stock is at the time of any exercise of a Warrant not listed on a national securities exchange such that it satisfies the definition of a "covered security" under Section 18(b)(1) of the Securities Act, we may, at our option, require holders of Public Warrants who exercise their Public Warrants to do so on a "cashless basis" in accordance with Section 3(a)(9) of the Securities Act and, in the event we so elect, we will not be required to file or maintain in effect a registration statement for the registration of the Common Stock issuable upon exercise of the Warrants, but will use our best efforts to register or qualify the shares issuable upon the exercise of the Public Warrants under applicable blue sky laws to the extent an exemption is not available.

Private Placement Warrants

Except as set forth below, the terms of the Private Placement Warrants (the "Private Placement Warrants"), including the exercise period and expiration date, are identical to the Public Warrants. Certain of the Private Placement Warrants are exercisable at an exercise price of $11.50 per share and certain Private Placement Warrants will not be exercisable unless and until the date that the Common Stock reaches a trading price of $20.00 per share on the New York Stock Exchange (the "NYSE") and are then exercisable at an exercise price of $20.00 per share, each subject to adjustment as discussed in *"—Anti-Dilution Adjustments*" below.

The Private Placement Warrants (including the Common Stock issuable upon exercise of the Private Placement Warrants) are not redeemable by us for cash so long as they are held by certain affiliates of our predecessor company, who have the option to exercise the Private Placement Warrants on a cashless basis and will be entitled to certain registration rights. Otherwise, and except with the $20.00 exercise price for certain of the Private Placement Warrants described above, the Private Placement Warrants have terms and provisions that are identical to those of the Public Warrants. Other than Private Placement Warrants held by certain affiliates of our predecessor entity, the Private Placement Warrants will be redeemable by us and exercisable by the holders on the same basis as the Public Warrants.

Redemption of Warrants

If the price per share of Common Stock equals or exceeds $18.00, the Warrants become exercisable, and we may call the Warrants for redemption:

- In whole and not in part;
- At a price of $0.01 per Warrant;

- upon a minimum of 30 days' prior written notice of redemption (the "30-day redemption period"), to each Warrant holder;
- if, and only if, the closing price of Common Stock equals or exceeds $18.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which BlackSky sends the notice of redemption to the Warrant holders; and
- provided that there is an effective registration statement covered the shares of Common Stock issuable upon exercise of the Warrants and a current prospectus relating thereto, available throughout the 30-day redemption period or we have elected to require the exercise of the Warrants on a "cashless basis" as described in "—*Redemption Procedures and Cashless Exercise*."

If and when the Warrants become redeemable by us pursuant to the foregoing redemption method, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws.

We have established the last of the redemption criterion discussed above to prevent a redemption call unless there is at the time of the call a significant premium to the Warrant exercise price. If the foregoing conditions are satisfied and we issue a notice of redemption of the Warrants, each Warrant holder will be entitled to exercise his, her or its Warrant prior to the scheduled redemption date. However, the price of the Common Stock may fall below the $18.00 redemption trigger price as well as the $11.50 Warrant exercise price after the redemption notice is issued.

As described in "—*Private Placement Warrants*," these redemption rights do not apply to Private Placement Warrants if at the time of the redemption, such Private Placement Warrants continue to be held by certain affiliates of our predecessor company prior to the merger.

Redemption Procedures and Cashless Exercise

If we call the Warrants for redemption as described above, our management will have the option to require all holders that wish to exercise Warrants to do so on a "cashless basis." The exercise price and number of shares of Common Stock issuable upon exercise of the Warrants may be adjusted in certain circumstances including in the event of a stock dividend, recapitalization, reorganization, merger or consolidation. Additionally, in no event will we be required to net cash settle the Warrants. In determining whether to require all holders to exercise their Warrants on a "cashless basis", our management will consider, among other factors, our cash position, the number of Warrants that are outstanding and the dilutive effect on our stockholders of issuing the maximum number of shares of Common Stock issuable upon the exercise of the Warrants. In such event, each holder would pay the exercise price by surrendering the Warrants for that number of shares of Common Stock equal to the quotient obtained by dividing (i) the product of the number of shares of Common Stock underlying the Warrants, multiplied by the excess of the "fair market value" (defined below) over the exercise price of the Warrants by (ii) the fair market value. The "fair market value" shall mean the average reported last sale price of the Common Stock as reported during the 10 trading day period ending on the trading day prior to the date on which notice of redemption is sent to the holders of the Warrants. If our management takes advantage of this option, the notice of redemption will contain the information necessary to calculate the number of shares of Common Stock to be received upon exercise of the Warrants, including the "fair market value" in such case. Requiring a cashless exercise in this manner will reduce the number of shares to be issued and thereby lessen the dilutive effect of a Warrant redemption.

A holder of a Warrant may notify us in writing in the event it elects to be subject to a requirement that such holder will not have the right to exercise such Warrant, to the extent that after giving effect to such exercise, such person (together with such person's affiliates), would beneficially own in excess of 9.8% (or such other amount as specified by the holder) of the shares of Common Stock outstanding immediately after giving effect to such exercise.

