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Mycroft AI, Inc.
2020 Form C-AR

Name and Legal status of the organization (pp 227.201 (a))

Mycroft AI, Inc.
A Delaware Corporation
300 E. 39th
Kansas City, MO 64111
<http://mycroft.ai>

Names of the directors and officers (pp 227.201 (b))

Michael Lewis

- Mycroft AI, Inc. CEO, March 2020 - present.
- Anspar Foundation, Director, 2008 - present.
 - This is a 501(c)(3) private foundation, with a three-person Board of Directors. The foundation from the proceeds of the sale of Cryptic Studios, primarily to study openness and transparency.
- Sunday Assembly Los Angeles, Board Member, 2013-present.
 - Founding member of this 501(c)(3) chapter of the worldwide Sunday Assembly- dedicated to building open and accepting local communities for people of all faiths or none. It's motto is "Live Better. Help Often. Wonder More."
- Secular Coalition for America, Board Member, 2014-2018.
 - Former Board member of this 501(c)(4) advocacy organization. It advocates in Washington DC on behalf of separation of church and state issues and the rights of the non-religious.
- HHT Foundation International (dba Cure HHT), Board Member, 2011-2018.

- Former Board member of this 501(c)(3) organization dedicated to find a cure for, and the treatment of, the rare disease hereditary hemorrhagic telangiectasia. It certifies Centers of Excellence around the country, and world, that maintain a high degree of knowledge regarding the treatment of this disease, sponsors medical research and provides direct assistance to patients and their families.

Joshua Montgomery (founder)

- Mycroft AI, Inc. President, March 2020 - present
- Mycroft AI, Inc. CEO, Jan 2016 - March 2020.
- United States Air Force, Major 291st Hilo, HI Jan 2020 - present
- United States Air Force, Captain 177th Wichita, KS Apr 2009 - Jan 2020
- Wicked Broadband President and co-founder. Jan 2006 - present
 - Internet Service Provider.
- Guard Well Farms, Co-owner Jan 2019 - present
 - Coffee farm.

Kris Adair

- Mycroft AI, Inc. CFO. Jan 2016 - present.
- Mycroft AI, Inc. Treasurer. April 2020 - present
- Wicked Broadband, Co-founder & Secretary Jan 2006 - present
- Lawrence Center for Entrepreneurship, Executive Director Jan 2014 - July 2017
- Guard Well Farms, Co-owner Jan 2019 - present

Rob Ness

- Mycroft AI, Inc. Board Member, April 2020 - present.
- Asymmetry Ventures. General Partner, 2018 - present.
 - A venture capital fund.
- US Army. Civil Affairs Branch; Engineer Branch, 2003 - present
- Capgemini. Manager, 2016 - 2018.
 - Capgemini is a global leader in partnering with companies to transform and manage their business by harnessing the power of technology.

Owners of more than 20% of the voting securities (pp 227.201 (c))

As of Dec 31, 2020, Joshua Montgomery and Kristie Adair, through their trust JTWR0S, control 69.4% of the votes through their ownership of Voting Common Stock. Pending approval of interested parties, approximately half of this will be sold to Michael Lewis in a private sale in 2021.

Description of business (pp 227.201 (d))

Mycroft AI provides an open alternative to Apple's Siri and Amazon Alexa. Voice is poised to be the next shift in human-machine interaction and Mycroft is positioned to be the voice platform of choice globally. Incumbent competitors like Apple, Google, and Amazon seem indestructible but historically, open alternatives become industry standards over closed ecosystems. This can be seen in embedded computing and servers (Linux), relational databases (MySQL), web content management (WordPress) and mobile operating systems (Android). Being the open alternative, Mycroft is available to both individual innovators who need a platform on which to build, and large enterprises that care about data privacy and vendor lock.

Current Employees (pp 227.201 (e))

As of Dec 31, 2019, there were 8 employees.

