

**Private Placement Memorandum –  
Amended as of October 21, 2021**

# **Miso Robotics, Inc.**



# Private Placement Memorandum (“PPM” or “Memorandum”) for Miso Robotics, Inc (the “Company”).

Maximum Series D Preferred Shares Offered: 29,796

Price Per Share: \$67.94

Minimum Investment: \$951

Miso Robotics Inc, (the “Company”), a corporation, incorporated in Delaware, is offering (the “Offering”) a maximum amount of 27,648 Series D Preferred Shares for \$67.94. We previously sold 2,148 shares at a \$56.62 price per share. The Series D Preferred Shares are being offered and sold only to “accredited investors” as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”).

The Offering price per Preferred Share has been arbitrarily determined by the Company.

## Important Notices:

These are speculative Series D Preferred Shares which involve a high degree of risk. Only accredited investors who can bear the loss of their entire investment should invest in these Series D Preferred Shares.

The Series D Preferred Shares offered hereby have not been registered under the Securities Act, the securities laws of the state of California, or under the securities laws of any other state or jurisdiction in reliance upon the exemptions from registration provided by the Securities Act and Rule 506 of Regulation D<sup>1</sup> promulgated thereunder, and the comparable exemptions from registration provided by other applicable securities laws.

The Date of this Amended Memorandum is October 21, 2021

<sup>1</sup> Regulation D is found under Title 17 of the Code of Federal Regulations, part 230, Sections 501 through 508. The legal citation is [17 C.F.R. §230.501 et seq.](#)

- (1) The Company reserves the right to waive the minimum Series D Preferred Shares subscription for any investor. The Offering is not underwritten. Series D Preferred Shares are offered on a “best efforts” basis by the Company. All proceeds from the sale of Series D Preferred Shares will be deposited in an escrow account maintained for the benefit of the investors by Prime Trust, LLC, until the time their subscription is accepted by the company. After the sale of Series D Preferred Shares, proceeds will be delivered directly to the Company’s corporate account and be available for use by the Company at its discretion.
- (2) The Company reserves the right to pay expenses related to this Offering from the proceeds of the Offering (see Use of Proceeds section).
- (3) The Offering will terminate on the earliest of: (a) the date the Company, in its discretion, elects to terminate the Offering, or (b) the date upon which all Series D Preferred Shares have been sold, or (c) such date as may be extended from time to time by the Company, but not later than 180 days thereafter (the “Offering Period”). The Company intends to terminate the Offering on November 18, 2021, contemporaneously with the closing of its Reg A+ offering but reserves the right to extend as discussed above.

**This Offering is not underwritten. The Offering price has been arbitrarily set by the Management of the Company. There can be no assurance that any of the Series D Preferred Shares will be sold.**

Neither the Securities and Exchange Commission nor any state regulatory authority has passed upon the accuracy or adequacy of this Memorandum or endorsed the merits of the Offering. Any representation to the contrary is unlawful.

Due to the fact that these Series D Preferred Shares have not been registered under the Securities Act or other applicable securities laws and are being sold in reliance upon an exemption from registration afforded under the Securities Act, there are restrictions on their transferability or resale by an investor. Any transfer, sale or other disposition of the Series D Preferred Shares requires the prior written consent of the Company and any transfer must comply with the Securities Act, including any available exemptions from registration under the Securities Act. While Rule 144 under the Securities Act provides an exemption from registration under the Securities Act in connection with the resale of limited amounts of Series D Preferred Shares in certain circumstances, the exemption under Rule 144 may not be available to investors because the Company does not now, and does not intend in the future, to make available the public information required by Rule 144. Additionally, a trading market for the Series D Preferred Shares may not develop sufficiently to satisfy the “broker’s transactions” requirement of Rule 144. In the absence of the availability of Rule 144, any disposition of the Series D Preferred Shares will require registration or compliance with an exemption from the Securities Act and applicable state securities laws. The Company is not obligated to register for sale under either federal or state securities laws the Series D Preferred Shares purchased pursuant hereto, and the issuance of the Series D Preferred Shares is being undertaken pursuant to Rule 506 of Regulation D under the Securities Act. Each prospective investor should proceed on the assumption that they alone must bear the economic risks of the investment for an indefinite period.

There is no trading market for the Company’s Series D Preferred Shares and there can be no assurance that any market will develop in the future or that the Series D Preferred Shares will be accepted for

inclusion on the New York Stock Exchange, Nasdaq or any other trading exchange at any time in the future.

The Offering price of the Series D Preferred Shares has been arbitrarily established by the Company and does not necessarily bear any specific relation to the assets or potential earnings of the Company or any other recognized criteria of value.

### ***Information contained within this Memorandum***

No person is authorized to give any information or make any representation not contained in the Memorandum and any information or representation not contained herein must not be relied upon. Nothing in this Memorandum should be construed as legal or tax advice. Each investor should consult its own personal counsel, accountant, financial planners, and other advisors as to the legal, tax, economic and related matters concerning the investment described herein and its suitability as an investor.

The Management of the Company has provided all of the information stated herein. The Company makes no express or implied representation or warranty as to the completeness of this information or, in the case of projections, estimates, future plans, or forward-looking assumptions or statements, as to their attainability or the accuracy and completeness of the assumptions from which they are derived, and it is expected that each prospective investor will pursue his, her, or its own independent investigation.

The estimates of the Company's performance in this Memorandum are necessarily subject to a high degree of uncertainty and may vary materially from actual results.

No general solicitation or advertising in whatever form will or may be employed in the Offering of the Series D Preferred Shares, except for this Memorandum (including any amendments and supplements hereto), the exhibits hereto and documents summarized herein, or as acceptable under Regulation D of the Securities Act of 1933.

Other than the Company's Management, no one has been authorized to give any information or to make any representation with respect to the Company or the Series D Preferred Shares that is not contained in this Memorandum. Prospective investors should not rely on any information not contained in this Memorandum.

This Memorandum does not constitute an offer to sell or a solicitation of an offer to buy to anyone in any jurisdiction in which such offer or solicitation would be unlawful or is not authorized or in which the person making such offer or solicitation is not qualified to do so. This Memorandum does not constitute an offer if the prospective investor is not qualified under the Securities Act or other applicable securities laws.

This Offering is made subject to withdrawal, cancellation, or modification by the Company without notice and solely at the Company's discretion. The Company reserves the right to reject any subscription or to allot to any prospective investor less than the number of Series D Preferred Shares subscribed for by such prospective investor.

### ***Distribution of this Memorandum***

The information contained in this Memorandum is confidential and proprietary and has been prepared solely for the information of the person to whom it has been delivered by or on behalf of the Company strictly for such persons' confidential use solely to evaluate a potential investment in this Offering. Distribution of this Memorandum to any person other than the prospective investor to whom this Memorandum is delivered by the Company and those persons retained to advise them with respect thereto is unauthorized. Any reproduction of this Memorandum, in whole or in part, or the divulgence of any of the contents without the prior written consent of the Company is strictly prohibited.

Each prospective investor, by accepting delivery of this Memorandum, agrees to return it and all other documents received by them to the Company if the prospective investor's subscription is not accepted or if the Offering is terminated.

### ***Investigation and due diligence***

By acceptance of this Memorandum, prospective investors recognize and accept the need to conduct their own thorough investigation and due diligence before considering a purchase of the Series D Preferred Shares. The contents of this Memorandum should not be considered to be investment, tax, or legal advice and each prospective investor should consult with their own counsel and advisors as to all matters concerning an investment in this Offering. Each investor should consult its own personal counsel, accountant, financial planners, and other advisors as to the legal, tax, economic and related matters concerning the Offering described herein and its suitability as an investor.

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During the course of the Offering and prior to any sale of the Series D Preferred Shares, each offeree of the Series D Preferred Shares and his or her professional advisor(s), if any, are invited to ask questions concerning the terms and conditions of the Offering and to obtain any additional information necessary to verify the accuracy of the information set forth herein.

Such information will be provided to the extent the Company possess such information or can acquire it without unreasonable effort or expense.

***Opportunity to ask questions:***

Each prospective investor will be given an opportunity to ask questions of, and receive answers from, Management of the Company concerning the terms and conditions of this Offering and to obtain any additional information, to the extent the company possesses such information or can acquire it without unreasonable efforts or expense, necessary to verify the accuracy of the information contained in this Memorandum.

If you have any questions whatsoever regarding this Offering, or desire any additional information or documents to verify or supplement the information contained in this Memorandum, please write or call:

The Company telephone number is: (626) 243-2871. Email: [invest@misorobotics.com](mailto:invest@misorobotics.com)

## **Miso Robotics Inc**

## Section 1: Summary of Offering

The following material is intended to summarize information contained elsewhere in this Private Placement Memorandum (the “Memorandum”). This summary is qualified in its entirety by express reference to this Memorandum and the materials referred to and contained herein. Each prospective subscriber should carefully review the entire Memorandum and all materials referred to herein and conduct his or her own due diligence before subscribing for Series D Preferred Shares.

### The Company

#### Miso Robotics Company Overview

Miso Robotics uses a cloud-connected AI Platform that enables the Company’s autonomous robotic kitchen assistants to perform tasks such as frying and grilling alongside chefs in a commercial kitchen. Miso Robotics is revolutionizing the restaurant and prepared food industries with innovative robotics and AI solutions.

Miso was founded with a mission to leverage AI technology to help chefs cook food perfectly and consistently. Since the Company’s founding in 2016, Miso’s robotic kitchen assistant, also known as “Flippy”, has been featured in numerous news and media outlets, including Forbes, TechCrunch, VentureBeat, among many others.

The Company employs a respected team of roboticists, engineers and industrial designers from Caltech, Cornell, MIT, Carnegie Mellon, UCLA, Olin, Harvey Mudd, Art Center, NASA, Tesla, and SpaceX.

In March 2018, Miso launched the first “Flippy” in CaliBurger’s Pasadena location, where the bot flips burgers on a flat top grill. After success with this pilot, CaliBurger has recently signed an \$11 million commercial contract for two Flippy’s at each of its 50+ locations worldwide. In Q4, 2019, the first “CaliBurger 2.0” opened in Ft. Myers, Florida with its reinvented kitchen that includes two Flippy’s working alongside one chef.

Flippy is also operating the fryer at Dodgers Stadium in Los Angeles and Chase Field in Phoenix, Arizona, home of the Arizona Diamondbacks, under contract with the Compass Group/Levy Restaurants, which creates, owns, and operates restaurants in over 200 sports and entertainment venues, including Walt Disney Resorts.

The newest version of Flippy, the Robot on a Rail (ROAR), was piloted by White Castle at a restaurant in the Midwestern United States in 2020. In Q4 2020 Miso and White Castle announced plans to expand their relationship to a beta rollout, targeting up to ten new White Castle locations at which to deploy Flippy.

Miso Robotics is currently building “Flippy 2.0”, which integrates the bot into a mounted rail system, allowing it to work on several tasks at once. This new system will require zero real estate footprint and is forecasted to reduce automation costs by an additional 50%.

## **Our Product**

Miso Robotics was founded with the idea of giving eyes and a brain to a robotic arm so it could work in commercial kitchens with real-time situational awareness and real-time robotic controls. The Company's robotic kitchen assistant was designed as a software platform that could automate the cooking of all manner of foods and recipes, with all equipment and restaurant brands, and all kitchen formats.

Miso's autonomous robotic Kitchen Assistants are focused on helping with the most repetitive, dangerous and least desirable tasks in the kitchen. The first "Flippy" grilling burgers was our proof of concept. Flippy can now fry many different kinds of foods as well. These tasks can be improved and optimized for consistency, ensuring each meal is cooked to the perfect temperature with minimal food waste. Beyond frying, grilling, and other cooking, expect them over time to help with tasks like chopping onions, cutting other vegetables and even cleaning.

The Kitchen Assistant improves and learns over time based on the data available. Ultimately, this frees up kitchen staff to spend more time with customers. The Company believes the future of food is on-demand, accessible, personalized, and scalable. Miso is building the technology platform leveraging automation, machine learning, and robotics advancements to deliver this future.

## **Product Roadmap**

Within the next six months, Miso Robotics plans to continue to develop the Flippy Overhead Robot on a Rail (OHROAR) system as the Company targets additional customers and locations for commercial deployment. Key focuses for the Company will include the automation of additional tasks in the cooking lifecycle and further reducing the size of Flippy. Subsequently, Miso will focus on continuing to improve the value provided by existing skills while building new skills continuing to create new modular components with the rail system.

Miso Robotics' long-term vision is to expand with along multiple avenues: increasing robotic arm skills, increasing kitchen equipment that can be interacted with, and providing a platform that allows third parties to develop new skills. Miso Robotics will continue expanding our skills in the kitchen until it can make fully automated kitchen in which people and chefs can program their own recipes.

## **Market Opportunity**

The biggest misconception about the use of technology in the kitchen is that it is about job replacement. There is a growing labor crisis in the restaurant industry. Local workforces are shrinking, and wages are increasing, making commercial cooking uneconomical. Meanwhile consumers have an increased desire for meals cooked for them, whether via delivery, take-out, dining out, or grocery deli meals, adding pressure on kitchen workers.

Restaurants already see a 150% turnover today from a dissatisfied workforce. Pair this with an aging workforce that cannot handle some of the physical demands that come with the job and commercial kitchens are struggling to recruit and retain talent. Intelligent automation not only creates an avenue for meaningful work for the next generation through the creation of new jobs like a Chef Tech (employees trained to manage the robot) but also takes the physical burden off more mature employees who want to contribute later in life.

The tasks that Miso’s technology can perform are some of the most dangerous tasks in the kitchen, not to mention messy and menial, ultimately improving the employee experience by freeing up time for them to focus on more meaningful work, like warm customer service that a robot can’t simply match.

## **The Offering**

The Company is offering a maximum of 29,796 Series D Preferred Shares at a price of \$67.94 per share. The Offering minimum for this raise is \$0.00, representing 0 shares of Series D Preferred Stock.

Each purchaser must execute a Subscription Agreement making certain representations and warranties to the Company, including such purchaser’s qualifications as an “accredited investor” as defined as defined in Rule 501(a) of Regulation D under the Securities Act.

## **Risk Factors**

See Risk Factors (section 4) in this Memorandum for certain factors that could adversely affect any investment in the Series D Preferred Shares offered by the Company.