Exercise of Warrants

The Warrants may be exercised upon surrender of the Warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the subscription form duly executed, accompanied by full payment of the exercise price (or on a cashless basis, if applicable), by certified or official bank check payable to the warrant agent, for the number of Warrants being exercised. The Warrant holders do not have the rights or privileges of holders of Common Stock and any voting rights until they exercise their Warrants and receive shares of Common Stock. After the issuance of shares of Common Stock upon exercise of the Warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

Anti-Dilution Adjustments

If the number of outstanding shares of Common Stock is increased by a stock dividend payable in shares of Common Stock, or by a split-up of shares of Common Stock or other similar event, then, on the effective date of such stock dividend, split-up or similar event, the number of shares of Common Stock issuable on exercise of each Warrant will be increased in proportion to such increase in the outstanding shares of Common Stock. A rights offering to holders of Common Stock entitling holders to purchase shares of Common Stock at a price less than the "fair market value" (as defined below) will be deemed a stock dividend of a number of shares of Common Stock equal to the product of (i) the number of shares of Common Stock actually sold in such rights offering (or issuable under any other equity securities sold in such rights offering that are convertible into or exercisable for Common Stock) multiplied by (ii) one minus the quotient of (a) the price per share of Common Stock paid in such rights offering divided by (b) the fair market value. For these purposes (i) if the rights offering is for securities convertible into or exercisable for Common Stock, in determining the price payable for Common Stock, there will be taken into account any consideration received for such rights, as well as any additional amount payable upon exercise or conversion and (ii) "fair market" value means the volume weighted average price of Common Stock as reported during the 10 trading day period ending on the trading day prior to the first date on which the shares of Common Stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive such rights.

In addition, if we, at any time while the Warrants are outstanding and unexpired, shall pay a dividend or make a distribution in cash, securities or other assets to the holders of Common Stock on account of such shares of Common Stock (or other shares of our capital stock into which the Warrants are convertible), other than (i) as described above or (ii) certain ordinary cash dividends, and in those other cases applicable per the terms of that certain Warrant Agreement, dated October 31, 2019, by and between the Company and the warrant agent named therein (the "Warrant Agreement"), then the Warrant exercise price will be decreased, effective immediately after the effective date of such extraordinary dividend, by the amount of cash and/or the fair market value of any securities or other assets paid on each share of Common Stock in respect of such extraordinary dividend.

If the number of outstanding shares of our Common Stock is decreased by a consolidation, combination, reverse stock split or reclassification of shares of Common Stock or other similar event, then, on the effective date of such consolidation, combination, reverse stock split, reclassification or similar event, the number of shares of Common Stock issuable on exercise of each Warrant will be decreased in proportion to such decrease in outstanding shares of Common Stock.

Whenever the number of shares of Common Stock purchasable upon the exercise of the Warrants is adjusted, as described above, the Warrant exercise price will be adjusted by multiplying the Warrant exercise price immediately prior to such adjustment by a fraction (i) the numerator of which will be the number of shares of Common Stock purchasable upon the exercise of the Warrants immediately prior to such adjustment, and (ii) the denominator of which will be the number of shares of Common Stock so purchasable immediately thereafter.

In case of any reclassification or reorganization of the outstanding shares of Common Stock (other than those described above or that solely affects the par value of such shares of Common Stock), or in the case of any merger or consolidation of BlackSky with or into another corporation (other than a consolidation or merger in which BlackSky is the continuing corporation and that does not result in any reclassification or reorganization of our outstanding shares of Common Stock), or in the case of any sale or conveyance to another corporation or entity of the assets or other property of BlackSky as an entirety or substantially as an entirety in connection with which BlackSky is dissolved, the holders of the Warrants will thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the Warrants and in lieu of the shares of our Common Stock immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, that the holder of the Warrants would have received if such holder had exercised their Warrants immediately prior to such event, provided, however, that if such holders were entitled to exercise a right of election as to the kind or amount of securities, cash or other assets receivable upon such consolidation or merger, then the kind and amount of securities, cash or other assets for which each Warrant will become exercisable will be deemed to be the weighted average of the kind and amount received per share by such holders in such consolidation or merger that affirmatively make such election, and if a tender, exchange or redemption offer has been made to and accepted by such holders under circumstances in which, upon completion of such tender or exchange offer, the maker thereof, together with members of any group (within the meaning of Rule 13d-5(b)(1) under the Securities Exchange Act of 1934 (the "Exchange Act")) of which such maker is a part, and together with any affiliate or associate of such maker (within the meaning of Rule 12b-2 under the Exchange Act) and any members of any such group of which any such affiliate or associate is a part, own beneficially (within the meaning of Rule 13d-3 under the Exchange Act) more than 50% of the outstanding shares of Common Stock, the holder of a Warrant will be entitled to receive the highest amount of cash, securities or other property to which such holder would actually have been entitled as a stockholder if such

Warrant holder had exercised the Warrant prior to the expiration of such tender or exchange offer, accepted such offer and all of the common stock held by such holder had been purchased pursuant to such tender or exchange offer, subject to adjustments (from and after the consummation of such tender or exchange offer) as nearly equivalent as possible to the adjustments provided for in the Warrant Agreement, provided, further, that if less than 70% of the consideration receivable by the holders of Common Stock in such a transaction is payable in the form of Common Stock in the successor entity that is listed for trading on a national securities exchange or is quoted in an established over-the-counter market, or is to be so listed for trading or quoted immediately following such event, and if the registered holder of the Warrant properly exercises the Warrant within 30 days following public disclosure of such transaction, the Warrant exercise price will be reduced as specified in the Warrant Agreement based on the per share consideration minus the Black-Scholes Warrant Value (as defined in the Warrant Agreement) of the Warrant.