Material risk factors (pp 227.201 (f))

Lack of income: Mycroft AI was formed on Feb 1, 2016. Accordingly, the Company has a limited history upon which an evaluation of its performance and future prospects can be made. Our current and proposed operations are subject to all business risks associated with new enterprises. These include likely fluctuations in operating results as the Company reacts to developments in its market, managing its growth and the entry of competitors into the market. We will only be able to pay dividends on any shares once our directors determine that we are financially able to do so. Mycroft AI has incurred a net loss

and has had limited revenues generated since inception. There is no assurance that we will be profitable in the next 3 years or generate sufficient revenues to pay dividends to the holders of the shares.

Ongoing patent litigation: Mycroft is embroiled in three lawsuits with a non-practicing entity regarding alleged patent infringement by Mycroft. Case 1: Mycroft is the defendant in a patent suit filed by a patent abuser in Texas. This case is currently stayed pending the outcome of two Inter Partes Reviews filed with the Patent Trademark Adjudication Board. The company is confident that the plaintiff's patents, upon which the company's products do not infringe in any case, are invalid and will be declared thus in upcoming reviews before the USPTO's Patent Trial and Review Board. The company decided to take the high road, despite the additional expense over paying the demanded 'license fees', to dispute these reckless allegations to protect our reputation and the open-source software development community as a whole. Case 2: Mycroft is the plaintiff in a bad faith patent case filed against the patent abuser. Case 3: Mycroft is the plaintiff in one of the two Inter Partes Review filings that is seeking to invalidate the patent abuser's intellectual property.

Competitors are the dominant tech companies in the world. Mycroft will compete with larger, established companies who currently have products on the market and/or various respective product development programs. They may have much better financial means and marketing/sales and human resources than us. They may succeed in developing and marketing competing equivalent products earlier than us, or superior products than those developed by us. There can be no assurance that competitors will render our technology or products obsolete or that the products developed by us will be preferred to any existing or newly developed technologies. It should further be assumed that competition will intensify.

Capital structure and ownership (pp 227.201 (m))

(1) Capitalization Table

Stock Agreement Name: Voting Common Stock

Shares Issued: 7209242

Warrants: 418851

Options Outstanding & Exercised: 0

Options Available: 0

Fully Diluted Shares: 7628093

Voting?: Yes

Liquidity Preference: None

Stock Agreement Name: Non-Voting Common Stock

Shares Issued: 6681233

Warrants: 0

Options Outstanding & Exercised: 2528897

Options Available: 7993358

Fully Diluted Shares: 17203488

Voting?: No

Liquidity Preference: None

Stock Agreement Name: Series Seed Preferred Stock

Shares Issued: 2079528

Warrants: 0

Options Outstanding & Exercised: 0

Options Available: 0

Fully Diluted Shares: 2079528

Voting?: Yes

Liquidity Preference: \$1.57

(2) Aside from voting rights, the principal shareholders have no material rights that would affect the purchasers of any class of stock in the normal course of business.

(3) Owners of more than 20% of voting stock. Joshua Montgomery and Kristie Adair, JTWROS hold 69.4% of the voting stock.

(4) Valuation. The voting stocks are valued based on the last arms-length transaction. The Non-Voting Common Stock is valued per a 409(A) evaluation effective Jan 1, 2020. It is the

company's intention to continue to value stocks in this way, until such time as the Board of Directors deems otherwise.

(5) Risks based on company actions: The sale of the company for less than \$3,264,859 would result in a return of \$0 to holders of stock other than Series Seed Preferred. The sale of the company for less than \$25,072,905 may result in some shareholders not receiving more than their initial investment, based on the total outstanding number of shares and depending on the price at which those shares were purchased.

(6) Transfer restrictions. Each Series Seed Preferred Stock certificate contains the following language:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH TRANSFER MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.

THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

THE SHARES REPRESENTED HEREBY ARE SUBJECT TO A VOTING AGREEMENT, AS MAY BE AMENDED FROM TIME TO TIME, (A COPY OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST FROM THE COMPANY), AND BY ACCEPTING ANY INTEREST IN SUCH SHARES THE PERSON ACCEPTING SUCH INTEREST SHALL BE DEEMED TO AGREE TO AND SHALL BECOME BOUND BY ALL THE PROVISIONS OF THAT VOTING AGREEMENT, INCLUDING CERTAIN RESTRICTIONS ON TRANSFER AND OWNERSHIP SET FORTH THEREIN.

THE CORPORATION IS AUTHORIZED TO ISSUE MORE THAN ONE CLASS OF STOCK. UPON WRITTEN REQUEST TO THE SECRETARY OF THE CORPORATION, THE CORPORATION WILL FURNISH WITHOUT CHARGE TO THE HOLDER OF THIS CERTIFICATE, A STATEMENT OF THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL, OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OR SERIES THEREOF THAT THE

CORPORATION IS AUTHORIZED TO ISSUE AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND/OR RIGHTS.

Each Non-Voting Common Stock Certificate bears the following language:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND HAVE BEEN ACQUIRED BY THE HOLDER FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. SAID SHARES MAY NOT BE SOLD OR TRANSFERRED UNLESS (A) THEY HAVE BEEN REGISTERED UNDER SAID ACT, OR (B) THE CORPORATION IS PRESENTED A WRITTEN OPINION SATISFACTORY TO COUNSEL FOR THE CORPORATION OR A 'NO-ACTION' INTERPRETIVE LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE CIRCUMSTANCES OF SUCH SALE OR TRANSFER.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A TRANSFER RESTRICTION, AS PROVIDED IN THE BYLAWS OF THE CORPORATION.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER IN FAVOR OF THE CORPORATION OR ITS ASSIGNEE SET FORTH IN A RESTRICTED STOCK AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER, OR SUCH HOLDER'S PREDECESSOR IN INTEREST, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THIS CORPORATION.

THE SALE, TRANSFER OR ENCUMBRANCE OF THIS CERTIFICATE IS SUBJECT TO AN AGREEMENT AMONG THE CORPORATION AND ITS SHAREHOLDERS. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE CORPORATION. THE AGREEMENT PROVIDES, AMONG OTHER THINGS, FOR CERTAIN RESTRICTIONS ON TRANSFER AND REPURCHASE OPTIONS AND OBLIGATIONS TO SELL THE SHARES OF STOCK EVIDENCED BY THIS CERTIFICATE FOR A DESIGNATED PURCHASE PRICE UPON CERTAIN EVENTS. BY ACCEPTING THE SHARES OF STOCK EVIDENCED BY THIS CERTIFICATE THE HOLDER AGREES TO BE BOUND BY SUCH AGREEMENT.

THE CORPORATION IS AUTHORIZED TO ISSUE MORE THAN ONE CLASS OF STOCK. UPON WRITTEN REQUEST TO THE SECRETARY OF THE CORPORATION, THE CORPORATION WILL FURNISH WITHOUT CHARGE TO THE HOLDER OF

THIS CERTIFICATE, A STATEMENT OF THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL, OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OR SERIES THEREOF THAT THE CORPORATION IS AUTHORIZED TO ISSUE AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND/OR RIGHTS.

Each Voting Common Stock certificate bears the following language:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND HAVE BEEN ACQUIRED BY THE HOLDER FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. SAID SHARES MAY NOT BE SOLD OR TRANSFERRED UNLESS (A) THEY HAVE BEEN REGISTERED UNDER SAID ACT, OR (B) THE CORPORATION IS PRESENTED A WRITTEN OPINION SATISFACTORY TO COUNSEL FOR THE CORPORATION OR A 'NO-ACTION' INTERPRETIVE LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE CIRCUMSTANCES OF SUCH SALE OR TRANSFER.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A TRANSFER RESTRICTION, AS PROVIDED IN THE BYLAWS OF THE CORPORATION.