### **Selected Risks Associated With The Business**

- We have a limited operating history upon which you can evaluate our performance and have not yet generated profits. Accordingly, our prospects must be considered in light of the risks that any new company encounters.
- The auditor included a “going concern” note in its audit report.
- We could be adversely affected by product liability, personal injury or other health and safety issues.
- Our failure to attract and retain highly qualified personnel in the future could harm our business.
- Our newest technology is not yet fully developed, and there is no guarantee that we will be able to develop and produce a fully working prototype of our core product.
- We may need to raise additional capital, which might not be available or might be available only on terms unfavorable to us or our investors.

## **Use of Proceeds**

The Company intends to use the net proceeds of this Offering for general corporate purposes, including product development, payroll, marketing of our products and services, repayment of outstanding loans, and general administrative needs.

See Use of Proceeds (section 5).

## **Maximum Offering Proceeds**

The Company has set a maximum Offering proceeds figure of \$2,000,024.88 allocated to OpenDeal Broker LLC dba the Capital R (the “Broker-Dealer”), with the total Series D Raise at \$32,000,000 (the “Maximum Offering Proceeds”) for this Offering. Of the maximum Offering proceeds, the Company is seeking to raise up to \$29,700,000 via a concurrent Regulation A+ offering, which was qualified by the SEC under Tier II of Regulation A on May 28, 2021. A copy of the final Offering Circular that forms a part of that Offering Statement may be found [here](#). The Company anticipates seeking to raise the remaining \$8,000,000 via additional Regulation D offerings, however the Company is under no obligation to and there is no guarantee that the Company will pursue additional Regulation D offerings.

Maximum Offering Proceeds will be placed in escrow as set out in this Memorandum. See Plan of Placement (section 13).

## **Share Allocation**

Assuming the sale of the maximum number of Series D Preferred Shares from this Offering, the number of issued and outstanding Series D Preferred shares of the Company will be held as follows:

483,832 shares of Series D Preferred Stock and 483,832 shares of Common Stock into which they may convert.

## **Registrar**

Carta will serve as the Company’s registrar and transfer agent with respect to its shares.

## **Subscription Period**

The Offering will terminate on the earliest of: (a) the date the Company, in its discretion, elects to terminate, or (b) the date upon which all Series D Preferred Shares have been sold, or (c) such date as may be extended from time to time by the Company, but not later than 180 days thereafter (the “Offering Period”).

## Section 2: Requirements for Purchasers

Only the Company is authorized to provide the information contained in this Memorandum or information relating to the Offering, and no one is authorized to communicate any information to you other than what is stated in this Memorandum.

This Offering is only offered on a private placement basis and potential investors are required to inform themselves of, and to observe, any legal restrictions on their involvement in the Offering. In making an investment decision, potential investors must rely on their own examination of the Company and a potential investment in the Company, including the merits and risks involved.

All investors should carefully review this confidential Memorandum and other Offering documents provided by the Company for the fund prior to making an investment decision.

Any investment decision with respect to this Offering must be made solely on this version of the Memorandum, supplementary documents to our Memorandum, and subscription agreements.

Prospective purchasers of the shares offered by this Memorandum should give careful consideration to:

- certain risk factors described under the “Risk Factors” section in this Memorandum;
- the speculative nature of this investment;
- the lack of a readily available market for the Series D Preferred shares; and
- the resulting long-term nature of any investment in the Company.

This Offering is available only to suitable “accredited investors” that:

- are allowed to purchase Series D Preferred shares;
- have adequate means to accept such risks as presented by this Memorandum; and
- can purchase Series D Preferred shares whilst providing for their current needs and contingencies.

### Returning Subscription Materials for the Closing

The initial closing of this subscription shall take place at such date and time as the Company may determine. All subscription documents should be e-signed through the crowdfunding platform maintained by Republic.

Capital R and the Company reserve the right at any time to accept or reject all or any portion of any subscription in its sole discretion.

If a subscription is rejected in its entirety, all subscription documents will be returned to the Subscriber. If a subscription is accepted in whole or in part, the Subscriber will receive (i) a copy of the accepted Subscription Agreement and (ii) a copy of the executed Agreement.

### General Suitability Standards

The availability of exemptions from applicable securities laws for any offer and sale of the Series D Preferred Shares depends in part on the qualifications and investment intent of the prospective purchaser.

The Series D Preferred Shares offered will not be sold to any person unless such prospective purchaser or his or her duly authorized representative shall have represented in writing to the Company in a Subscription Agreement that:

- (1) The prospective purchaser has adequate means of providing for his or her current needs and personal contingencies and has no need for liquidity in the investment of the Series D Preferred Shares;
- (2) The prospective purchaser's overall commitment to investments which are not readily marketable is not disproportionate to his, her, or its net worth and the investment in the

Series D Preferred Shares will not cause such overall commitment to become excessive; and

- (3) The prospective purchaser is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act and is suitable for purchase in the Series D Preferred Shares.

Each person acquiring Series D Preferred Shares will be required to represent that he, she, or it is purchasing the Series D Preferred Shares for his, her, or its own account for investment purposes and not with a view to resale or distribution.

## **Accredited Investors**

The Company will conduct the Offering in such a manner that Series D Preferred Shares may be sold only to "accredited investors" as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

Each investor should consult its own personal counsel, accountant, financial planners, and other advisors as to the legal, tax, economic and related matters concerning the investment described herein and its suitability as an investor, including whether it would qualify as an "accredited investor." Each investor will be required to provide the necessary documents to verify their status as an "accredited investor."

## **Other Requirements**

No subscription for the Series D Preferred Shares will be accepted from any investor unless he or she is acquiring the Series D Preferred Shares for his or her own account (or accounts as to which he or she has sole investment discretion), for investment and without any view to sale, distribution, or disposition thereof.

The Series D Preferred Shares acquired pursuant to the Offering are NOT FREELY TRANSFERABLE because (1) they have not been registered under the Securities Act and those laws prohibit a subsequent transfer without registration under such laws or the availability of an exemption from the

registration requirements of such laws, (2) the prospective investor must adhere to additional restrictions on the transfer of the Series D Preferred Shares in the Company's Articles of Association, and (3) the Series D Preferred Shares will bear a restrictive legend, the language of which is included below.

*THE SECURITIES 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 SALE OR DISTRIBUTION 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 SHARES REPRESENTED BY THIS CERTIFICATE 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*

*AND MAY BE OBTAINED FROM THE SECRETARY OF THE COMPANY AT NO CHARGE.*

Therefore, in purchasing the Series D Preferred Shares in this Offering, the prospective investor must be able to bear the economic risk of the investment for an indefinite period of time and if such investor, as a result of some change in circumstances arising from an event not now in contemplation, wishes to transfer Series D Preferred Shares purchased in this Offering, it may not be able to do so.

Each prospective purchaser of Series D Preferred Shares may be required to furnish such information as the Company may require, determining whether any person or entity purchasing Series D Preferred Shares is an Accredited Investor who may purchase Series D Preferred Shares.

## Section 3: Forward Looking Information

THIS OFFERING CIRCULAR MAY CONTAIN FORWARD-LOOKING STATEMENTS AND INFORMATION RELATING TO, AMONG OTHER THINGS, THE COMPANY, ITS BUSINESS PLAN AND STRATEGY, AND ITS INDUSTRY. THESE FORWARD-LOOKING STATEMENTS ARE BASED ON THE BELIEFS OF, ASSUMPTIONS MADE BY, AND INFORMATION CURRENTLY AVAILABLE TO THE COMPANY'S MANAGEMENT. WHEN USED IN THE OFFERING MATERIALS, THE WORDS "ESTIMATE," "PROJECT," "BELIEVE," "ANTICIPATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS, WHICH CONSTITUTE FORWARD LOOKING STATEMENTS. THESE STATEMENTS REFLECT MANAGEMENT'S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE THE COMPANY'S ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN THE FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE ON WHICH THEY ARE MADE. THE COMPANY DOES NOT UNDERTAKE ANY OBLIGATION TO REVISE OR UPDATE THESE FORWARD-LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES AFTER SUCH DATE OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

## Section 4: Risk Factors

Investing in the Company's Ordinary Shares involves a high degree of financial risk. An investment in the Ordinary Shares is intended only for persons who have no need for immediate liquidity of or income from their investment and who can afford to lose all of their investment. In evaluating an investment in the Company, a prospective investor should carefully consider the risk factors described below, among other risk factors.

Potential investors are urged to consult with their financial, legal and tax advisors before deciding to subscribe for Ordinary Shares.

### Risks Related to Our Company

**We have a limited operating history upon which you can evaluate our performance, and have not yet generated profits. Accordingly, our prospects must be considered in light of the risks that any new company encounters.** Our company was incorporated under the laws of the State of Delaware on June 20, 2016, and we have not yet generated profits. The likelihood of our creation of a viable business must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the growth of a business, operation in a competitive industry, and the continued development of our technology and products. We anticipate that our operating expenses will increase for the near future, and there is no assurance that we will be profitable in the near future. You should consider our business, operations and prospects in light of the risks, expenses and challenges faced as an emerging growth company.

**Any valuation at this stage is difficult to assess.** The valuation for this Offering was established by the Company and is not based on the financial results of the Company. Instead, it is based on management's best estimates of the investment value of the Company, which is a subjective measure. This differs significantly from listed companies, which are valued publicly through market-driven stock prices the

valuation of private companies, especially early-stage companies, is difficult to assess and you may risk overpaying for your investment.

**Our two existing customers are related parties.** As of December 31, 2020, we had two customers that accounted for all of our revenue. These two customers, CaliBurger and Compass Group/Levy are also investors in our company. Until we are able to source outside customers who are not investors in our Company, we may be unable to reach profitability.

**The auditor included a “going concern” note in its audit report.** We may not have enough funds to sustain the business until it becomes profitable. The Company has not generated profits since inception, has sustained net losses of \$10,684,792 and \$6,990,832 for the years ended December 31, 2020 and 2019, respectively, and has incurred negative cash flows from operations for the years ended December 31, 2020 and 2019. As of December 31, 2020, the Company had an accumulated deficit of \$26,341,232, current liabilities exceeding current assets by \$1,746,922, and has collateralized debt with outstanding principal of \$3,634,648 due in 2021. For the six-month period ended June 30, 2021 (unaudited), the Company recognized a net loss of \$6,265,226, as compared to a net loss of \$3,421,240 for the six-month period ended June 30, 2020 (unaudited). This was primarily related to increased hiring costs across research and development and general and administration.

Even if we raise funds through this offering, we may not accurately anticipate how quickly we may use the funds and whether these funds are sufficient to bring the business to profitability.

**We are currently dependent on a few key personnel.** Our success depends, to a large degree, on our ability to retain the services of our executive management team, whose industry knowledge and leadership would be difficult to replace. We might not be able to execute on our business model if we were to lose the services of any of our key personnel. If any of these individuals were to leave the Company unexpectedly, we could face substantial difficulty in hiring qualified successors and could experience a loss in productivity while any such successor develops the necessary training and experience. Competition for hiring engineers, sales and marketing personnel and other qualified personnel may result in a shortfall in recruiting and competition for qualified individuals could require us to pay higher salaries, which could result in higher labor costs. If we are unable to recruit and retain a sufficient number of qualified individuals, or if the individuals we employ do not meet our standards and expectations, we may not be able to successfully execute on our business strategy and our operations and revenues could be adversely affected.

**We could be adversely affected by product liability, personal injury or other health and safety issues.** We could be adversely impacted by the supply of defective products. Defective products or errors in our technology could lead to serious injury by restaurant and kitchen workers. Product liability or personal injury claims may be asserted against us with respect to any of the products we supply or services we provide. It is our responsibility to have a quality management system and training procedures in place and to audit our suppliers to ensure that products supplied to our company meet proper standards. Should a product or other liability issues arise, the coverage limits under insurance programs and the indemnification amounts available to us may not be adequate to protect us against claims and judgments. We also may not be able to maintain such insurance on acceptable terms in the future. We could suffer significant reputational damage and financial liability if we experience any of the foregoing health and

safety issues or incidents, which could have a material adverse effect on our business operations, financial condition and results of operations.

**Certain intellectual property rights of the Company may be abandoned or otherwise compromised if the Company does not obtain additional capital.** The Company may be forced to allow certain deadlines relating to its patent portfolio to pass without taking any action because it lacks sufficient funds to pay for the required actions. Specifically, certain international filing deadlines are quickly approaching as of the date of this Offering Circular and the Company lacks sufficient funds to pay the government and legal fees associated with making such filings. Additionally, certain U.S. provisional patent applications are scheduled to expire and the Company could lose its priority date with regard to the subject matter of such provisional applications in the event the Company lacks sufficient funds to pay the applicable government and legal fees

**Our failure to attract and retain highly qualified personnel in the future could harm our business.** As the Company grows, it will be required to hire and attract additional qualified professionals such as software engineers, robotics engineers, machine vision and machine learning experts, project managers, regulatory professionals, sales and marketing professionals, accounting, legal, and finance experts. The Company may not be able to locate or attract qualified individuals for such positions, which will affect the Company's ability to grow and expand its business.

**The Company's business model is capital intensive.** The amount of capital the Company is attempting to raise in this Offering is not enough to sustain the Company's current business plan. In order to achieve near and long-term goals, the Company will need to procure funds in addition to the amount raised in the Offering. There is no guarantee the Company will be able to raise such funds on acceptable terms or at all. If the Company is not able to raise sufficient capital in the future, then it will not be able to execute its business plan, its continued operations will be in jeopardy and it may be forced to cease operations and sell or otherwise transfer all or substantially all of its remaining assets, which could cause a Purchaser to lose all or a portion of his or her investment.

**Our newest technology is not yet fully developed.** We are still developing our robot on a rail system that will eventually go into mass production. We have delivered a working version of our product to our corporate partners, however, we may be unable to convert our prototype to a minimum viable product that can easily be replicated and put into mass production. Additionally, we may not be able to make a transition to mass production, either via in house manufacturing or contract manufacturers.

**We may need to raise additional capital, which might not be available or might be available only on terms unfavorable to us or our investors.** In order to continue to operate and grow the business, we will likely need to raise additional capital beyond this current financing round by offering shares of our Common or Preferred Stock and/or other classes of equity. All of these would result in dilution to our existing investors, plus they may include additional rights or terms that may be unfavorable to our existing investor base. We cannot assure you that the necessary funds will be available on a timely basis, on favorable terms, or at all, or that such funds, if raised, would be sufficient. The level and timing of future expenditure will depend on a number of factors, many of which are outside our control. If we are not able to obtain additional capital on acceptable terms, or at all, we may be forced to curtail or abandon our growth plans, which could adversely impact the Company, its business, development, financial condition, operating results or prospects.