The purpose of such exercise price reduction is to provide additional value to holders of the Warrants when an extraordinary transaction occurs during the exercise period of the Warrants pursuant to which the holders of the Warrants otherwise do not receive the full potential value of the Warrants in order to determine and realize the option value component of the Warrant. This formula is to compensate the Warrant holder for the loss of the option value portion of the Warrant due to the requirement that the Warrant holder exercise the Warrant within 30 days of the event. We believe the Black-Scholes model is a commonly accepted pricing model for estimating fair market value where no quoted market price for an instrument is available.

Warrant and Warrant Agreement Amendments

The Warrants were issued in registered form under a Warrant Agreement between Continental Stock Transfer & Trust Company, as warrant agent, and the Company. The Warrant Agreement provides that the terms of the Warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, or to add or change any other provisions with respect to matters or questions arising under the Warrant Agreement as the parties may deem necessary or desirable and that the parties deem do adversely affect the interest of the Warrant holders. All other modifications or amendments, including any amendment to increase the exercise price or shorten the exercise period and any amendment to the terms of only the Private Placement Warrants, requires the approval by the holders of at least 65% of the then-outstanding Public Warrants. We may lower the exercise price or extend the duration of the exercise period without the consent of the Warrant holders.

2023 PIPE Warrants

Each warrant issued in the 2023 PIPE (defined below) entitles the holder to purchase one share of our Common Stock at a price of $2.20 per share, subject to adjustment as discussed below, at any time commencing six months after the date of the warrants were purchased pursuant to that certain Securities Purchase Agreement, dated March 6, 2023, by and between the Company and certain investors party thereto (the “Purchase Agreement,” such transaction, the “2023 PIPE,” and such warrants, the “2023 PIPE Warrants”). The 2023 PIPE Warrants will expire on September 8, 2028 or earlier upon liquidation.

We will not be obligated to deliver any shares of Common Stock pursuant to the exercise of a warrant and will have no obligation to settle such warrant exercise if, to the extent that after giving effect to such exercise, such person (together with such person’s affiliates), to the warrant agent’s actual knowledge, would beneficially own in excess of 4.99% or 9.99% (or such other amount as a holder may specify) of the shares of Common Stock outstanding immediately after giving effect to such exercise.

If we, at any time while the 2023 PIPE Warrants are outstanding: (i) pay a stock dividend or otherwise make a distribution or distributions on shares of our Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock, (ii) subdivide outstanding shares of Common Stock into a larger number of shares, (iii) combine (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iv) issue by reclassification of shares of the Common Stock any shares of our capital stock, then in each case the exercise price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of the 2023 PIPE Warrants shall be proportionately adjusted such that the aggregate exercise price of the 2023 PIPE Warrants shall remain unchanged.

In addition, if we, at any time, grant, issue or sell any Common Stock equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the “Purchase Rights”), then the holders of 2023 PIPE Warrants will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate executed as indicated, accompanied by full payment of the exercise price (or on a cashless basis, if applicable), by certified or official bank check payable to us, for the number of warrants being exercised. The warrantholders do not have the rights or privileges of holders of Common Stock until they exercise their warrants and receive shares of Common Stock. After the issuance of shares of Common Stock upon exercise of the warrants, each holder will be entitled to one (1) vote for each share held of record on all matters to be voted on by stockholdersNo fractional shares will be issued upon exercise of the warrants.

We have agreed that, subject to applicable law, any action, proceeding or claim against us arising out of or relating in any way to the Warrant Agreement will be brought and enforced in the state and federal courts of the City of New York, and we irrevocably submit to such jurisdiction, which jurisdiction will be the exclusive forum for any such action, proceeding or claim. This provision applies to claims under the Securities Act but does not apply to claims under the Exchange Act, or any claim for which the federal district courts of the United States of America are the sole and exclusive forum.

Restrictions on the Resale of our Securities

Rule 144

A person who has beneficially owned restricted shares of Common Stock or warrants for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the three months preceding, a sale and (ii) we are subject to the Exchange Act periodic reporting requirements for at least three months before the sale. Persons who have beneficially owned restricted shares of Common Stock or restricted warrants for at least six months but who are our affiliates at the time of, or any time during the three months preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period a number of securities that does not exceed the greater of:

- 1% of the then outstanding equity shares of the same class; and
- the average weekly trading volume of our Common Stock or Warrants, as applicable, during the four calendar weeks preceding the date on which notice of the sale is filed with the Securities and Exchange Commission.

Sales by affiliates of BlackSky under Rule 144 are also subject to certain requirements relating to manner of sale, notice and the availability of current public information about BlackSky.

