

Mycroft AI, Inc.
2021 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
<https://mycroft.ai>

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

Michael Lewis

- Mycroft AI, Inc. CEO, March 2020 - present.
- Mycroft AI, Inc. Secretary, April 3, 2020 - present
- Mycroft AI, Inc. Board Member, April 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. Its 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 finding 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.
- Mycroft AI, Inc. Board Member, Jan 2016 - present
- United States Air Force, Major 291st Hilo, HI Jan 2020 - Aug 2021
- 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 (§ 227.201 (c))

As of December 31, 2021, Joshua Montgomery and Kristie Adair, through JTWROS, controlled 35.3% of voting securities through their ownership of Voting Common Stock.

As of December 31, 2021, The Heartwood Continuum Living Trust Dated May 3, 2018, a Living Trust with Trustees Michael Craig Lewis and Amy Kathleen Boyle, controlled 35.3% of voting securities through its ownership of Voting Common Stock and Series Seed Preferred Stock.

Description of business (§ 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 (§ 227.201 (e))

As of Dec 31, 2021, there were 11 employees.

Material risk factors (§ 227.201 (f))

Lack of income: Mycroft AI was formed on Feb 1, 2016. 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. While pre-order revenue for its Mark II consumer ready device started December, 2021, there is no assurance that we will be profitable in the next three years or generate sufficient revenues to pay dividends to the holders of the shares.

Ongoing patent litigation: Mycroft is embroiled in four lawsuits involving a non-practicing entity and their legal counsel stemming from allegations of patent infringement by Mycroft. Case 1: Mycroft is the defendant in a patent-infringement lawsuit filed by a patent abuser in Texas. This case is currently stayed pending the outcome of two Inter Partes Review challenges filed with the Patent Trial Appeal Board. The company is confident that its patent challenges will succeed. The company decided to challenge the patents, despite costs likely superseding the payment of demanded 'license fees', to protect Mycroft's reputation and the open-source software development community as a whole, and to prevent any future patent assertion abuses. Case 2: Mycroft is the petitioner in one of the two referenced Inter Partes Review filings that is seeking to invalidate the patent abuser's intellectual property. Case 3: Mycroft is the plaintiff in a "Patent Troll Prevention Act" bad faith lawsuit filed against the patent abuser. This case is currently stayed pending the outcome of Case 2. Case 4: Mycroft was sued by the law firm representing the entity referenced in Cases 1-3, where it is alleged that Mycroft and/or two of its principals engaged in or incited various harassment and cyberattacks against the firm. Mycroft and its principals strongly deny engaging in or contributing to any such activity, believe the lawsuit is without merit, and will defend themselves to the fullest extent of the law.

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.

Fundraising: Mycroft faces fundraising barriers due to its complex Capitalization Table, ongoing litigation, and supply chain issues leading to production and distribution delays, all of which combine to depress the company's appeal to outside investors.

Capital structure and ownership (\$ 227.201 (m))

(1) Capitalization Table

Stock Agreement Name: Voting Common Stock

Shares Authorized: 12184784

Shares Issued/Purchased: 7209242

Warrants: 418851

Options Outstanding & Exercised: 0

Options Available: 0

Voting?: Yes

Liquidity Preference: None

Stock Agreement Name: Non-Voting Common Stock

Shares Authorized: 30000000

Shares Issued/Purchased: 6681233

Warrants: 0

Options Outstanding & Exercised: 4028897

Options Available: 3000000

Voting?: No

Liquidity Preference: None

Stock Agreement Name: Series Seed Preferred Stock

Shares Authorized: 3184784

Shares Issued/Purchased: 2079528

Warrants: 0

Options Outstanding & Exercised: 0

Options Available: 0

Voting?: Yes

Liquidity Preference: \$1.56

Stock Agreement Name: Series Seed 2 Preferred Stock Purchase Agreement

Shares Authorized/Offered: 15000000

Shares Issued/Purchased: 893063

Warrants: 0

Options Outstanding & Exercised: 0

Options Available: 0

Voting?: No

Liquidity Preference: \$1.70

Stock Agreement Name: Series Seed 2A Preferred*
Shares Authorized: 1700000
Shares Issued: 1437304
Warrants: 0
Options Outstanding & Exercised: 0
Voting?: No
Liquidity Preference: \$0.1004

* A Feb 14 2017 KISS-A issued by the company to 500 Startups IV, L.P. converted into Series Seed 2A "shadow" stock equal to 6% of the fully-diluted capital stock of the company, calculated as of the time the company received gross proceeds exceeding \$1 million from subsequent financing.