**A significant portion of the Company's voting securities are beneficially owned by Buck Jordan our President, whose interests may differ from those of the other stockholders.** As of the date of this Offering Circular, Buck Jordan beneficially owns approximately 40.47 % of the shares of the Company's issued and outstanding voting securities and, assuming all of the shares of Series C Preferred Stock and all of the shares of Series D Preferred Stock being offered are sold, he will beneficially own approximately 34.39% of the shares of the Company's issued and outstanding voting securities. This concentration of ownership may have the effect of delaying or preventing a change in control, which may not be in the best interest of the Company's other stockholders.

**Your rights as a holder of Series C Preferred Stock may be limited by the number of shares held by entities affiliated with the Company's management and common shareholders.** In April 2021, the Company converted principal of \$2,422,148 and accrued interest of \$272,709 of venture debt to Series C Preferred Stock at a per share price of \$13.728, a 20% discount to the offering per share price of \$17.16, into 196,300 shares of Series C Preferred Stock. Of this total, two convertible promissory notes, representing principal amounts of \$1,062,500 and \$782,167, were due to Rise of Miso, LLC and Future VC SPV, LLC. Rise of Miso, LLC is controlled by John Miller who is an investor in the Company via direct holdings and via CaliBurger's holdings and Future VC SPV, LLC is controlled by Buck Jordan, who is an investor in the Company as well as its current President. In addition, Future VC SPV, LLC and Rise of Miso, LLC collectively hold 499,239 shares of Series A Preferred Stock and 508,785 shares of Series B Preferred Stock, and 133,505 shares of Series C Preferred Stock. The Series C Preferred Stock are entitled to certain protective provisions, as described in herein under "Securities Being Offered - Series C and Series D Preferred Stock - Voting Rights" and the Company's Sixth Amended and Restated Certificate of Incorporation. Any vote in regard to the approval or disapproval of those items listed under the protective provisions would be either controlled by or substantially influenced by such affiliates, potentially against the interests of the rest of the Series C Preferred Stockholders. In addition, such affiliates could substantially influence any vote required by a majority of Series C Preferred Stock to cause all shares of Series C Preferred Stock to be converted into shares of Common Stock.

**Your rights as a holder of Series D Preferred Stock may be limited by the number of shares held by entities affiliated with the Company's management and common shareholders.** Future VC SPV, LLC and Rise of Miso, LLC collectively hold 499,239 shares of Series A Preferred Stock, 508,785 shares of Series B Preferred Stock, and 133,505 shares of Series C Preferred Stock. Rise of Miso, LLC is controlled by John Miller who is an investor in the Company via direct holdings and via CaliBurger's holdings and Future VC SPV, LLC is controlled by Buck Jordan, who is an investor in the Company as well as its current President. The Series D Preferred Stock are entitled to certain protective provisions, as described in herein under "Securities Being Offered - Series C and Series D Preferred Stock - Voting Rights" and the Company's Sixth Amended and Restated Certificate of Incorporation. Any vote in regard to the approval or disapproval of those items listed under the protective provisions would be either controlled by or substantially influenced by such affiliates, potentially against the interests of the rest of the Series D Preferred Stockholders. In addition, such affiliates could substantially influence any vote required by a majority of Series D Preferred Stock to cause all shares of Series D Preferred Stock to be converted into shares of Common Stock.

#### **Risks Related to the Securities in this Offering**

**There is no current market for any shares of the Company's stock.** There is no formal marketplace for the resale of the Preferred stock or any of the Company's Common Stock. Shares of Series D Preferred

Stock may be traded on the over-the-counter market to the extent any demand exists. Investors should assume that they may not be able to liquidate their investment for some time, or be able to pledge their shares as collateral.

**The proceeds of this offering will be used to repay certain venture debt taken on by the Company. Any proceeds used to repay outstanding debts will not provide us with additional working capital for future activities.** Our use of the proceeds of this offering includes repayment of the debt owed to multiple parties. As of the date of this Offering Circular, the Company has converted principal of \$2,422,148 and accrued interest of \$272,709 of venture debt to Series C Preferred Stock at a per share price of \$13.728, a 20% discount to the offering per share price of \$17.16, into 196,300 shares of Series C Preferred Stock, and has repaid \$1,222,465, comprised of principal of \$1,062,500 and accrued interest of \$159,965, of venture debt to Rise of Miso, LLC. The amount due includes a principal balance of \$150,000 and interest of 10% per annum. Any proceeds used to repay our outstanding debt will not provide us with additional working capital for future activities, which may lead to the Company being required to take on additional debt in the future to finance its activities. Such debt financing may not be available at all when required, or not available on terms favorable to the Company.

**Any portion of the Company's venture debt that is not repaid is convertible at a discount into preferred equity.** The Company's venture debt, which as of December 31, 2020 has a principal balance of \$3,634,648 and interest of 10% per annum, is in the form of convertible notes, which are convertible into preferred equity at a 20% discount. The equity into which the notes convert may be pari passu or senior to the Series C Preferred Stock. In addition, the shares issuable on conversion of the notes are excluded from the fully-diluted capitalization in determining the share price of the Series C Preferred Stock. As such, the share price of the Series C Preferred Stock does not account for the potential conversion of the notes, and any conversion of the notes will immediately dilute your investment. In April 2021, the Company converted principal of \$2,422,148 and accrued interest of \$272,709 of venture debt to Series C Preferred Stock at a per share price of \$13.728, a 20% discount to the offering per share price of \$17.16, into 196,300 shares of Series C Preferred Stock. In March 2021, the Company repaid \$1,222,465, comprised of principal of \$1,062,500 and accrued interest of \$159,965, of venture debt to Rise of Miso, LLC. As of the date of this annual report, this total debt from a variety of existing investors and related parties is \$150,000.

**Our Sixth Amended and Restated Certificate of Incorporation has a forum selection provision that requires certain disputes be resolved in the Court of Chancery of the State of Delaware, regardless of convenience or cost to interest holders.** Under Article 12 of our Sixth Amended and Restated Certificate of Incorporation, stockholders are required to resolve disputes related to the governance of the Company in the Court of Chancery located in the State of Delaware. The forum selection provision applies to (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim against the Corporation, its directors, officers or employees arising pursuant to any provision of the Delaware General Corporation Law or the Corporation's certificate of incorporation or bylaws or (iv) any action asserting a claim against the Corporation, its directors, officers or employees governed by the internal affairs doctrine.

Our Sixth Amended and Restated Certificate of Incorporation further provides that should the Court of Chancery in the State of Delaware not have subject matter jurisdiction over the matter, or there is an indispensable party not subject to the jurisdiction of the Court of Chancery, then the suit, action, or proceeding may be brought in the appropriate federal or state court. We intend for this forum selection

provision to also apply to claims brought under federal securities law. The Company acknowledges that, for claims arising under the Exchange Act, Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder, requiring such matters to be heard in federal court. In contrast, Section 22 of the Securities Act provides for concurrent jurisdiction between federal and state courts for matters arising under the Securities Act.

The forum selection provision in our Sixth Amended and Restated Certificate of Incorporation may limit interest holders' ability to obtain a favorable judicial forum for disputes with us or our officers, directors, employees or agents, which may discourage lawsuits against us and such persons. The requirement that action to which this provision applies be heard in the Court of Chancery in the State of Delaware may also create additional expense for any person contemplating an action against the Company, or limit the access to information to undertake such an action, further discouraging lawsuits.

It is also possible that, notwithstanding the forum selection clause included in our Sixth Amended and Restated Certificate of Incorporation, a court could rule that such a provision is inapplicable or unenforceable. Alternatively, if a court were to find the provision inapplicable to, or unenforceable in an action, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

**We are and may continue to be significantly impacted by the worldwide economic downturn due to the COVID-19 pandemic.** In December 2019, a novel strain of coronavirus, or COVID-19, was reported to have surfaced in Wuhan, China. COVID-19 has spread to many countries, including the United States, and was declared to be a pandemic by the World Health Organization. Efforts to contain the spread of COVID-19 have intensified and the U.S., Europe and Asia have implemented severe travel restrictions and social distancing. The impacts of the outbreak are unknown and rapidly evolving. A widespread health crisis has adversely affected and could continue to affect the global economy, resulting in an economic downturn that could negatively impact the value of the Company's shares and investor demand for shares generally.

The continued spread of COVID-19 has also led to severe disruption and volatility in the global capital markets, which could increase our cost of capital and adversely affect our ability to access the capital markets in the future. It is possible that the continued spread of COVID-19 could cause a further economic slowdown or recession or cause other unpredictable events, each of which could adversely affect our business, results of operations or financial condition.

The extent to which COVID-19 affects our financial results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 outbreak and the actions to contain the outbreak or treat its impact, among others. Moreover, the COVID-19 outbreak has had and may continue to have indeterminable adverse effects on general commercial activity and the world economy, and our business and results of operations could be adversely affected to the extent that COVID-19 or any other pandemic harms the global economy generally.

Specifically, COVID -19 may impact the production and distribution of Miso Robotics. If we are unable to produce our products due to manufacturing strains, we may not be able to distribute our product quickly and scale our business. This impact would mean we'd need to raise additional capital in order to meet our revenue targets.

**Investors in the company's Common Stock have assigned their voting rights.**

In order to subscribe to shares of Series D Preferred Stock in this offering, each investor will be required to grant an irrevocable proxy, giving the right to vote its shares of Series D Preferred Stock to the company's President. This irrevocable proxy will limit investors' ability to vote their shares of Series D Preferred Stock until the events specified in the proxy, which include the company's IPO or acquisition by another entity, which may never happen.

## Section 5: MD&A and Use of Proceeds

### Operating Results – Fiscal Years Ended December 31, 2019 and 2020

The Company generated minimal revenue through the period ending December 31, 2019 as it ramped up business development activities. For the period ended December 31, 2020 the Company generated revenue of \$298,752, the majority of this revenue was from multiple one-time consulting engagements and the Company's deployed Flippy units.

Miso's costs and expenses primarily consist of salaries from employees related to engineering, research and development, and business development. For the twelve-month period ended December 31, 2020, the Company spent \$922,086 on non-salary research and development related costs, \$3,749,560 on salaries, which includes non-cash stock compensation costs, \$4,274,587 in sales and marketing expenses primarily around marketing of its offering, and \$2,690,096 on overhead, general & administrative, legal and non-engineering salaries.

Across 2020 the Company has continued to lower its operating expenses by cutting costs from legal & professional fees, contractors, marketing, rent, and office expenses. The Company saw its prototyping and research & development costs increase across 2020 as it continued to invest in its business development efforts and go-to-market strategy and expects those to continue to increase through the beginning of 2021. Since the period covered by our audited financial statements the company has maintained the lowered costs achieved across 2020 and continued to invest in business development efforts.

### Operating Results – Fiscal Periods Ended June 30, 2020 and 2021

The company continues to produce minimal revenue as it ramps up product and business development activities. Our net revenue for this period was \$0 (unaudited), compared to \$75,500 in net revenue for the period ended June 30, 2020. However, the Company is in the process of changing its pricing model with key customers, from a higher upfront cost and lower monthly service fee, to a pricing model that is heavily weighted on a monthly service fee, with a lower upfront fee for delivery and installation. The Company plans to roll this out in the 4th quarter of 2021 and the first quarter of 2022, when it believes it will start to generate more consistent revenue from operations.

Since the period covered by our audited financial statements the Company has increased its operating expenses due primarily to increased expenses related to hiring, mostly across research & development

and engineering. In the six-month period ended June 30, 2021 (unaudited), the Company had \$5,915,767 in operating expenses, with \$3,227,898 from Research and Development related expenses, \$331,850 from Sales and Marketing expenses, and \$2,356,019 from General and Administrative expenses. This is compared to the six-month period ended June 30, 2020, which had overall higher expenses as compared to this year, with a total of \$3,166,706, spread across \$1,199,480 from Research and Development, \$743,981 from Sales and Marketing, and \$1,223,245 from General and Administrative.

Overall, for the six-month period ended June 30, 2021, the Company recognized a net loss of \$6,265,226, as compared to a net loss of \$3,421,240 for the six-month period ended June 30, 2020. As discussed above, this was primarily related to increased hiring costs across research and development and general and administration.

### **Plan of Operations**

To date, Miso has generated minimal revenues, though they are growing quickly, while still hiring a large team of engineers. Its engineering and product development teams have focused their time on building prototypes of our automated kitchen assistants, delivering production-ready models, and developing intellectual property. In 2020 these teams developed version 2 of our automated kitchen assistants, the Overhead Robot on a Rail (OHROAR), which was deployed commercially as part of a pilot at a White Castle location in the Midwestern United States. In 2021 the Company has introduced a new product, CookRight, into the market. CookRight is the world's first artificial intelligence (AI) powered cooking platform able to automatically identify and track products and tasks. Additionally in 2021, the Company announced a partnership with [Lancer Worldwide](#) – a global beverage dispenser manufacturer trusted by the world's top food and beverage brands – to build an intelligence backed, automated beverage dispenser.

During 2020, Miso hired a new Chief Executive Officer, new Chief Strategy Officer, and added three individuals to its engineering team. As Miso continues to raise capital in its current financing round, the Company will continue hiring additional engineering, business development, marketing, and support staff to assist in prototyping, research & development. These hires will help the Company to execute a go-to-market strategy with the goal of signing commercial agreements and generating additional revenue in 2021.

The Company believes the amount raised as of the date of this memorandum from its current Regulation A+ financing round will satisfy its cash requirements to implement its initial plan of operations. The Company's Regulation A+ financing round was qualified by the SEC under Tier II of Regulation A on May 28, 2021. A copy of the final Offering Circular that forms a part of that Offering Statement may be found [here](#).

As the Company continues to raise beyond the minimum offering amount, including via this Regulation D offering, it will continue to speed up research & development, production, and business development efforts to pursue multiple revenue streams simultaneously. If it raises the maximum amount from sales of Series D Preferred Shares of \$40mm, the Company does not anticipate having to raise additional capital for the business for at least two years.

### **Use of Proceeds To The Issuer**

The Company seeks to raise maximum Offering proceeds of \$32,000,000 from the sale of Series D Preferred Shares in this offering. The Company intends to apply these proceeds substantially as set forth herein, subject only to reallocation by Management in the best interests of the Company.

This Offering is being conducted to raise money for the Company's general operations and working capital requirements which include:

- Product Development: Innovation as it relates to Miso's various products (Flippy, CookRight) as well as new product development efforts
- Payroll: Key hires to support product development and business development as the Company scales operations
- General Administrative
- Marketing: Growth Marketing efforts
- Repayment of Outstanding Loans: Principal balance of \$150,000 and interest of 10% per annum

Use of Proceeds may also include estimated legal and other fees and expenses related to the Offering.