Private Placement Registration Rights Agreement

In connection with the 2023 PIPE and Purchase Agreement, we entered into a Registration Rights Agreement with the investors that are party to the Purchase Agreement, pursuant to which we agreed to file a shelf registration statement (the "Shelf Registration Statement") registering the resale of (i) the shares of Common Stock sold in the Private Placement and (ii) the shares of Common Stock underlying the 2023 PIPE Warrants, and we shall use commercially reasonable efforts to have the registration statement declared effective as promptly as possible after the filing thereof, subject to the provisions set forth in the Registration Rights Agreement.

Private Placement Lock-Up Agreement

Pursuant to the Purchase Agreement, we entered into Lock-Up Agreements with our directors and executive officers. Subject to certain exceptions, our directors and officers agreed to a lock-up on their respective shares of Common Stock for a period of time beginning on March 6, 2023 and ending on the date that is sixty days after the Shelf Registration Statement has been declared effective by the Securities and Exchange Commission.

Anti-Takeover Provisions

Certain provisions of Delaware law, the Certificate of Incorporation, and the Bylaws, which are summarized below, may have the effect of delaying, deferring, or discouraging another person from acquiring control of BlackSky. They are also designed, in part, to encourage persons seeking to acquire control of BlackSky to negotiate first with our board of directors.

Section 203 of the DGCL

We will be governed by the provisions of Section 203 of the DGCL. In general, Section 203 of the DGCL prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" (as those terms are defined in Section 203 of the DGCL) for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- either the merger or the transaction which resulted in the stockholder becoming an interested stockholder was approved by the board of directors prior to the time that the stockholder became an interested stockholder;

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by directors who are also officers of the corporation and shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to the time the stockholder became an interested stockholder, the merger was approved by our board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

In general, Section 203 defines a "business combination" to include mergers, asset sales, and other transactions resulting in financial benefit to a stockholder and an "interested stockholder" as a person who, together with affiliates and associates, owns, or, within the prior three years, did own, 15% or more of our outstanding voting stock. These provisions may have the effect of delaying, deferring, or preventing changes in control of BlackSky.

Classified Board of Directors

The Certificate of Incorporation provides for a classified board of directors divided into three classes of approximately equal size, designated Class I, Class II and Class III. Only the directors in one class will be subject to election by a plurality of the votes cast at each annual meeting of stockholders, with the directors in the other classes continuing for the remainder of their respective three-year terms. At each annual meeting of stockholders, successors to the class of directors whose term expires at that annual meeting will be elected for a three-year term.

Removal of Directors

The Certificate of Incorporation provides that stockholders may only remove a director for cause and only by a vote of no less than 66 2/3% of the voting power of the issued and outstanding capital stock entitled to vote in the election of directors, voting together as a single class.

Board of Directors vacancies

The Certificate of Incorporation and Bylaws authorize only a majority of the remaining members of our board of directors, although less than a quorum, to fill vacant directorships, including newly created seats. In addition, subject to the rights of holders of any series of preferred stock, the number of directors constituting our board of directors will be permitted to be set only by a resolution of our board of directors. These provisions would prevent a stockholder from increasing the size of our board of directors and then gaining control of our board of directors by filling the resulting vacancies with its own nominees. This will make it more difficult to change the composition of our board of directors and will promote continuity of management.

Stockholder Action; Special Meeting of Stockholders

The Certificate of Incorporation and Bylaws provides that stockholders may not take action by written consent but may only take action at annual or special meetings of the stockholders. As a result, a holder controlling a majority of our capital stock would not be able to amend the Bylaws, amend the Certificate of Incorporation or remove directors without holding a meeting of the stockholders called in accordance with the Certificate of Incorporation and Bylaws. The Certificate of Incorporation and Bylaws further provide that special meetings of our stockholders may be called only by a majority of our board of directors, the Chairperson of our board of directors, or our Chief Executive Officer or President, thus prohibiting stockholder action to call a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders controlling a majority of our capital stock to take any action, including the removal of directors.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

The Certificate of Incorporation provides that advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders will be given in the manner and to the extent provided in the bylaws. The Bylaws provide advance notice procedures for stockholders seeking to bring business before the annual meeting of stockholders or to nominate candidates for election as directors at the annual meeting of stockholders. The Bylaws also specify certain requirements regarding the form and content of a stockholder's notice. These provisions might preclude stockholders from bringing matters before the annual meeting of stockholders or from making nominations for directors at the annual meeting of stockholders if the proper procedures are not followed. These provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of BlackSky.

Cumulative Voting

The DGCL provides that stockholders are not entitled to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. The Certificate of Incorporation does not provide for cumulative voting and provides that no stockholder will be permitted to cumulate votes at any election of directors.

Amendment of Certificate of Incorporation

Any amendment of certain provisions in the Certificate of Incorporation will require approval by holders of at least 66 2/3% of the voting power of the then outstanding voting securities entitled to vote thereon, voting together as a single class. These provisions include, among others, provisions related to the board composition, board removal rights, cumulative voting rights, and provisions related to stockholder action and advance notice, in each case as summarized above.