THE SALE, TRANSFER OR ENCUMBRANCE OF THIS CERTIFICATE IS SUBJECT TO AN AGREEMENT AMONG THE CORPORATION AND ITS SHAREHOLDERS. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE CORPORATION. THE AGREEMENT PROVIDES, AMONG OTHER THINGS, FOR CERTAIN RESTRICTIONS ON TRANSFER AND REPURCHASE OPTIONS AND OBLIGATIONS TO SELL THE SHARES OF STOCK EVIDENCED BY THIS CERTIFICATE FOR A DESIGNATED PURCHASE PRICE UPON CERTAIN EVENTS. BY ACCEPTING THE SHARES OF STOCK EVIDENCED BY THIS CERTIFICATE THE HOLDER AGREES TO BE BOUND BY SUCH AGREEMENT.

THE CORPORATION IS AUTHORIZED TO ISSUE MORE THAN ONE CLASS OF STOCK. UPON WRITTEN REQUEST TO THE SECRETARY OF THE CORPORATION, THE CORPORATION WILL FURNISH WITHOUT CHARGE TO THE HOLDER OF THIS CERTIFICATE, A STATEMENT OF THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL, OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OR SERIES THEREOF THAT THE

CORPORATION IS AUTHORIZED TO ISSUE AND THE QUALIFICATIONS,
LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND/OR RIGHTS.

pp 227.201 (p) Debt.

Loan Issuer: Open Source Loan
Amount (USD): 900000
Interest Rate: 3.07%
Issued Date: 10/5/2018
Maturity Date: 12/31/2023

Loan Issuer: EIDL
Amount (USD): 59100
Interest Rate: 3.75%
Issued Date: 7/5/2020
Maturity Date: 7/5/2050

Loan Issuer: Anspar Foundation
Amount (USD): 75000
Interest Rate: 7%
Issued Date: 12/31/2019
Maturity Date: 12/31/2021

Loan Issuer: Anspar Foundation
Amount (USD): 150000
Interest Rate: 7%
Issued Date: 2/14/2020
Maturity Date: 2/14/2025

Loan Issuer: Anspar Foundation
Amount (USD): 275000
Interest Rate: 7%
Issued Date: 6/9/2020
Maturity Date: 6/9/2025

Loan Issuer: Anspar Foundation
Amount (USD): 500000
Interest Rate: 7%
Issued Date: 10/27/2020
Maturity Date: 10/27/2025

Exempt offerings 2018-2020 (pp 227.201 (q))

In 2019 and 2020 the company offered Series Seed Stock to qualified investors under the Regulation D exemption. Series Seed Stock is as described above. A total of 2,079,528 shares were sold. 100% of the proceeds were used for product development and operating costs.

Related party transactions (pp 227.201 (r))

Transactions in 2020 that exceeded 5% of the amount raised through Reg-CF in the 12-months prior to that transaction that involved the officers, directors, owners of 20% or more voting equity, or their families:

- None.

Financial Condition (pp 227.201 (s))

The company operated in 2020 largely based on \$175,000 in equity financing from the new CEO and \$1,000,000 in debt financing from the Anspar Foundation, a 501(c)(3) non-profit of which the CEO is founder and one of three board members. Additionally government loans from the PPP and EIDL programs were used. The company remains in a product development phase and has no substantial revenue from sales. As such, it is entirely dependent on future equity or debt financing for continued operations until the launch of the Mark II product in 2021.

Financial Statements (pp 227.201 (t))

See Attachment A

Compliance (pp 227.201 (x))

The required 2019 C-AR was not submitted in a timely manner due to miscommunication between the company and the regulation CF platform.

Clarifications pp 227.201 (y)

None.

Pursuant to the requirements of Sections 4(a)(6) and 4A of the Securities Act of 1933 and Regulation Crowdfunding (pp 227.100 et seq.), this Form C has been signed by the following persons in the capacities and on the dates indicated.

Michael Lewis
CEO
23 April 2021

Joshua Montgomery
President
23 April 2021

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