This Offering is being sold by the Management of the Company. No compensatory sales fees or related commissions will be paid to the Management of the Company.

Registered broker or dealers who are members of the FINRA and who enter into a Participating Dealer Agreement with the Company may sell Series D Preferred Shares and may receive commissions.

The Company has an agreement with the Broker-Dealer, a FINRA registered private placement broker-dealer, who will receive commissions of up to 8% of the dollar value of the price of the Series D Preferred Shares issued to investors through the Broker-Dealer.

## Section 6: Our Business

### Company History

Miso Robotics launched in 2016 to create the world's first autonomous robotic kitchen assistant for commercial kitchens. Automation is important for the restaurant and prepared food industries, which are struggling to make a meaningful profit due to the increase in labor cost.

The Company is named after the foundation of miso soup, fermented soybeans. Fermentation is one of the first disruptive food technologies, leveraging the work of tiny microbes to provide massive improvements in nourishment at scale - reducing food waste, improving flavors, and unlocking more nutrition with less effort.

Miso now employs a respected team of roboticists, engineers and industrial designers from Caltech, Cornell, MIT, Carnegie Mellon, UCLA, Olin, Harvey Mudd, Art Center, NASA, Tesla, and SpaceX.

Miso Robotics launched the first autonomous kitchen assistant, "Flippy", in CaliBurger Pasadena in March 2018. Flippy's first action in a commercial kitchen was to flip hamburgers. Burger patties are placed down by a human chef on the grill. Flippy uses AI to see the patties and flip them over at the proper time.

In the summer of 2018, Flippy was trained with a new skill: frying. Levy, a premium sports and entertainment hospitality company, piloted Flippy as a frying assistant from July 30, 2018, through the World Series of 2018 at the Chick 'n Tots stand in Dodger Stadium, the home of the Los Angeles Dodgers. Levy, upgraded to Flippy in a mobile cart format at the start of the 2019 season. Flippy has helped stadium team members consistently cook and serve more than 50,000 pounds of fresh chicken tenders and tater tots to Dodger fans, producing up to 80 baskets of food per hour.

In the fall of 2018, Flippy was upgraded to a mobile cart that allowed commercial restaurants to roll Flippy into storage to clean equipment and floors according to their SOP.

In May of 2019, Flippy was upgraded once again with a smaller footprint and deployed to the home of Diamondbacks at Chase Field in Phoenix, Arizona.

Most recently, Miso has signed a commercial contract with CaliBurger worth \$11,000,000. The contract is for the rollout of 100 Flippys across 50 CaliBurger locations in a new kitchen layout dubbed "CaliBurger 2.0", and is described in more detail below. In October 2019 as a part of this contract, Miso Robotics deployed two Flippys one at the grill and one at the fryer at CaliBurger's location in Ft. Myers, Florida.

In February of 2020 Miso Robotics unveiled "Flippy 2.0", Robot on a Rail (ROAR). ROAR integrates Flippy into a mounted rail system, allowing it to work on several tasks at once. This new system requires zero real estate footprint and is forecasted to reduce automation costs by an additional 50%.

In April of 2020 Miso announced a new AI-powered kitchen assistant tool, CookRight. CookRight uses computer vision to track order accuracy and aid kitchen staff in ensuring that all food is cooked perfectly. Alongside CookRight, kitchen staff have access to an intuitive, gamified dashboard that enables them to supervise multiple workflows simultaneously.

In July of 2020 Miso entered into an agreement with White Castle to develop, pilot, and undertake a beta rollout of Miso Robotics' Flippy robot for the restaurant's North American restaurants. White Castle piloted Miso's Robot on a Rail (ROAR) system at a Chicago-area restaurant across Q3 and Q4 of 2020 and was the restaurant to utilize the ROAR system in a commercial environment. In October 2020 Miso and White Castle announced plans to expand their partnership, targeting up to ten new locations as part of a beta rollout of Flippy to the company's North American restaurants.

In September 2020 Miso introduced a new software, ChefUI. ChefUI is run as a web-based application and displayed on a touchscreen monitor mounted on the ROAR system. It acts as the conduit between human and robot to work together and cook using the ROAR system.

Miso also made notable additions to the team across the year. First, in October 2020 the Company welcomed Mike Bell as its new Chief Executive Officer. Prior to joining as CEO, Mike was the COO at Ordermark, a restaurant technology company, where he led the enterprise sales function and its top-down go-to-market strategy. He also served as the Chairman of the Board of Directors at Miso. Second, in November 2020 Miso named its first Chief Strategy Officer, Jake Brewer. Prior to joining Miso, Jake was VP of Restaurant Excellence at CKE Restaurants, the parent company for Carl's Jr. restaurants, where he led customer experience, engineering, field training, and more.

Miso Robotics has created valuable partnerships with key disruptors in the restaurant industry. Miso Robotics is positioned to work with customers in the Quick Service Restaurant system to integrate Flippy into an overhead rail system to reduce the footprint.

## **Product Overview**

Miso Robotics uses a cloud-connected Miso AI platform that enables the Company's autonomous robotic kitchen assistants to perform frying and grilling cooking tasks. The product is designed as a platform, with extensible skill sets that will enable the same robot to interact with new kitchen equipment over time (as those new skills are developed). In addition, Miso Robotics' kitchen assistant product line has received full certification by NSF International for meeting sanitation standards for commercial kitchen equipment and secured an ETL Listed Mark by Intertek for meeting UL electrical safety standards.

Miso's team of engineers has built proprietary algorithms in scheduling (action planning/optimization), trajectory planning (robotic movement), and computer vision. Each of these is crucial for the functionality of Flippy while also providing a barrier to entry against the competition. The accuracy of Flippy's vision algorithms achieved 99.985% at Dodgers Stadium over the 3 months July-September 2019. More specifically, there was 1 vision error out of 6,625 baskets cooked.

To remain easy to use by chefs within an operating kitchen, Flippy uses modern usability research and design to create a touchless cooking workflow, allowing cooks to never press a single button on the robot during regular cooking. Finally, Flippy is cloud-connected. Over-the-air upgrades allow for continuous improvement of the software/brains within Flippy.

The Kitchen Assistant improves and learns over time based on the data available. Ultimately, this frees up kitchen staff to spend more time with customers. The Company believes the future of food is on-demand,

accessible, personalized, and scalable. Miso is building the technology platform leveraging automation, machine learning, and robotics advancements to deliver this future.

## **Market**

The United States Quick Service Restaurant (QSR) and fast-food industry experienced historic growth over the five years 2015 – 2019 and reached \$273 billion in 2019, with the QSR market growing 4.1% annually during that period. Revenue in the industry is expected to drop to \$239 billion in 2020 as a result of the COVID-19 pandemic, but the industry is expected to recover well as the United States economy improves and grow at a projected annual rate of 5.9% through 2025. While the amount of QSR establishments increased within the U.S to a total of 286,967 in 2019, the labor market for fast - food workers has tightened, creating a labor shortage for QSRs. This shortage can be attributed to multiple factors such as a low unemployment rate, fewer teenagers in the workforce, and a boom in restaurant openings. Miso Robotics is poised to help cure QSR owners and managers of this frustration and provide a solution to the lack of labor.

Labor expenses in a Quick Service Restaurant are currently greater than 25% of annual revenue, a number that has remained relatively steady over the past 10 years according to IBISWorld’s 2020 Industry Report. While a QSR consists of many different employee positions, cooks specifically account for 60% of the total wage expense for a restaurant. Miso Robotics’ automation solution can help increase the throughput and efficiency of these cooks, bringing down this majority expense and increasing their profitability in the kitchen.

Restaurants already see a 150% turnover today from a dissatisfied workforce. Pair this with an aging workforce that cannot handle some of the physical demands that come with the job and commercial kitchens are struggling to recruit and retain talent. Intelligent automation not only creates an avenue for meaningful work for the next generation through the creation of new jobs like a Chef Tech (employees trained to manage the robot) but also takes the physical burden off more mature employees who want to contribute later in life.

The tasks that Miso’s technology can perform are some of the most dangerous tasks in the kitchen, not to mention messy and menial, ultimately improving the employee experience by freeing up time for them to focus on more meaningful work, like warm customer service that a robot can’t simply match.

## **Design and Development**

Miso Robotics has built an autonomous kitchen assistant platform. On this platform, the Company has built NSF and ETL certified systems that grill burgers and operate the fryer. The autonomous cooking platform allows Miso to quickly develop new cooking skills. The Company has deployed systems to CaliBurger, Levy Restaurants, and White Castle. Miso has 10 patents pending, with two having been granted.

**Miso See** - Miso’s platform can visually identify the food it is cooking and the cooking equipment it is operating. The Company uses the latest advancements in artificial intelligence to develop networks that learn the difference between food types and can identify and locate the equipment.

**Miso Serve** - The platform also has methods of scheduling cooking tasks that can update with new information as orders come in to optimize the cooking processes.

**Miso Move** - The platform can control several automation components, including a robot arm. We primarily work with existing manufacturers to use off-the-shelf robotics and adapt them to the commercial kitchen space. We do build custom manipulation components that are certified to work with food and have high levels of reliability in these dynamic environments.

**Miso Fleet** - The platform has a secured infrastructure to regularly deploy over-the-air updates as the system improves and gets better over time.

Miso Robotics has worked with NSF and ETL to get its kitchen assistants certified for use in commercial kitchens. The Company has deployed systems to CaliBurger, Levy Restaurants, and White Castle that have cooked over 175,000 lbs of fried food and 12,000 burgers.

Miso continues to add new capabilities to the system, reduce its overall cost, and design easier ways to integrate it into more kitchen environments. Miso's team of engineers is actively working on adding a 7th axis to a robot arm to increase the working area of the robot that will allow more end-to-end cooking.

## **Manufacturing**

Miso currently manufactures the Miso Robotics Kitchen Assistants (1.0, 3.0, & 4.0) in our facility. The Company's manufacturing workshop is listed with NSF (National Sanitation Foundation) and is also part of our ETL listing through Intertek. Both listings are regulatory requirements for utilizing the Miso Robotics Kitchen Assistants in a commercial kitchen.

The strategy for manufacturing will change over time dependent on production volumes and commitments. Miso's pre-production Miso Robotics Kitchen Assistants will be produced at our manufacturing facility while the Company works on the cost and quality of the manufacturing process.

The Miso Robotics Kitchen Assistants currently uses a six-axis robotic arm. The Miso Robotic Kitchen Assistant is robotic arm agnostic and does not require a specific robotic arm manufacturer. The Miso Robotics Kitchen Assistant software platform enables the Miso Robotics Kitchen Assistant to work with any robotic arm. The components used to create the Miso Robotics Kitchen Assistant are sourced through licensed manufacturers. This allows Miso Robotics manufacturing to focus on software requirements and work closely with contract manufacturers to execute the production of Miso Robotics Kitchen Assistants. The Company is actively pursuing new vendors for the various products used to create the Kitchen Assistant.

## **Sales & Marketing**

Miso Robotics has already acquired three large customers who have also been helpful during the design, development, and testing of Flippy (More information about those customers in the customer section below). Regarding further sales and marketing, Miso Robotics has obtained an enormous interest in the press. Since the Company's founding in 2016, Miso's robotic kitchen assistant, also known as "Flippy", has been featured in numerous news and media outlets, including the Wall Street Journal, Forbes, VentureBeat, USA Today, CBS News, BBC News, TechCrunch, The Spoon, and many more.

After testing our product's performance and business impact, the Company received great feedback from its first customer. CaliBurger recently signed a commercial contract worth \$11 million for Flippy, which validated Miso's value proposition for the industry after having tested the robot in their stores since March 2018.

After piloting Flippy for several months at a location in the Midwestern United States, White Castle decided to expand its relationship with Miso and target up to ten additional locations at which to deploy Flippy. This decision further validates Miso's value proposition and led to increased interest from additional potential customers.

Miso is currently in deep discussions with several of the largest and most innovative quick service and fast food restaurant chains globally.

## **Competition**

Although there are several competitors who have built robotic machines for use in kitchens, none are as smart and versatile as Flippy from Miso Robotics. Flippy can essentially do anything a human arm can do, which allows us to market it to existing restaurants, creating a much larger market for our product. Our 10 patents pending (two approved) create an equally important barrier to entry against potential competition .

- Creator
  - Total funding to date: \$18.4 million
  - Creator has built a robotic burger maker that creates burgers in an assembly line fashion. The machine takes up a large footprint in a restaurant and it is not ideal to be sold to existing restaurants because it only makes one style of burger and is not versatile enough to make anything else.
- Spyce
  - Total funding to date: \$25.9 million
  - Spyce is a robotic restaurant that creates vegetable-centric bowls. This company is not currently selling products to existing restaurants, which makes them an indirect competitor to Miso while it further validates the need for automation in the Kitchen.
- Chowbotics
  - Total funding to date: \$20.8 million
  - Chowbotics uses robots to solve problems in food service including compromised cleanliness and inefficiency. It is targeting cafeterias, restaurants, and hotels. Its first robot, Sally, offers fully-customized, fresh and healthy salads. Similar to Creator, their current solutions are not versatile enough to compete with Miso.
- Lab2Fab
  - Owned by Middleby Corp.
  - Restaurant and bar management platform uses robotics, artificial intelligence, machine learning, and augmented reality to improve both front-of-house and back-of-house operations.
- Zume
  - Total funding to date: \$423 million

- Zume Pizza operates as a pizza delivery platform based in Mountain View, CA. The company uses robotics to make, bake, and deliver pizza. Much like Creator and Chowbotics, Zume is not a direct competitor because they do not sell their equipment to existing restaurants.
- Dishcraft
  - Total funding to date: \$45.2 million
  - Dishcraft is automating dish-washing for commercial kitchens. They pick up dirty dishes and take them back to their local facilities where they are washed by robotic systems.

## Customers

**CaliBurger** - CaliBurger is an international burger chain with 36 current locations and another 14 in development. The restaurant chain employed its first Flippy robot in March of 2018 in its flagship location of Pasadena, California. John Miller, the owner of CaliBurger, says the product will be able to lower their labor expenses by 65%. They recently signed a commercial contract with a value of \$11 million to fill the rest of their restaurant locations with two Flippy's working alongside one chef. This rollout will include a complete restructuring of their kitchens to put the Flippy's front and center. This contract, which is included as an exhibit in this Offering Circular, includes a guarantee that CaliBurger Franchisor USA, Inc. or its Franchisees will purchase a total of 100 Miso Robotics Kitchen Assistants and operate each of them for a minimum of 5 years. At \$50,000 per Kitchen Assistant and a \$1000 per month service fee, the value of this guarantee is up to \$11,000,000.