Authorized but Unissued Capital Stock

Delaware law does not require stockholder approval for any issuance of authorized shares. However, the listing requirements of the NYSE, which would apply if and so long as the Common Stock remains listed on the NYSE, require stockholder approval of certain issuances equal to or exceeding 20% of the then outstanding voting power or then outstanding number of shares of Common Stock. Additional shares that may be issued in the future may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

One of the effects of the existence of unissued and unreserved common stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of BlackSky by means of a merger, tender offer, proxy contest or otherwise and thereby protect the continuity of management and possibly deprive stockholders of opportunities to sell their shares of Common Stock at prices higher than prevailing market prices.

Dissenters' Rights of Appraisal and Payment

Under the DGCL, with certain exceptions, our stockholders have appraisal rights in connection with a merger or consolidation of BlackSky. Pursuant to the DGCL, stockholders who properly request and perfect appraisal rights in connection with such merger or consolidation will have the right to receive payment of the fair value of their shares as determined by the Delaware Court of Chancery.

Stockholders' Derivative Actions

Under the DGCL, any of our stockholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of our securities at the time of the transaction to which the action relates or such stockholder's stock thereafter devolved by operation of law.

Exclusive Forum

The Certificate of Incorporation provides that, unless otherwise consented to by us in writing, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another State court in Delaware or the federal district court for the District of Delaware) will, to the fullest extent permitted by law be the sole and exclusive forum for the following types of actions or proceedings: (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a duty (including any fiduciary duty) owed by any of our current or former directors, officers, stockholders, employees or agents to us or our stockholders; (iii) any action arising pursuant to any provision of the DGCL or the Certificate of Incorporation or the Bylaws; (iv) any action asserting a claim against us or any of our current or former directors, officers, stockholders, employees or agents governed by the internal affairs doctrine of the State of Delaware, in each such case unless the Court of Chancery (or such other state or federal court located within the State of Delaware, as applicable) has dismissed a prior action by the same plaintiff asserting the same claims because such court lacked personal jurisdiction over an indispensable party named as a defendant therein. The Certificate of Incorporation further provides that, unless otherwise consented to by us in writing to the selection of an alternative forum, the federal district courts of the United States will, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint against any person in connection with any offering of our securities, asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in our securities shall be deemed to have notice of and consented to this provision. These provisions may have the effect of discouraging lawsuits against BlackSky or our directors and officers.

Limitations on Liability and Indemnification of Directors and Officers

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties, subject to certain exceptions. Our Certificate of Incorporation includes a provision that eliminates the personal liability of directors for monetary damages for any breach of fiduciary duty as a director to the fullest extent permitted by the DGCL as the same exists or as may hereafter be amended from time to time. The effect of these provisions is to eliminate our rights and the rights of our stockholders, through stockholders' derivative suits on our behalf, to recover monetary damages from a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior. However, exculpation does not apply to any director if the director has acted in bad faith, knowingly or intentionally violated the law, authorized illegal dividends or redemptions or derived an improper benefit from his or her actions as a director.

Our Certificate of Incorporation provides that we must indemnify, to the fullest extent permitted by applicable law, any of our directors or officers who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding") by reason of the fact that he or she is or was our director or officer or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any such Proceeding. We are required to indemnify a person in connection with a Proceeding (or part thereof) initiated by such person only if the Proceeding (or part thereof) was, or is, authorized by the board of directors.

We have the power to indemnify, to the fullest extent permitted by applicable law, any of our directors, officers, employees or agents who was or is a party or is threatened to be made a party to any Proceeding by reason of the fact that he or she is or was our director, officer, employee or agent or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any such Proceeding.

We believe that these indemnification and advancement provisions and insurance are useful to attract and retain qualified directors and executive officers. The limitation of liability and indemnification provisions in our Certificate of Incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

Transfer Agent and Registrar

The transfer agent and registrar for the Common Stock and warrant agent for the Warrants is Continental Stock Transfer & Trust Company. The transfer agent and registrar's address is 1 State Street, 30th Floor, New York, NY 10004.

Listing

The Common Stock and Public Warrants are listed on the NYSE under the symbols "BKSY" and "BKSY.W," respectively.

BLACKSKY TECHNOLOGY INC.

OUTSIDE DIRECTOR COMPENSATION POLICY

BlackSky Technology Inc. (the "**Company**") believes that the granting of equity and cash compensation to members of the Company's Board of Directors (the "**Board**," and members of the Board, "**Directors**") represents an effective tool to attract, retain and reward Directors who are not employees of the Company ("**Outside Directors**"). This Outside Director Compensation Policy (the "**Policy**") is intended to formalize the Company's policy regarding cash compensation and grants of equity awards to its Outside Directors. Unless otherwise defined herein, capitalized terms used in this Policy will have the meaning given such term in the Company's 2021 Equity Incentive Plan, as amended from time to time, or if such plan no longer is in use at the time of the grant of an equity award, the meaning given such term or similar term in the equity plan then in place under which the equity award is granted (the "**Plan**"). Each Outside Director will be solely responsible for any tax obligations incurred by such Outside Director as a result of the equity awards and cash and other compensation such Outside Director receives under this Policy.