(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: (a) The Heartwood Continuum Living Trust Dated May 3, 2018 owns 35.3%; and (b) Joshua Montgomery and Kristie Adair, JTWROS, owns 35.3%.

(4) Valuation. The preferred and 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, 2021. 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 \$4,912,325.32 would result in a return of \$0 to holders of stock other than Series Seed Preferred, Series Seed 2 Non-Voting Preferred, and Series Seed 2A Non-Voting Preferred. The sale of the company for less than \$36,000,000 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.

Debt (§ 227.201 (p))

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

Loan Issuer: Heartwood Continuum Living Trust Dated May 3, 2018, a Living Trust with Trustees Michael Craig Lewis and Amy Kathleen Boyle
Amount (USD): 40000
Interest Rate: 5%
Issued Date: 11/22/2021
Maturity Date: 01/01/2023, or upon the Borrower's receipt of investments or loans totaling over \$1.5 million, whichever comes first.

Loan Issuer: Heartwood Continuum Living Trust Dated May 3, 2018, a Living Trust with Trustees Michael Craig Lewis and Amy Kathleen Boyle
Amount (USD): 200000
Interest Rate: 5%
Issued Date: 11/22/2021
Maturity Date: 01/07/2022, or upon the Borrower's receipt of the next disbursement pursuant to a U.S. Small Business Administration Economic Injury Disaster Loan.

Loan Issuer: Mycroft 2019 Convertible Note Series
Total Principal Amount: 205000
Number of Notes: 9
Interest Rate: 5%
Issued Dates: Varies throughout 2019 and 2020
Maturity Date: 12/31/2021

Exempt offerings 2019-2021 (§ 227.201 (q))

In 2021 the company offered Series Seed 2 Preferred Stock to qualified investors under the Regulation D and Regulation Crowdfunding exemptions. Series Seed 2 Stock is as described above. A total of 663,485 shares were sold under Regulation D and 229,578 under Regulation Crowdfunding. 100% of the proceeds were used for product development and operating costs.

In 2019 and 2020 the company offered Series Seed Preferred 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 (§ 227.201 (r))

Transactions in 2021 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:

Transaction: Loan Conversion to Series Seed 2 Preferred Shares

Entity: The Heartwood Continuum Living Trust Dated May 3, 2018, a Living Trust with Trustees Michael Craig Lewis and Amy Kathleen Boyle

Amount (USD): 249998.60

Conversion Date: 08/05/2021

Transaction: Convertible Note

Entity: Heartwood Continuum Living Trust Dated May 3, 2018, a Living Trust with Trustees Michael Craig Lewis and Amy Kathleen Boyle

Amount (USD): 40000

Interest Rate: 5%

Issued Date: 11/22/2021

Maturity Date: 01/01/2023, or upon the Borrower's receipt of investments or loans totaling over \$1.5 million, whichever comes first.

Transaction: Convertible Note

Entity: Heartwood Continuum Living Trust Dated May 3, 2018, a Living Trust with Trustees Michael Craig Lewis and Amy Kathleen Boyle

Amount (USD): 200000

Interest Rate: 5%

Issued Date: 11/22/2021

Maturity Date: 01/07/2022, or upon the Borrower's receipt of the next disbursement pursuant to a U.S. Small Business Administration Economic Injury Disaster Loan.

Financial Condition (§ 227.201 (s))

The company operated in 2021 largely based on \$1,100,793 in equity financing from the Regulation D raise and \$554,158 in equity financing from the Regulation Crowdfunding raise. The company also operated based on equity financing from The Heartwood Continuum Living Trust Dated May 3, 2018 in the amount of \$240,000. Additionally, government loans from the PPP and EIDL programs were used. The company remains in a product development phase and as of December 31, 2021, the company had \$97,985 from Mark II pre-sales. As such, it is entirely

dependent on future sales and future equity or debt financing for continued operations.

Financial Statements (§ 227.201 (t))

See Attachment A

Compliance (§ 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 (§ 227.201 (y))

None.

Pursuant to the requirements of Sections 4(a)(6) and 4A of the Securities Act of 1933 and Regulation Crowdfunding (§ 227.100 *et seq.*), the company certifies that it has reasonable grounds to believe that it meets all of the requirements for filing this Form C-AR and has caused this Form to be signed on the company's behalf by the duly authorized undersigned.

The company also certifies that the financial statements of Mycroft AI, Inc. included in this Form are true and complete in all material respects.

A handwritten signature in black ink, appearing to read "Michael Lewis", is written over a horizontal line.

Michael Lewis

CEO

29 April 2022