**Levy Restaurants** - Levy is a disruptor in defining the premium sports and entertainment dining experience. The company is recognized as one of the fastest - growing and most critically acclaimed hospitality companies. Named one of the 10 companies in sports by Fast Company magazine, Levy's diverse portfolio includes award-winning restaurants, iconic sports and entertainment venues, and convention centers as well as the Super Bowl, Grammy Awards, PGA Championship, US Open Tennis Tournament, Kentucky Derby, and NHL, MLB, NBA All-Star Games. "The big takeaway for us after using this for a half-season is that it worked, which is really no small thing," said Jamie Faulkner, E15 (a division of Levy) president. Faulkner and Miso Robotics led tours of Flippy for many visiting sports executives during the World Series games at Dodger Stadium. "There were a lot of questions about Flippy going into this, both internally and externally. But the gains we saw in volume and efficiency validated a lot of our expectations, and we still believe we're on to something revolutionary.

**White Castle** – White Castle is America's first fast-food burger chain with 375 locations across the country. In June of 2020, the Company entered into an agreement with White Castle to develop, pilot, and undertake a beta rollout of Miso Robotics' Flippy robot for White Castle's North American restaurants. As part of the pilot, White Castle deployed the new version of Flippy, Robot-on-a-Rail (ROAR), into a Chicago-area kitchen for testing and future integration. The deployment put autonomous frying to work for enhanced production speeds, improved labor allocation, and an added layer of health and safety in the cooking process. In October 2020, White Castle and Miso Robotics announced plans to expand their relationship. Miso and White Castle will target up to 10 new locations as part of a beta rollout of Flippy to White Castle's North American restaurants.

Additionally, Miso is in talks with several other QSR and fast-food chains about bringing Flippy to their kitchens.

## Employees

The Company currently has thirty-one full time employees and six hourly employees. Of the full-time employees, nineteen work in engineering, five work in operations, four work product development, two are executives, and one works in human resources. Of the hourly employees, three are field service techs, one is an R&D support assistant, one is in an engineering support role, and one is a facilities assistant.

## Section 7: Management of the Company

### Directors, Executive Officers, and Significant Employees

Name	Position	Age	Term in Office
<b>Executive Officers</b>			
Mike Bell	Chief Executive Officer	57	Indefinite, appointed August 2020
Kevin Morris	Chief Financial Officer	39	Indefinite, appointed September 2019
<b>Directors</b>			
Buck Jordan	Chairman & President	41	Indefinite, appointed August 2020
Joseph Essas	Director	50	Indefinite, appointed December 2019
Massimo Noja De Marco	Director	59	Indefinite, appointed November 2019
Nick Degnan	Director	39	Indefinite, appointed September 2019
Thomas Bruderman	Director	53	Indefinite, appointed March 2020
<b>Significant Employees</b>			
Rob Anderson	Head of Mechanical Engineering	28	Indefinite, appointed September 2016

### **Mike Bell, Chief Executive Officer**

Mike Bell was appointed CEO of Miso Robotics in August 2020 after serving as the Chairman of the Board of Directors for nearly one year. For the past twenty-five years, Mike has served as CEO/President/COO in early-stage tech startups and public company roles. Most recently, Michael served as Chief Operating Officer at Ordermark, a leading restaurant technology company. Prior to Ordermark, Mike was President at Bridg, a venture-backed software company providing a B2C CRM for some of the nation's leading

restaurant brands. He also served as CEO/President of Infracore, SOS Online Backup, 3PL Central, and Software.com. Early in his career, Mike co-founded Encore Software and served as its CEO for fourteen years. During this time Mike and his team grew Encore to become one of the largest consumer software publishers in North America and one of the fastest-growing – having twice been named to Inc. Magazine’s Inc 500 list.

#### **Kevin Morris, Chief Financial Officer**

Kevin is the CFO of Miso Robotics and manages the company’s finances and accounting. He was appointed to this role in September 2019. Prior to this, from July 2014 to April 2019, he was the CFO and COO of Denim.LA, Inc., and managed the company’s finances, operations, and customer service. He was formerly (from July 2014 to January 2016) a consultant to the company and became an employee in February 2016. Kevin is originally from Huntington Beach, California and received his bachelors in Applied Mathematics and Computer Science from the University of California, Berkeley. Upon graduation, he worked at Deloitte Consulting where he specialized in technical integrations and strategy. After attending the UCLA Anderson Graduate School of Management where he received his MBA, he worked for American Airlines as the head of pricing strategy for ancillary products and for the airline’s Asia-Pacific network. With a strong desire to work in the apparel industry, Kevin worked as the Vice-President of Sales for an Adidas licensee from February 2013 to June 2014, overseeing the global sales and marketing strategy for multiple Adidas sports categories.

#### **Rob Anderson, Head of Mechanical**

Rob Anderson is a Co-Founder and the Head of Mechanical Engineering at Miso Robotics. He leads the hardware development of Miso's autonomous cooking platform. Rob is driven to build teams around technology to elevate the way people eat and live their daily lives. Prior to founding Miso Robotics, Rob worked at Microsoft in 2015 where he supported the international development of the Surface manufacturing lines. At SpaceX in 2016, Rob also helped develop internal tools to understand component lifetime after multiple rocket launches. He earned his degree in Mechanical Engineering from the California Institute of Technology in 2016, where he founded an interdisciplinary program to evaluate the next generation of energy storage for vehicles.

#### **James “Buck” Jordan, Chairman & President**

James (“Buck”) Jordan founded Miso Robotics in 2016 and was a Director of the company from 2017 through March 2019. Buck is currently the acting President and Chairman of the Board of Directors of Miso Robotics, roles assumed in August 2020. In addition to his roles at Miso, Buck has been a Partner at Wavemaker Partners since 2018 and founded Wavemaker Labs, a corporate venture studio in 2016. Prior to that, Buck was Managing Partner at an early-stage venture fund, Canyon Creek Capital, a position he has held since 2010. Buck is a technologist and early-stage venture investor with a successful track record of building businesses at the leading edge of technology and in transformative high growth markets such as robotics, digital media, and consumer products. He has led investments in successful startups such as Relativity Space, Gyft, Winc, Miso Robotics, ChowNow, Jukin Media, and several others. His operating expertise was honed during his time as a management consultant, working on Capitol Hill in Senator Arlen Specter's office, and as an Army Blackhawk Pilot.

#### **Joseph Essas, Director**

Joseph Essas has been serving as Chief Technology Officer at OpenTable (part of Booking Holdings) since 2012. In his role, Joseph oversees all Product Development and Engineering initiatives at the Company as well as Data Science and Operations. Prior to joining OpenTable, Joseph served as the Chief Technology

Officer for eHarmony where he was responsible for overseeing and guiding the technical development, operation and growth of the Company. Previously, Mr. Essas served as Vice President of Engineering of Yahoo! where he managed engineering teams for the search marketing division. Mr. Essas attended Jerusalem College of Technology.

**Massimo Noja De Marco, Director**

Massimo Noja De Marco serves as Kitchen United's Chief Culinary Officer. Prior to joining the Company, Massimo owned and operated PH+E, a boutique consulting firm focusing on opening restaurants, hotels and bars across the US, Mexico and Europe, a role he held starting in 2014. He served as Vice President of Operations for SBE Entertainment, controlling all operational aspects for the Restaurants and Nightlife division. Previously he covered the same role at Wolfgang Puck Catering and Events, overseeing operations for all venues in S. California, including major events and awards shows, such as the Academy Awards. Formerly, Massimo owned and operated restaurants in NYC and Los Angeles and ran the Food and Beverage Department for The Ritz Carlton Marina Del Rey and Hillcrest Country Club in Beverly Hills. Massimo was raised in a seven-generation family in Hospitality in the Lake District outside of Milan, Italy, where he graduated with a degree in Hospitality Management and a Bachelors in Public Relations from IULM University in Milan. For three years he ran the family business composed of boutique hotels and restaurants in Italy.

**Nick Degnan, Director**

Nick Degnan is a Principal of Wavemaker Labs and VP, Product & Operations. His career in product development began as a mechanical design engineer, forming the foundation for later helping grow a startup towards acquisition and more recently, product development consulting. Before joining Wavemaker Labs, Nick was the Head of Product at the Motivo Engineering, a product development consulting firm, where he was responsible for continuous improvement of their consulting process and client experience, as well as guiding engineering teams in the development of agriculture technologies, autonomous vehicle systems, manufacturing automation, and drone related products, among other intelligent electrical-mechanical system technologies. Nick worked at Motivo from April 2016 through May 2019.

Before Motivo, from 2010 through 2016, Nick worked for Equipois Inc., a venture-backed and later acquired startup that designs and manufactures human exoskeleton technologies. He initially held the position of Engineering Manager focused on expanding the range of applications supported by the technology. As the Company grew his role shifted towards mass market adoption as Director of Product Management and ultimately headed the corporate office as VP of Operations. Post acquisition, he supported new ownership as Regional Manager with western US and international business operations oversight. Before joining Equipois, Nick worked for Lockheed Martin Space System leading a design team in the development of classified technologies.

Nick joins Miso Robotics to help accelerate their product development vision while ensuring there is a product-market fit, and also to provide organizational process improvement guidance as the Company grows. He holds an MBA from the UCLA Anderson School of Management, and an MS in Mechanical & Aeronautical Engineering and dual BS in Mechanical and Materials Engineering from UC Davis.

**Thomas Bruderman, Director**

Thomas Bruderman is a founder and Managing Partner of MAG Ventures, an early to mid-stage venture fund. Mr. Bruderman founded MAG Ventures in 2007. Prior to founding MAG, he was Senior Equity Trader and responsible for the entire healthcare group at Fidelity Investments (FMR) in Boston, Massachusetts. During his seven-plus years at Fidelity, from 1998 to 2005, Mr. Bruderman’s responsibilities included trading, personnel management and investment research and analysis. Before being recruited to Fidelity Investments, Mr. Bruderman was Managing Director and Head of Equities at Merit Capital, a Connecticut-based boutique Investment Bank.

Additionally, Mr. Bruderman is Chairman of AI based cybersecurity company DarkLight and Vice-Chairman and Corporate Secretary of emerging media company, Allyance Media Group. Mr. Bruderman has over twenty-five years of experience in the finance and asset management industry, spanning both financial structuring and operational experience. He earned a BS in Finance from Providence College.

### **Compensation of Directors and Executive Officers**

For the year ended December 31, 2020, the Company compensated its three highest paid executive officers as follows:

<b>Name</b>	<b>Capacity in which compensation was received</b>	<b>Cash Compensation</b>	<b>Other Compensation</b>	<b>Total Compensation</b>
Michael Bell	CEO	\$ 101,566	\$ 0	\$ 101,566
Buck Jordan	CEO, President	\$ 120,000	\$ 0	\$ 120,000
Kevin Morris	CFO	\$ 0	\$ 0	0

## Section 8: Dilution

### Dilution

Dilution means a reduction in value, control or earnings of the shares the investor owns.

The value of an investor's shares in the Company will be subject to dilution from future issuances of shares. The Company intends to issue additional equity to employees and third-party financing sources in amounts that are uncertain at this time, and consequently holders of Series D Preferred will be subject to dilution in an unpredictable amount. Such dilution may reduce investor control and economic interests in the Company.

Additional financing will be needed by the Company as the Company's business progresses. Generally financing (whether in the form of loans or the issuance of other Shares) is intended to provide the Company with enough capital to reach the next major corporate milestone. In certain circumstances the Company may have to resort to raising additional capital at a price lower than the current Offering price. The availability of capital is at least partially a function of capital market conditions that are beyond the control of the Company. There can be no assurance that the Company will always be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source. Failure to obtain financing on favorable terms could erode the value of the Series D Preferred Shares.

## Section 9: Controlling Interests

### Security Ownership of Management and Certain Security Holders

<u>Title of Class</u>	<u>Name and address of beneficial owner</u>	<u>Amount and nature of beneficial ownership</u>	<u>Amount and nature of beneficial ownership acquirable</u>	<u>Percent of class</u>	<u>Total voting power per beneficial owner (5)</u>
<b>Officers and Directors</b>					
Common Stock	Buck Jordan	202,483	N/A	11.69%	39.68%
Common Stock	Michael Bell	25,000	233,219	13.14%	0.50%
Common Stock	All directors and officers as a group	292,483	499,350	35.49%	5.84%
<b>Other Significant Holders</b>					
Common Stock	John Miller	63,000	N/A	3.64%	11.44%
Common Stock	Avista Investments. LLC	200,000	N/A	11.55%	3.99%
Common Stock	CCC HelloTech, LP	205,000	N/A	11.84%	39.68%
Common Stock	Match Robotics VC, LLC	176,400	N/A	10.18%	39.68%
Common Stock	Future VC, LLC	200,000	N/A	11.55%	39.68%
Common Stock	Canyon Creek Capital	150,000	N/A	8.55%	39.68%
Common Stock	CaliBurger	160,000	N/A	9.24%	11.44%
Series A Preferred Stock	Rise of Miso, LLC	104,012	N/A	13.51%	11.44%
Series A Preferred Stock	Match Robotics VC, LLC	121,630	N/A	15.80%	39.68%
Series A Preferred Stock	Future VC SPV, LLC	395,227	N/A	51.34%	39.68%
Series A Preferred Stock	Grazadio Family Trust	80,539	N/A	10.46%	5.26%
Series B Preferred Stock	Rise of Miso, LLC	105,995	N/A	10.62%	11.44%
Series B Preferred Stock	Future VC SPV, LLC	402,790	N/A	40.38%	39.68%
Series B Preferred Stock	Grazadio Family Trust	145,154	N/A	14.55%	5.26%
Series B Preferred Stock	CaliBurger	139,666	N/A	14.00%	11.44%
Series B Preferred Stock	Levy Premium Food Service Limited Partnership	25,000	N/A	2.51%	0.50%
Series C Preferred Stock	New Direction Trust Company	896,517	N/A	93.53%	18.33%
Series C Preferred Stock	Future VC SPV, LLC	133,505	N/A	11.33%	39.68%
Series C Preferred Stock	Graziado Family Trust	37,741	N/A	3.20%	5.26%
Series C Preferred Stock	Odyssey Trust Company	330,092	N/A	21.89%	6.59%

Amounts are as of December 31, 2020. The fifth column (Percent of Class) includes a calculation of the amount the person owns now, plus the amount that person is entitled to acquire, such as the result of options issued under the Company's 2017 Stock Plan. That amount is then shown as a percentage of the outstanding amount of securities in that class if no other people exercised their rights to acquire those securities. The result is a calculation of the maximum amount that person could ever own based on their current and acquirable ownership, which is why the amounts in this column will not add up to 100%. In 2021, the Company has sold approximately 330,700 shares of Series C Preferred Stock and 125,779 shares of Series D Preferred Stock.