1. **Effective Date**. This Policy became effective in connection with the consummation of the transactions contemplated by that certain Agreement and Plan of Merger dated as of February 17, 2021, by and among Osprey Technology Acquisition Corp., Osprey Technology Merger Sub, Inc., and the Company, as may have been amended from time to time (such transactions, the "**Merger**," such date of consummation of the Merger, the "**Closing Date**," and the effective date of this Policy, the "**Effective Date**") as a policy of BlackSky Holdings, Inc. and was formally approved by the Board of the Company on the Effective Date. This Policy subsequently was amended on March 6, 2023 (the "**Amendment Date**").

2. **Cash Compensation**.

2.1 **Board Member Annual Cash Retainer**. Following the Effective Date, each Outside Director will be paid an annual cash retainer of $90,000 for service on the Board ("**Annual Cash Retainer**"). There are no additional retainers for service as a member (or chair) of a committee of the Board, as Chairperson of the Board, or as Lead Director and no per-meeting attendance fees for attending Board meetings or meetings of any committee of the Board.

2.2 **Payment Timing and Proration**. Each Annual Cash Retainer under this Policy will be paid quarterly in arrears on a prorated basis to each individual who has served as an Outside Director at any time during the immediately preceding fiscal quarter of the Company ("**Fiscal Quarter**"), and such payment will be made no later than 30 days following the end of such immediately preceding Fiscal Quarter. For clarity, an individual who has served as an Outside Director during only a portion of the relevant Fiscal Quarter will receive a prorated payment of the quarterly installment of the Annual Cash Retainer, calculated based on the number of days during such Fiscal Quarter such individual has served as an Outside Director. For clarity, an individual who has served as an Outside Director from the Effective Date through the end of the Fiscal Quarter containing the Effective Date (the "**Initial Period**") will receive a prorated payment of the quarterly installment of the Annual Cash Retainer, calculated based on the number of days during the Initial Period that such individual has served as an Outside Director.

3. **Election to Receive Equity Compensation in Lieu of Cash Retainer**. Each Outside Director may elect to receive all of such Outside Director's Annual Cash Retainer, with respect to services performed in a future Fiscal Year (or in certain future Fiscal Quarters with

respect to an Initial Election, as defined below), in the form of payments of Shares (that is, Awards of Restricted Stock under the Plan) in lieu of cash payments of such Annual Cash Retainer (such Awards in lieu of the Annual Cash Retainer, the " **Retainer Awards**," and such election, a "**Retainer Election**"). Each Retainer Award will be automatic and nondiscretionary, except as otherwise provided herein. Each Retainer Award will be fully vested as of the date of its grant.

3.1 **Retainer Election**. Each Retainer Election must be delivered to the Company's Legal team (or other Company designee, as applicable), in the form and manner specified by the Board (or other Committee, as applicable), within the applicable period set forth in this Section 3.1. An Outside Director who fails to make a timely Retainer Election will not receive any Retainer Awards for the Fiscal Year to which such Retainer Election otherwise would have applied (or applicable Fiscal Quarters with respect to the Initial Election), and instead will receive the applicable Annual Cash Retainer payable in accordance with Section 2 above.

3.1.1 **Initial Election**. Each individual who is an Outside Director as of the Amendment Date may make a Retainer Election with respect to the Annual Cash Retainer payments payable to such Outside Director for Board services to be performed in the third and fourth Fiscal Quarters of 2023 (the "**Initial Election**"), as follows. The Initial Election may be made during an open trading window in the second Fiscal Quarter in 2023, provided that such Outside Director is not restricted from trading Shares pursuant to the Company's insider trading policy at such time of making such election. The Initial Election must be made no later than the last day of the last open trading window in the second Fiscal Quarter in 2023 (the "**Initial Election Deadline**"), and, except as provided in Section 3.1.4 below, the Initial Election will become irrevocable and effective as of the end of the day of the Initial Election Deadline.

3.1.2 **Annual Election**. Each individual who otherwise is eligible to receive any future Annual Cash Retainer may make a Retainer Election with respect to the Annual Cash Retainer payable to such individual for Board services to be performed in the first Fiscal Year following the Fiscal Year in which the Retainer Election is made (an " **Annual Election**"), as follows. The Annual Election must be made during an open trading window of the Company, but no later than December 15 (the "**Cutoff Day**"), in the Fiscal Year immediately preceding the Fiscal Year to which the payments of Annual Cash Retainer relate (the last day in such immediately preceding Fiscal Year that the Annual Election may be made, the " **Annual Election Deadline**"), provided that such Outside Director is not restricted from trading Shares pursuant to the Company's insider trading policy at such time of making such election. Except as provided in Section 3.1.4 below, the Annual Election shall become irrevocable and effective as of the end of the day of the Annual Election Deadline, provided that if such Fiscal Year does not contain an open trading window on or before the Cutoff Date, Outside Directors will not be eligible to make an Annual Election in such Fiscal Year.