## Section 10: Litigation

There is no pending action, suit, proceeding, arbitration, mediation, complaint, claim, charge or investigation before any court, arbitrator, mediator or governmental body, or to the Company's knowledge, currently threatened in writing (a) against the Company or (b) against any consultant, officer, manager, director or key employee of the Company arising out of his or her consulting, employment or board relationship with the Company or that could otherwise materially impact the Company.

## Section 11: Description of Series D Preferred

The Company is offering maximum amount of 27,648 Series D Preferred Shares for \$67.94 price per share. We previously sold 2,148 Series D Preferred Shares at a price of 56.62. The Series D Preferred Shares are being offered and sold only to "accredited investors" as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the "Securities Act").

Investors in shares of Series D Preferred Stock in this offering will grant an irrevocable voting proxy to the company's President that will limit their ability to vote their shares of Series D Preferred Stock purchased in this offering until the occurrence of certain events specified in the proxy, none of which may ever occur.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the holders of shares of Series D Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders pari passu with the holders of Series B Preferred Stock and Series C Preferred Stock, and before any payment shall be made to the holders of Series A Preferred Stock and the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the greater of (i) the Series D Original Issue Price, plus any dividends declared but unpaid thereon, or (ii) such amount per share as would have been payable had all shares of Series D Preferred Stock been converted into Common Stock immediately prior to such liquidation, dissolution, winding up or Deemed Liquidation Event (the amount payable pursuant to this sentence is hereinafter referred to as the "**Series D Liquidation Amount**"). If upon any such liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series D Preferred Stock the full amount to which they shall be entitled the holders of shares of Series D Preferred Stock, Series C Preferred Stock, and Series B Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would

otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

Investors are only entitled to profit distributions proportionate to their shares of ownership when and if declared by the Management of the Company out of funds legally available.

The Company to date has not given any such profit distributions. Future profit distribution policies are subject to the discretion of Management of the Company and will depend upon a number of factors, including among other things, the capital requirements and the financial condition of the Company.

## **Section 12: Transfer Agent and Registrar**

Carta will act as the transfer agent and registrar with respect to the shares offered.

## **Section 13: Plan of Placement**

Series D Preferred are offered directly by the Managing Members of the Company on the terms and conditions set forth in this Memorandum.

The Company is Offering Series D Preferred on a “best efforts” basis. The Company will use its best efforts to sell Series D Preferred to investors. There can be no assurance that all or any of the Series D Preferred offered, will be sold.

Only FINRA broker-dealers may offer Series D Preferred to residents in the US.

### Flow of Funds

Cash received in connection with purchases will be placed into an escrow account established by the Company with Prime Trust, LLC for the benefit of the Offering (the "Escrow Account") at Prime Trust, LLC. Purchasers in the Offering will not have the right to revoke their purchase at any time. If a purchase is rejected for any reason, it will be refunded without interest or deduction save any applicable wires fees. Purchasers will follow instructions for completing payment when making their investment via the the site maintained by Republic for the benefit of the offering.

### Our Subscription Process

Our subscription process for all Series D Preferred Stock offered in the Offering will include, among other things, a link to this Memorandum (or a future, supplemented version of this Memorandum, as appropriate at such time), with the assistance of OpenDeal Broker LLC, with which we have entered into an Offering Listing Agreement dated July 7, 2021, prompts to provide KYC, AML, accreditation and other required information (or to update such information if we already have such information on file for such person) and a subscription agreement to complete electronically. The subscription agreement will contain payment instructions. Prospective purchasers will be able to access our subscription process on the private placements platform made available to us from ODB at <https://www.republic.co/>. All

potential investors must consent to the receipt of all offering documents electronically and to the validity of all offering agreements and other instruments completed electronically.

Once you submit the subscription agreement, you may not revoke or change your subscription or request a return of your subscription consideration. However, we reserve the right to reject any investor's subscription in whole or in part, for any reason or no reason, in our sole discretion. Reasons we may reject a subscription include, without limitation, failure to be an "accredited investor" under Regulation D, failure to meet KYC or AML standards, and rejections (including partial rejections) due to oversubscription. Investors in the Offering will not have the right to revoke their subscription before the Offering is complete. Cash received in the Offering will be placed into the same bank account established by Prime Trust, LLC for the benefit of the Offering.

OpenDeal Broker LLC dba Capital R is a registered broker dealer CRD#: 297797/SEC#: 8-70188 located at 1345 Avenue of the Americas, 15th Fl, New York, NY 10105.

Prime Trust LLC, the escrow agent servicing the offering with respect to cash wire transfers, has not investigated the desirability or advisability of an investment in this offering or the securities offered herein. The escrow agent makes no representations, warranties, endorsements, or judgement on the merits of the offering or the securities offered herein. The escrow agent's connection to the offering is solely for the limited purposes of acting as a service provider.

## **Section 14: Additional information**

Please be assured that as a prospective investor you may ask the Company questions and receive answers concerning the terms and conditions of this Offering and obtain any additional information which the Company possesses, or can acquire without unreasonable effort or expense, to verify the accuracy of the information provided in this PPM.

The telephone number for the Company is (626) 243-2871.

Dedicated email for the Company for this Offering is [invest@misorobotics.com](mailto:invest@misorobotics.com)

The address of the Company is 561 East Green Street, Pasadena, CA 91101



To the Board of Directors of  
Miso Robotics, Inc.  
Pasadena, California

## INDEPENDENT AUDITOR'S REPORT

### Opinion

We have audited the accompanying financial statements of Miso Robotics, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, stockholders' equity/(deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2 to the financial statements, the Company has not generated profits since inception, has sustained net losses of \$10,684,792 and \$6,990,832 for the years ended December 31, 2020 and 2019, respectively, and has incurred negative cash flows from operations for the years ended December 31, 2020 and 2019. As of December 31, 2020, the Company had an accumulated deficit of \$26,341,232, current liabilities exceeding current assets by \$1,746,922, and has collateralized debt with outstanding principal of \$3,634,648 due in 2021. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Artesian CPA, LLC

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

/s/ **Artesian CPA, LLC**

Denver, Colorado  
May 6, 2021

**Artesian CPA, LLC**

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**MISO ROBOTICS, INC.**
**BALANCE SHEETS**

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,767,841	\$ 2,021,777
Accounts receivable - related party, net	-	72,620
Accounts receivable, net	95,285	-
Inventory	418,032	330,445
Prepaid expenses and other current assets	86,054	39,404
Deferred offering costs	-	129,791
Total current assets	<u>2,367,212</u>	<u>2,594,037</u>
Property and equipment, net	205,160	245,670
Deposits	150,000	227,636
Total assets	<u>\$ 2,722,372</u>	<u>\$ 3,067,343</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable	\$ 86,330	\$ 227,089
Accounts payable, related party	128,716	-
Accrued expenses and other current liabilities	625,014	172,769
Deferred revenue	-	467
Deferred rent	12,720	10,207
Loan payable, current portion	297,649	-
Venture debt, net of discount	2,963,705	-
Total current liabilities	<u>4,114,134</u>	<u>410,532</u>
Venture debt, net of discount	-	2,106,763
Loan payable, net of current portion	152,351	-
Total liabilities	<u>4,266,485</u>	<u>2,517,295</u>
Commitments and contingencies (Note 11)		
Stockholders' equity (deficit):		
Series C convertible preferred stock, \$0.0001 par value, 1,748,252 shares authorized, 979,868 shares issued and outstanding as of December 31, 2020 and 2019; liquidation preference of \$16,814,535 and \$0 as of December 31, 2020 and 2019, respectively	98	-
Series B convertible preferred stock, \$0.0001 par value, 997,616 shares authorized, issued and outstanding as of December 31, 2020 and 2019; liquidation preference of \$10,050,083 as of both December 31, 2020 and 2019	100	100
Series A convertible preferred stock, \$0.0001 par value, 769,784 shares authorized, issued and outstanding as of December 31, 2020 and 2019; liquidation preference of \$3,164,433 as of both December 31, 2020 and 2019	77	77
Common stock, \$0.0001 par value, 7,000,000 and 6,000,000 shares authorized as of December 31, 2020 and 2019, respectively; 1,732,085 shares issued and outstanding as of both December 31, 2020 and 2019, 43,028 and 277,988 shares unvested as of December 31, 2020 and 2019, respectively	173	173
Additional paid-in capital	32,265,835	16,206,138

Subscription receivable	(7,469,164)	-
Accumulated deficit	<u>(26,341,232)</u>	<u>(15,656,440)</u>
Total stockholders' equity (deficit)	<u>(1,544,113)</u>	<u>550,048</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 2,722,372</u>	<u>\$ 3,067,343</u>

See Independent Auditor's Report and accompany notes, which are an integral part of these financial statements.

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**MISO ROBOTICS, INC.**

**STATEMENTS OF OPERATIONS**

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Net revenue	\$ 298,752	\$ 99,029
Cost of net revenue	531,064	245,490
Gross profit (loss)	<u>(232,312)</u>	<u>(146,461)</u>
Operating expenses:		
Research and development	2,828,334	3,381,454
Sales and marketing	4,274,587	208,557
General and administrative	2,690,096	3,129,273
Total operating expenses	<u>9,793,017</u>	<u>6,719,284</u>
Loss from operations	(10,025,329)	(6,865,745)
Other income (expense):		
Interest expense	(696,081)	(148,270)
Interest income	198	2,183
Other income	36,420	21,000
Total other income (expense), net	<u>(659,463)</u>	<u>(125,087)</u>
Provision for income taxes	-	-
Net loss	<u>\$(10,684,792)</u>	<u>\$ (6,990,832)</u>
Weighted average common shares outstanding - basic and diluted	<u>1,689,057</u>	<u>1,105,790</u>
Net loss per common share - basic and diluted	<u>\$ (6.33)</u>	<u>\$ (6.32)</u>

See Independent Auditor's Report and accompany notes, which are an integral part of these financial statements.

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**MISO ROBOTICS, INC.**

**STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICT)**

Series C Convertible	Series B Convertible	Series A Convertible	Additional	Total
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	Preferred Stock		Preferred Stock		Preferred Stock		Common Stock		Paid-in Capital	Subscriptio n Receivable	Accumulate d Deficit	Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
<b>Balances at December 31, 2018</b>	-	\$ -	997,616	\$ 100	769,784	\$ 77	1,272,810	\$ 127	\$ 9	-	\$ (8,665,608)	\$ 6,378,625
Issuance of common stock for services	-	-	-	-	-	-	200,000	20	81,980	-	-	82,000
Issuance of restricted common stock	-	-	-	-	-	-	265,000	27	59,674	-	-	59,700
Forfeited restricted common stock	-	-	-	-	-	-	(7,855)	(1)	1	-	-	-
Exercise of stock options	-	-	-	-	-	-	2,130	1	10,264	-	-	10,265
Stock-based compensation expense	-	-	-	-	-	-	-	-	300,959	-	-	300,959
Issuance of debt discount	-	-	-	-	-	-	-	-	709,331	-	-	709,331
Net loss	-	-	-	-	-	-	-	-	-	-	(6,990,832)	(6,990,832)
<b>Balances at December 31, 2019</b>	-	-	997,616	100	769,784	77	1,732,085	173	16,206,138	-	(15,656,440)	550,048
Issuance of Series C preferred stock	972,487	97	-	-	-	-	-	-	16,687,779	(7,469,164)	-	9,218,713
Issuance of preferred stock for services	7,381	1	-	-	-	-	-	-	126,665	-	-	126,666
Stock-based compensation expense	-	-	-	-	-	-	-	-	455,875	-	-	455,875
Issuance of debt discount	-	-	-	-	-	-	-	-	470,431	-	-	470,431
Offering costs	-	-	-	-	-	-	-	-	(1,681,054)	-	-	(1,681,054)
Net loss	-	-	-	-	-	-	-	-	-	-	(10,684,792)	(10,684,792)
<b>Balances at December 31, 2020</b>	979,868	\$ 98	997,616	\$ 100	769,784	\$ 77	1,732,085	\$ 173	32,265,835	(7,469,164)	(26,341,232)	(1,544,113)

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

**MISO ROBOTICS, INC.**  
**STATEMENTS OF CASH FLOWS**

**Year Ended**  
**December 31,**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Net loss	\$(10,684,792)	\$ (6,990,832)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	455,875	360,659
Stock issued for services	126,666	82,000
Amortization of debt discount	437,392	78,129
Bad debt expense	36,616	26,875
Depreciation and amortization expense	102,201	97,429
Changes in operating assets and liabilities:		
Accounts receivable	(59,281)	(99,495)
Inventory	(87,587)	145,778
Prepaid expenses and other current assets	(46,650)	20,799
Accounts payable	(12,043)	162,361
Accrued expenses and other current liabilities	452,245	(64,893)
Deferred revenue	(467)	467
Deferred rent	2,513	4,441
Net cash used in operating activities	<u>(9,277,314)</u>	<u>(6,176,282)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(61,691)	(27,227)
Deposits returned	77,636	-
Net cash provided by (used in) investing activities	<u>15,945</u>	<u>(27,227)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of preferred stock	9,218,713	-
Proceeds from issuance of venture debt, net of fees	889,982	2,737,964
Proceeds from loan payable	450,000	-
Exercise of stock options	-	10,265
Offering costs	(1,551,263)	(129,791)
Net cash provided by financing activities	<u>9,007,432</u>	<u>2,618,438</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(253,936)</u>	<u>(3,585,071)</u>
Cash and cash equivalents at beginning of year	2,021,777	5,606,848
Cash and cash equivalents at end of year	<u>\$ 1,767,841</u>	<u>\$ 2,021,777</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Warrants issued with venture debt	\$ 123,968	\$ 11,582
Beneficial conversion feature on venture debt	\$ 346,463	\$ 697,749
Subscription receivable on Series C preferred stock	\$ 7,469,164	\$ -

See Independent Auditor's Report and accompany notes, which are an integral part of these financial statements.

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**MISO ROBOTICS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**1. NATURE OF OPERATIONS**

Miso Robotics, Inc. (the “Company”) was incorporated on June 20, 2016 as Super Volcano, Inc. under the laws of the State of Delaware. The Company changed its name to Miso Robotics, Inc. on October 3, 2016. The Company develops and manufactures artificial intelligence-driven robots that assist chefs to make food at restaurants. The Company is headquartered in Pasadena, California.

## **2. GOING CONCERN**

The Company has evaluated whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt and the Company’s ability to continue as a going concern within one year after the date that the financial statements are issued.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has not generated profits since inception, has sustained net losses of \$10,684,792 and \$6,990,832 for the years ended December 31, 2020 and 2019, respectively, and has incurred negative cash flows from operations for the years ended December 31, 2020 and 2019. As of December 31, 2020, the Company had an accumulated deficit of \$26,341,232, current liabilities exceeding current assets by \$1,746,922, and has collateralized debt with outstanding principal of \$3,634,648 due in 2021. These factors raise substantial doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern for the next twelve months is dependent upon its ability to generate sufficient cash flows from operations to meet its obligations, which it has not been able to accomplish to date, and/or to obtain additional capital financing. No assurance can be given that the Company will be successful in these efforts.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### ***Basis of Presentation***

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (“GAAP”). The Company’s fiscal year is December 31.

### ***Use of Estimates***

The preparation of the Company’s financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions reflected in these financial statements include, but are not limited to, the valuations of common stock and stock options. The Company bases its estimates on historical experience, known trends and other market-specific or other relevant factors that it believes to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates when there are changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results could differ from those estimates.

### ***Concentrations of Credit Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. The Company generally maintains balances in various operating accounts at financial institutions that management believes to be of high credit quality, in amounts that may exceed federally insured limits. The Company has not experienced any losses related to its cash and cash equivalents and does not believe that it is subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships. At December 31, 2020 and 2019, all of the Company’s cash and cash equivalents were held at one accredited financial institution. As of December 31, 2020 and 2019, the Company had cash of \$1,517,841 and \$1,771,777, respectively, in excess of federally insured limits.

### ***Cash and Cash Equivalents***

The Company considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents.

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## **MISO ROBOTICS, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

#### ***Fair Value Measurements***

Certain assets and liabilities of the Company are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The carrying values of the Company's assets and liabilities approximate their fair values.

#### ***Accounts Receivable***

Accounts receivable are derived from products and services delivered to customers and are stated at their net realizable value. Each month, the Company reviews its receivables on a customer-by-customer basis and evaluates whether an allowance for doubtful accounts is necessary based on any known or perceived collection issues. Any balances that are eventually deemed uncollectible are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of December 31, 2020 and 2019, the Company had an allowance for doubtful accounts of \$63,491 and \$26,875, respectively.

#### ***Inventory***

Inventory is stated at the lower of cost or market and accounted for using the specific identification cost method. As of December 31, 2020 and 2019, inventory consisted of robotic raw materials purchased from the Company's suppliers. Management reviews its inventory for obsolescence and impairment as it is determined necessary.

#### ***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization expense is recognized using the straight-line method over the estimated useful life of each asset, as follows:

**Estimated  
Useful Life**

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Computer equipment and software	2 - 3 years
Kitchen equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	Shorter of lease term or 5 years

Estimated useful lives are periodically assessed to determine if changes are appropriate. Maintenance and repairs are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost of these assets and related accumulated depreciation or amortization are eliminated from the balance sheet and any resulting gains or losses are included in the statement of operations loss in the period of disposal.

### ***Impairment of Long-Lived Assets***

The Company continually monitors events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. When such events or changes in circumstances are present, the Company assesses the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. The Company did not record any impairment losses on long-lived assets during the years ended December 31, 2020 or 2019.

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## **MISO ROBOTICS, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

#### ***Revenue Recognition***

The Company adopted ASU 2014-09, *Revenue from Contracts with Customers*, and its related amendments (collectively known as “ASC 606”), effective January 1, 2019 using the modified retrospective transition approach applied to all contracts. Therefore, the reported results for the years ended December 31, 2020 and 2019 reflect the application of ASC 606. Management determined that there were no retroactive adjustments necessary to revenue recognition upon the adoption of the ASU 2014-09. The Company determines revenue recognition through the following steps:

- Identification of a contract with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the performance obligations are satisfied.

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. As a practical expedient, the Company does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the period between customer payment and the transfer of goods or services is expected to be one year or less.

The Company derives its revenue from hardware and software usage of its installed units as well as consulting services. Sales tax is collected on sales in California and these taxes are recorded as a liability until remitted.

#### *Hardware*

Each product sold to a customer typically represents a distinct performance obligation. The Company satisfies its performance obligation and revenue is recorded at the point in time when products are installed as the Company has determined that this is the point that control transfers to the customer. The Company invoices customers upon delivery of the products, and payments from such customers are due upon invoicing. Orders or set-up fees that have been paid but performance obligations have not been met are recorded to deferred revenue.

#### *Software*

Software as a service (SaaS) and usage fees are recognized as revenue as the performance obligation is satisfied over time. Revenue is recognized monthly over the life of the contract. Service fees that have been invoiced or paid but performance obligations have not been met are recorded to deferred revenue.

#### *Consulting*

Consulting services are recognized at the point in time when the performance obligation has been completed.

#### *Disaggregation of Revenue*

The following table presents the Company's revenue disaggregated by revenue source:

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Hardware and installations	\$ 56,385	\$ 88,120
Software and usage fees	67,367	10,909
Consulting services	175,000	-
	<u>\$ 298,752</u>	<u>\$ 99,029</u>

#### *Significant Judgements*

The Company estimates warranty claims reserves based on historical results and research and determined that a warranty reserve was not necessary as of December 31, 2020 and 2019.

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## **MISO ROBOTICS, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

#### *Contract Balances*

The Company invoices customers based upon contractual billing schedules, and accounts receivable are recorded when the right to consideration becomes unconditional. Contract liabilities represent a set-up fee prepayment received from a customer in advance of performance obligations met.

As of December 31, 2020 and 2019, accounts receivable included \$45,285 and \$14,004 in unbilled receivables, respectively.

#### *Cost of Sales*

Cost of sales consists primarily of inventory sold, parts used in building machines for sale, tooling and supplies, depreciation of certain equipment, allocations of facility costs, and allocations of personnel time in assembly, installation, and servicing.

### ***Advertising and Promotion***

Advertising and promotional costs are expensed as incurred. Advertising and promotional expense for the years ended December 31, 2020 and 2019 amounted to approximately \$3,715,000 and \$3,000, respectively, which is included in sales and marketing expense.

### ***Research and Development Costs***

Costs incurred in the research and development of the Company's products are expensed as incurred.

### ***Concentrations***

During the year ended December 31, 2020, two customers accounted for 75% and 17% of the Company's revenues, respectively. As of December 31, 2020, two customers accounted for 52% and 48% of the Company's accounts receivable. During the year ended December 31, 2019, two related party customers accounted for 87% and 13% of the Company's revenues, respectively. As of December 31, 2019, two related party customers accounted for 90% and 10% of the Company's accounts receivable.

The Company is dependent on third-party vendors to supply inventory and products for research and development activities and parts for building products. In particular, the Company relies and expects to continue to rely on a small number of vendors. The loss of one of these vendors may have a negative short-term impact on the Company's operations; however, the Company believes there are acceptable substitute vendors that can be utilized longer-term.

### ***Convertible Instruments***

U.S. GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. An exception to this rule is when the host instrument is deemed to be conventional as that term is described under applicable U.S. GAAP.

When the Company has determined that the embedded conversion options should not be bifurcated from their host instruments, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption. The Company also records, when necessary, deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the transaction and the effective conversion price embedded in the preferred shares.

### ***Accounting for Preferred Stock***

ASC 480, *Distinguishing Liabilities from Equity*, includes standards for how an issuer of equity (including equity shares issued by consolidated entities) classifies and measures on its balance sheet certain financial instruments with characteristics of both liabilities and equity.

**MISO ROBOTICS, INC.****NOTES TO FINANCIAL STATEMENTS**

Management is required to determine the presentation for the preferred stock as a result of the redemption and conversion provisions, among other provisions in the agreement. Specifically, management is required to determine whether the embedded conversion feature in the preferred stock is clearly and closely related to the host instrument, and whether the bifurcation of the conversion feature is required and whether the conversion feature should be accounted for as a derivative instrument. If the host instrument and conversion feature are determined to be clearly and closely related (both more akin to equity), derivative liability accounting under ASC 815, *Derivatives and Hedging*, is not required. Management determined that the host contract of the preferred stock is more akin to equity, and accordingly, liability accounting is not required by the Company. The Company has presented preferred stock within stockholders' equity.

Costs incurred directly for the issuance of the preferred stock are recorded as a reduction of gross proceeds received by the Company, resulting in a discount to the preferred stock. The discount is not amortized.

***Deferred Offering Costs***

The Company complies with the requirements of FASB ASC 340-10-S99-1 with regards to offering costs. Prior to the completion of an offering, offering costs are capitalized. The deferred offering costs are charged to additional paid-in capital or as a discount to debt, as applicable, upon the completion of an offering or to expense if the offering is not completed. As of December 31, 2019, the Company had \$129,791 in deferred offering costs, which were charged to additional paid-in capital in 2020 upon the completion of the Regulation A+ offering (note 7).

***Stock-Based Compensation***

The Company measures all stock-based awards granted to employees and directors based on the fair value on the date of the grant and recognizes compensation expense for those awards, net of estimated forfeitures, over the requisite service period, which is generally the vesting period of the respective award. The Company issues stock-based awards with only service-based vesting conditions and records the expense for these awards using the straight-line method. The Company has not issued any stock-based awards with performance-based vesting conditions.

For stock-based awards granted to non-employee consultants, compensation expense is recognized over the period during which services are rendered by such non-employee consultants until completed.

The Company classifies stock-based compensation expense in its statement of operations in the same manner in which the award recipient's payroll costs are classified or in which the award recipient's service payments are classified.

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The Company historically has been a private company and lacks company-specific historical and implied volatility information for its stock. Therefore, it estimates its expected stock price volatility based on the historical volatility of publicly traded peer companies and expects to continue to do so until such time as it has adequate historical data regarding the volatility of its own traded stock price. The expected term of the Company's stock options has been determined utilizing the "simplified" method for awards that qualify as "plain-vanilla" options. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is based on the fact that the Company has never paid cash dividends on common stock and does not expect to pay any cash dividends in the foreseeable future. Determining the appropriate fair value of stock-based awards requires the input of subjective assumptions. The assumptions used in calculating the fair value of stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment. As a result, if factors

change and management uses different assumptions, stock-based compensation expense could be materially different for future awards.

### ***Income Taxes***

The Company uses the liability method of accounting for income taxes as set forth in ASC 740, *Income Taxes*. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is unlikely that the deferred tax assets will not be realized. We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. In accordance with ASC 740-10, for those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, our policy will be to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the financial statements.

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## **MISO ROBOTICS, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

#### ***Net Loss per Share***

Net earnings or loss per share is computed by dividing net income or loss by the weighted-average number of common shares outstanding during the period, excluding shares subject to redemption or forfeiture. The Company presents basic and diluted net earnings or loss per share. Diluted net earnings or loss per share reflect the actual weighted average of common shares issued and outstanding during the period, adjusted for potentially dilutive securities outstanding. Potentially dilutive securities are excluded from the computation of the diluted net loss per share if their inclusion would be anti-dilutive. As all potentially dilutive securities are anti-dilutive as of December 31, 2020 and 2019, diluted net loss per share is the same as basic net loss per share for each year. Potentially dilutive items outstanding as of December 31, 2020 and 2019 are as follows:

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Series A Preferred Stock (convertible to common stock)	769,784	769,784
Series B Preferred Stock (convertible to common stock)	997,616	997,616
Series C Preferred Stock (convertible to common stock)	979,868	-
Venture debt*	288,715	350,959
Common stock warrants	367,739	273,919
Options to purchase common stock	678,673	419,570
Total potentially dilutive shares	<u>4,082,395</u>	<u>2,811,847</u>

\*The outstanding notes are convertible into either shares of common or preferred stock. The convertible notes' potential shares were calculated based on principal and accrued interest and the 20% discount per the note agreements. The Company utilized the Series C Preferred price.

#### ***Recently Adopted Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. The ASU is effective for annual and interim periods beginning after

December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and has issued subsequent amendments to this guidance. This new standard will replace all current guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for interim and annual periods beginning after December 31, 2018. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company has adopted this standard effective January 1, 2019.

Management does not believe that any other recently issued, but not yet effective, accounting standards could have a material effect on the accompanying financial statements. As new accounting pronouncements are issued, the Company will adopt those that are applicable under the circumstances.

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## MISO ROBOTICS, INC.

### NOTES TO FINANCIAL STATEMENTS

#### 4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Computer equipment and software	\$ 137,914	\$ 120,842
Kitchen and lab equipment	120,533	120,533
Furniture and fixtures	34,962	34,962
Leasehold improvements	184,536	139,918
	<u>477,945</u>	<u>416,255</u>
Less: Accumulated depreciation	(272,785)	(170,585)
	<u>\$ 205,160</u>	<u>\$ 245,670</u>

Depreciation and amortization expense of \$102,201 and \$97,429 for the years ended December 31, 2020 and 2019, respectively, were included in general and administrative expenses in the statements of operations.

#### 5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Accrued personnel costs	\$ 129,497	\$ 98,027
Accrued legal and professional fees	166,687	1,000
Accrued interest payable	328,830	70,141
Other	-	3,600
	<u>\$ 625,014</u>	<u>\$ 172,769</u>

#### 6. DEBT

### *Venture Debt*

In September 2019, the Company issued six senior secured promissory notes (the “2019 Notes”) for an aggregate principal amount of \$2,744,667. In 2020, the Company received an additional \$889,982 (the “2020 Notes”, collectively with the 2019 Notes, the “Notes”) in proceeds from three additional notes with the same terms. Upon a vote of the majority in principal amount, the Notes are subject to automatic conversion upon an equity financing of common or preferred stock of proceeds of \$2,000,000. Upon the future equity financing, the outstanding principal and any unpaid accrued interest shall automatically convert at a conversion price of 80% of the lowest price per share of the equity securities sold in the future equity financing. The noteholders may elect to convert the principal and any unpaid accrued interest at any time into the type of equity securities issued in the Company’s most recently completed equity financing of proceeds of \$2,000,000. The noteholders may convert the principal and unpaid accrued interest at a conversion price of 80% of the price per share of the equity securities sold in the completed equity financing. Prepayments are allowed, subject to various provisions, including an initial minimum payment amount of \$500,000 and additional increments of \$100,000. Upon the occurrence of an event of default, the Notes shall accrue interest at 13% per annum. The Notes are senior to all other debts and obligations of the Company, is collateralized by all assets of the Company. In conjunction with the Notes, the Company incurred fees of \$6,703, which were recorded as a discount to the Notes and are amortized under the effective interest method to interest expense over the life of the Notes. During the years ended December 31, 2020 and 2019, \$3,219 and \$737 was amortized to interest expense, respectively.