3.1.3 **Initial Director Election**. Each individual who first becomes an Outside Director following the Amendment Date (the date such individual first becomes an Outside Director, the "**Initial Director Date**") may make a Retainer Election with respect to the Annual Cash Retainer payable to such Outside Director in the immediately following Fiscal Year (the " **Initial Director Election**"), as follows. The Initial Director Election must be made, during an open trading window of the Company, but on or after the Initial Director Date and no later than the Cutoff Day, in the Fiscal Year that the individual first becomes an Outside Director (the last day in such Fiscal Year that the Initial Director Election may be made, the "**Initial Director Deadline**"), provided that such Outside Director is not restricted from trading Shares pursuant to the Company's insider trading policy at such time of making such election. Except as provided in Section 3.1.4 below, the Initial Election shall become irrevocable and effective as of the end of the day of the Initial Director Deadline, provided that if no open trading window of the Company occurs in the same Fiscal Year as the Initial Director Date between the Initial Director Date and Cutoff Day in such Fiscal Year, or if the Initial Director Date occurs after the Cutoff Day in such Fiscal Year, such Outside Director will not be eligible to make an Initial Director Election in such Fiscal Year.

3.1.4 **Revocation**. An Outside Director may revoke such Outside Director's Retainer Election by providing written notice to the Company's Legal team (or other Company designee, as applicable), provided that such Outside Director is not restricted from trading Shares pursuant to the Company's insider trading policy at the time of such revocation:

(a) in the case of an Initial Election, during an open trading window of the Company in the second Fiscal Quarter in 2023 but no later than the Initial Election Deadline;

(b) in the case of an Annual Election, during an open trading window of the Company, but no later than the Annual Election Deadline, in the Fiscal Year immediately prior to the Fiscal Year to which the Annual Cash Retainer applies; or

(c) in the case of an Initial Director Election, on or after the Initial Director Date during an open trading window of the Company, but no later than the Initial Director Deadline, in the same Fiscal Year as the Initial Director Date.

3.1 **Retainer Awards**. If an Outside Director has made a valid and timely Retainer Election to receive Retainer Awards in lieu of such Outside Director's Annual Cash Retainer, then such Outside Director automatically will be granted a Retainer Award on the 15th day of each of January, April, July, and October of the applicable Fiscal Year in respect of the director services provided in the first, second, third and fourth Fiscal Quarters, respectively (or in the case of an Initial Election, on October 15, 2023, and January 15, 2024, in respect of the director services provided in the third and fourth Fiscal Quarters of 2023, respectively), in each case subject to the Outside Director remaining a Service Provider through such date. The number of Shares subject to a Retainer Award will be determined by dividing the amount of Annual Cash Retainer otherwise payable to the Outside Director for the Fiscal Quarter to which the Retainer Award relates, by the closing sales price of the Share on the grant date of the Retainer Award (or, if no closing sales price was reported on that date, on the last trading day such closing sale price was reported), with the number of Shares subject to the Retainer Award, if any fractional Share results, rounded down to the nearest whole Share.

4. **Equity Compensation**. Outside Directors will be eligible to receive all types of Awards (except Incentive Stock Options) under the Plan, including discretionary Awards not covered under this Policy. All grants of Awards to Outside Directors pursuant to Sections 4.2 and 4.3 of this Policy will be automatic and nondiscretionary, except as otherwise provided herein, and will be made in accordance with the following provisions:

4.1 **No Discretion**. No person will have any discretion to select which Outside Directors will be granted Awards under this Policy or to determine the number of Shares to be covered by such Awards (except as provided in Sections 4.4.2 and 10 below).

4.2 **Initial Awards**. Each individual who first becomes an Outside Director following the effectiveness of the first Form S-8 registration statement filed with the U.S. Securities and Exchange Commission with respect to the Shares issuable under the Company's 2021 Equity Incentive Plan automatically will be granted an award of Restricted Stock Units (an "**Initial Award**"). The grant date of the Initial Award will be the first Trading Day on or after the date on which such individual first becomes an Outside Director (such first date as an Outside Director, the "**Initial Start Date**"), whether through election by the stockholders of the Company or appointment by the Board to fill an existing vacancy or in connection with a Board-approved increase in the number of members of the Board. The Initial Award will have an aggregate grant date fair value (determined in accordance with U.S. Generally Accepted Accounting Principles) (the "**Value**") of $300,000 (with the number of Shares subject to the Initial Award, to the extent any fractional Share results, rounded down to the nearest whole Share). If an individual was an Inside Director, becoming an Outside Director due to termination of the individual's status as an Employee will not entitle the Outside Director to an Initial Award. Each Initial Award will be scheduled to vest in three equal installments on each of the one-year, two-year and three-year anniversaries of the Initial Award's date of grant (or on the last day of the month, if there is no corresponding day in such month), in each case subject to the Outside Director remaining a Service Provider through the applicable vesting date.

4.3 **Annual Award**. On the first Trading Day immediately following each Annual Meeting of the Company's stockholders (an "**Annual Meeting**") that occurs after the Effective Date, each Outside Director who has served as an Outside Director for at least 6 months through the date of such Annual Meeting automatically will be granted an award of Restricted Stock Units (the "**Annual Award**") that will have a Value of $150,000 (with the number of Shares subject to the Annual Award, to the extent any fractional Share results, rounded down to the nearest whole Share). The Annual Award will be scheduled to vest in full on the earlier of (i) the one-year anniversary of the Annual Award's grant date, or (ii) the date of the next Annual Meeting following the Annual Award's grant date, subject to the Outside Director remaining a Service Provider through such vesting date.

4.4 **Additional Terms of Initial Awards and Annual Awards** . The terms and conditions of each Initial Award, Annual Award and Retainer Award (each, a "**Policy Award**") will be as follows.

4.4.1 Each Policy Award will be granted under and subject to the terms and conditions of the Plan and the applicable form of Award Agreement previously approved by the Board or its Committee (as defined in Section 10 below), as applicable, for use thereunder.

4.4.2 The Board or its Committee, as applicable and in its discretion, may change and otherwise revise the terms of Policy Awards to be granted in the future pursuant to this Policy, including without limitation the number of Shares subject thereto and type of Award.

5. **Change in Control**. In the event of a Change in Control, each Outside Director will fully vest in his or her outstanding Company equity awards that were granted to him or her while an Outside Director, as of immediately prior to the Change in Control, including any Policy Award, provided that the Outside Director continues to be an Outside Director through the date of such Change in Control.

6. **Annual Compensation Limit**. Consistent with the Plan, no Outside Director may be granted, in any Fiscal Year, equity awards (including any Awards), the value of which will be based on their grant date fair value determined in accordance with U.S. generally accepted accounting principles, and be provided any other compensation (including without limitation any cash retainers or fees) in amounts that, in any Fiscal Year, in the aggregate, exceed $500,000, provided that such amount is increased to $800,000 in the Fiscal Year of his or her initial service as an Outside Director. Any Awards or other compensation provided to an individual (a) for his or her services as an Employee, or for his or her services as a Consultant

other than as an Outside Director, or (b) prior to the Closing Date, will be excluded for purposes of this Section 6.

7. **Expenses**. The Company will reimburse each Outside Director's reasonable, customary and properly documented expenses incurred in connection with meetings of the Board and any of its committees, as applicable, and other activities undertaken at the request of the Company.

8. **Adjustments**. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, reclassification, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs (other than any ordinary dividends or other ordinary distributions), the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under this Policy, will adjust the number and class of shares of stock that may be delivered pursuant to Policy Awards and/or the number, class, and price of shares of stock covered by each outstanding Policy Award.

9. **Section 409A**. In no event will cash compensation (or Retainer Awards in lieu of cash compensation) or expense reimbursement payments under this Policy be paid after the later of (a) the 15th day of the third month following the end of the Company's taxable year in which the compensation is earned or expenses are incurred, as applicable, or (b) the 15th day of the third month following the end of the calendar year in which the compensation is earned or expenses are incurred, as applicable, in compliance with the "short-term deferral" exception under Section 409A. It is the intent of this Policy that this Policy and all payments hereunder be exempt from or otherwise comply with the requirements of Section 409A so that none of the compensation to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be so exempt or comply. In no event will the Company or any of its Parents or Subsidiaries have any responsibility, liability, or obligation to reimburse, indemnify, or hold harmless an Outside Director (or any other person) for any taxes imposed, or other costs incurred, as a result of Section 409A.

10. **Revisions**. The Board or any committee of the Board that has been designated appropriate authority with respect to Outside Director compensation (or, with respect to any applicable element or elements thereof, authority with respect to such element or elements) (the "**Committee**") may amend, alter, suspend or terminate this Policy at any time and for any reason. Further, the Board may provide for cash, equity, or other compensation to Outside Directors in addition to the compensation provided under this Policy. No amendment, alteration, suspension or termination of this Policy will materially impair the rights of an Outside Director with respect to compensation that already has been paid or awarded, unless otherwise mutually agreed between the Outside Director and the Company. Termination of this Policy will not affect the Board's or the Committee's ability to exercise the powers granted to it with respect to Awards granted under the Plan pursuant to this Policy before the date of such termination, including without limitation such applicable powers set forth in the Plan.

* * *

Exhibit 21.1

Name of Subsidiary	**Jurisdiction**
BlackSky Holdings, Inc.	Delaware
BlackSky Global LLC	Delaware
BlackSky Geospatial Solutions, Inc.	Delaware
SFI IP Holdco LLC	Delaware
BlackSky International LLC	Delaware
BlackSky Europe Limited	United Kingdom

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-267889 and 333-260458 on Forms S-3, and Registration Statement Nos. 333-264023, 333-261778, 333-263306 on Forms S-8 of our report dated March 23, 2023, relating to the financial statements of BlackSky Technology Inc. appearing in this Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

/s/ Deloitte & Touche LLP

McLean, Virginia
March 23, 2023

Exhibit 31.1

CERTIFICATION 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

I, Brian O’Toole, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2022 of BlackSky Technology Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 23, 2023

/s/ Brian O’Toole

Brian O’Toole

President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION 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**

I, Henry Dubois, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2022 of BlackSky Technology Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 23, 2023

/s/ Henry Dubois

Henry Dubois

Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER 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 Annual Report of BlackSky Technology Inc. (the “Company”) on Form 10-K for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Brian O’Toole, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Brian O’Toole
Brian O’Toole
President, Chief Executive Officer
(Principal Executive Officer)
Date: March 23, 2023

Exhibit 32.2

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER 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 Annual Report of BlackSky Technology Inc. (the "Company") on Form 10-K for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Henry Dubois, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Henry Dubois
Henry Dubois
Chief Financial Officer
(Principal Financial Officer)
Date: March 23, 2023