The Notes have a 2-year term maturing on September 30, 2021. The notes bear interest at 10% per annum and incurred interest expense of \$258,689 and \$70,141 in 2020 and 2019, respectively, all of which was accrued and unpaid as of December 31, 2020.

The Company recognized a beneficial conversion feature with respect to the voluntary conversion rights of the noteholders. The beneficial conversion feature was initially valued at a fair value of \$697,749 for the 2019 Notes and \$346,463 for the 2020 Notes, and is recorded as a discount to the note payable balance that is being amortized under the effective interest method over the life of the notes.

In connection with the Notes, the Company also granted to the holders warrants to purchase common stock equal to the principal amount of the Notes divided by the warrant exercise price. As of December 31, 2020 and 2019, warrants for an aggregate of 362,739 and 273,919 shares of common stock, respectively, were issued to the noteholders with an exercise price of \$10.02 per share, expiring after 10 years. As discussed in Note 8, these warrants were valued at \$11,582 for the 2019 Notes and \$123,968 for the 2020 Notes, and is recorded as a discount to the note payable balance that are being amortized under the effective interest method over the life of the notes.

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## **MISO ROBOTICS, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

During the years ended December 31, 2020 and 2019, \$434,173 and \$77,392 of the debt discount was amortized to interest expense, respectively.

The following is a summary of the Notes as of December 31, 2020 and 2019:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Outstanding principal	\$ 3,634,648	\$ 2,744,667
Less: unamortized discounts	(670,943)	(637,904)
Venture debt, net of discount	<u>\$ 2,963,705</u>	<u>\$ 2,106,763</u>

### ***PPP Loan***

In April 2020, the Company entered into a loan with a lender in an aggregate principal amount of \$450,000 pursuant to the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The PPP Loan is evidenced by a promissory note (“PPP Loan”). Subject to the terms of the Note, the PPP Loan bears interest at a fixed rate of one percent (1%) per annum, with the first six months of interest deferred, has an initial term of two years, and is unsecured and guaranteed by the Small Business Administration. The Company may apply to the Lender for forgiveness of the PPP Loan, with the amount which may be forgiven equal to the sum of payroll costs, covered rent, and covered utility payments incurred by the Company during the applicable forgiveness period, calculated in accordance with the terms of the CARES Act. The Note provides for customary events of default including, among other things, cross-defaults on any other loan with the lender. The PPP Loan may be accelerated upon the occurrence of an event of default. The loan proceeds were used for payroll and other covered payments and is expected to be forgiven based on current information available; however, formal forgiveness has not yet occurred as of the date of these financial statements.

## **7. STOCKHOLDERS’ EQUITY (DEFICIT)**

### ***Convertible Preferred Stock***

The Company has issued Series A, Series B and Series C convertible preferred stock (collectively referred to as “Preferred Stock”). As of December 31, 2020, the Company’s certificate of incorporation, as amended and restated, authorized the Company to issue a total of 3,515,652 shares of Preferred Stock, of which 769,784 shares were designated as Series A preferred stock, 997,616 shares were designated as Series B preferred stock and 1,748,252 shares were designated as Series C preferred stock. The Preferred Stock have a par value of \$0.0001 per share.

In 2020, the Company executed a Regulation A+ offering and issued 972,487 shares of Series C preferred stock at a price of \$17.16 per share (“Series C Original Issue Price”) for gross proceeds of \$16,687,877, including a subscription receivable of \$7,469,164 as of December 31, 2020.

In 2020, the Company issued 7,381 shares of Series C preferred stock for services performed. The fair value of \$126,666 was included as sales and marketing expenses in the statements of operations.

As of both December 31, 2020 and 2019, 769,784 shares of Series A preferred stock were issued and outstanding. As of both December 31, 2020 and 2019, 997,616 shares of Series B preferred stock were issued and outstanding. As of December 31, 2020, 979,868 shares of Series C preferred stock were issued and outstanding.

The holders of the Preferred Stock have the following rights and preferences:

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## **MISO ROBOTICS, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

#### ***Voting***

The holders of Preferred Stock are entitled to vote, together with the holders of common stock as a single class, on all matters submitted to stockholders for a vote and have the right to vote the number of shares equal to the number of shares of common stock into which each share of Preferred Stock could convert on the record date for determination of stockholders entitled to vote.

The holders of Series B preferred stock, voting exclusively and as a separate class, are entitled to elect one director of the Company. The holders of Series A preferred stock, voting exclusively and as a separate class, are entitled to elect one director of the Company.

### *Dividends*

The Company shall not declare, pay or set aside any dividends on shares of other classes of capital stock unless the holders of Preferred Stock then outstanding shall first receive, or simultaneously receive, on a pari passu basis, a dividend on each outstanding share of Preferred Stock.

### *Liquidation*

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company or deemed liquidation event, the Series C and Series B stockholders shall be entitled to a liquidation preference equal to the greater of (i) the Original Issue Price, plus any dividends declared but unpaid, or (ii) such amount per share as would have been payable had all shares of preferred stock been converted into common stock. Upon this completion, the Series A stockholders will then be entitled to a liquidation preference in the same manner. After the payment of all preferential amounts to preferred stockholders, the remaining assets available for distribution shall be distributed among common stockholders on a pro-rata basis. The liquidation preference per share for Series A, Series B, and Series C preferred stock are \$4.1108, \$10.0744, and \$17.16, respectively.

The total liquidation preferences as of December 31, 2020 and 2019 amounted to \$30,029,051 and \$13,164,433, respectively.

### *Conversion*

Each share of Preferred Stock is convertible into common stock, at the option of the holder, at any time after the date of issuance. In addition, each share of Preferred Stock will be automatically converted into shares of common stock at the applicable conversion ratio then in effect (i) upon the closing of a firm-commitment public offering resulting in at least \$30,000,000 of gross proceeds to the Company at a price of at least \$68.64 per share of common stock, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization, or (ii) upon the written consent of the holders of a majority of the then-outstanding shares of Preferred Stock, voting together as a single class.

The conversion ratio of each series of Preferred Stock is determined by dividing the Original Issue Price of each series by the Conversion Price of each series. The Conversion Price per share is \$4.1108 for Series A preferred stock, \$10.0744 for Series B preferred stock and \$17.16 for Series C preferred stock, each subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization. Accordingly, as of December 31, 2020 and 2019, each share of each series of Preferred Stock was convertible into shares of common stock on a one-for-one basis.

### ***Common Stock***

The Company authorized 7,000,000 and 6,000,000 shares of common stock at \$0.0001 par value as of December 31, 2020 and 2019, respectively. As of both December 31, 2020 and 2019, there were 1,732,085 shares of common stock issued and outstanding.

Common stockholders have voting rights of one vote per share and are entitled to elect one director of the Company. The voting, dividend, and liquidation rights of the holders of common stock are subject to and qualified by the rights, powers, and preferences of preferred stockholders.

During the year ended December 31, 2019, the Company issued 200,000 shares of common stock to a related party for services performed. The fair value of \$82,000, or \$0.41 per share, is included in general and administrative expenses in the statements of operations.

During the year ended December 31, 2019, the Company issued 2,130 shares of common stock pursuant to exercises of stock options for proceeds of \$10,265.

## 8. STOCK-BASED PAYMENTS

### *Common Stock Warrants*

In connection with the Notes (see Note 6), the Company granted to the holders warrants to purchase common stock equal to the principal amount of the Notes divided by the warrant exercise price. As of December 31, 2020 and 2019, warrants for an aggregate of 362,739 and 273,919 shares of common stock were issued to the noteholders with an exercise price of \$10.02 per share, expiring after 10 years. The fair value of the warrants was calculated under the Black-Scholes method, which was recorded as a discount to the Notes and is being recognized under the effective interest method over the life of the Notes.

In September 2020, the Company granted 5,000 warrants to purchase common stock for services. The fair value of \$14,150 was included in general and administrative expenses in the statements of operations.

The following table presents, on a weighted average basis, the assumptions used in the Black-Scholes option-pricing model to determine the grant-date fair value of warrants granted:

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Risk-free interest rate	0.14%- 0.47%	1.55%
Expected term (in years)	4.95	5.00
Expected volatility	72.70%	80.00%
Expected dividend yield	0%	0%

### *Super Volcano, Inc. 2016 Stock Plan*

The Company has adopted the Super Volcano, Inc. 2016 Stock Plan (“2016 Plan”), as amended and restated, which provides for the grant of shares of stock options and restricted stock awards to employees, non-employee directors, and non-employee consultants. The number of shares authorized by the 2016 Plan was 466,406 shares as of both December 31, 2020 and 2019. The option exercise price generally may not be less than the underlying stock’s fair market value at the date of the grant and generally have a term of ten years. The amounts granted each calendar year to an employee or non-employee is limited depending on the type of award. Stock options comprise all of the awards granted since the 2016 Plan’s inception. As of both December 31, 2020 and 2019, there were 151,000 shares available for grant under the 2016 Plan. Stock options granted under the 2016 Plan typically vest over a four-year period.

### *Miso Robotics, Inc. 2017 Stock Plan*

The Company has adopted the Miso Robotics, Inc. 2017 Stock Plan (“2017 Plan”), as amended and restated, which provides for the grant of shares of stock options and restricted stock awards to employees, non-employee directors, and non-employee consultants. The number of shares authorized by the 2017 Plan was 735,848 shares as of both December 31, 2020 and 2019. The option exercise price generally may not be less than the underlying stock’s fair market value at the date of the grant and generally have a term of ten years. The amounts granted each calendar year to an employee or non-employee is limited depending on the type of award. Stock options and restricted common stock comprise all of the awards granted since the 2017 Plan’s inception. As of 2020 and 2019, there were 61,306 and 320,409 shares available for grant under the 2017 Plan. Stock options granted under the 2017 Plan typically vest over a four-year period.

**MISO ROBOTICS, INC.**
**NOTES TO FINANCIAL STATEMENTS**

A summary of information related to stock options for the years ended December 31, 2020 and 2019 is as follows:

	<b>Options</b>	<b>Weighted Average Exercise Price</b>	<b>Intrinsic Value</b>
Outstanding as of December 31, 2018	801,668	\$ 4.81	\$ 2,790,432
Granted	3,990	10.02	
Exercised	(2,130)	4.82	
Forfeited	(383,958)	4.27	
Outstanding as of December 31, 2019	419,570	\$ 5.35	\$ -
Granted	271,041	5.92	
Exercised	-	-	
Forfeited	(11,938)	10.02	
Outstanding as of December 31, 2020	678,673	\$ 5.54	\$ 659,781
Exercisable as of December 31, 2019	242,303	\$ 4.49	
Exercisable as of December 31, 2020	371,626	\$ 3.92	

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Weighted average grant-date fair value of options granted during year	\$ 3.35	\$ 3.18
Weighted average duration (years) to expiration of outstanding options at year-end	7.82	7.70

The following table presents, on a weighted average basis, the assumptions used in the Black-Scholes option-pricing model to determine the grant-date fair value of stock options granted to employees and directors:

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Risk-free interest rate	0.37%- 1.44%	2.58%
Expected term (in years)	6.08	5.52
Expected volatility	66.90%	44.43%
Expected dividend yield	0%	0%

The total grant-date fair value of the options granted during the years ended December 31, 2020 and 2019 was \$907,828 and \$12,688, respectively. Stock-based compensation expense for stock options of \$305,352 and \$300,959 was recognized under FASB ASC 718 for the years ended December 31, 2020 and 2019, respectively. Total unrecognized compensation cost related to non-vested stock option awards amounted to \$955,768 and \$393,230 as of December 31, 2020 and 2019, respectively, and will be recognized over a weighted average period of 22 months as of December 31, 2020.

***Restricted Common Stock***

During the year ended December 31, 2019, the Company granted 265,000 restricted shares of common stock under the 2017 Plan with a grant-date fair value of \$0.41 per share. As of December 31, 2020 and 2019, there were 309,145 shares outstanding, and 266,117 and 46,157 shares were vested, respectively. In 2019, 7,855 restricted shares

were forfeited. The Company recorded stock-based compensation expense of \$136,373 and \$59,700 in the statements of operations for the years ended December 31, 2020 and 2019, respectively. Total unrecognized compensation cost related to non-vested restricted common stock amounted to \$32,466 and \$213,920 as of December 31, 2020 and 2019, respectively, which is expected to be recognized over 1.5 years.

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**MISO ROBOTICS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

*Classification*

Stock-based compensation expense was classified in the statements of operations as follows:

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Research and development expenses	\$ 76,279	\$ 61,855
General and administrative expenses	379,596	298,804
	<u>\$ 455,875</u>	<u>\$ 360,659</u>

**9. INCOME TAXES**

Deferred taxes are recognized for temporary differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to depreciable assets using accelerated depreciation methods for income tax purposes, stock-based compensation expense, research and development and net operating loss carryforwards. As of December 31, 2020 and 2019, the Company had net deferred tax assets before valuation allowance of \$7,037,417 and \$4,173,707, respectively. The following table presents the deferred tax assets and liabilities by source:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Deferred tax assets:		
Net operating loss carryforwards	\$ 6,488,551	\$ 3,998,973
Stock-based compensation	16,017	7,249
Research and development tax credit carryforwards	342,485	69,036
Depreciation timing difference	98,449	98,449
Accrued interest	91,915	-
Valuation allowance	<u>(7,037,417)</u>	<u>(4,173,707)</u>
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

The Company recognizes deferred tax assets to the extent that it believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. The Company assessed the need for a valuation allowance against its net deferred tax assets and determined a full valuation allowance is required due to taxable losses for the years ended December 31, 2020 and 2019, cumulative losses through December 31, 2019, and no history of generating taxable income. Therefore, valuation allowances of \$7,037,417 and \$4,173,707 were recorded as of December 31, 2020 and 2019, respectively. Valuation allowance increased by \$2,863,710 and \$1,808,968 during the years ended December 31, 2020 and 2019, respectively. Deferred tax assets were calculated using the Company's combined effective tax rate, which it estimated to be 28.0%. The effective rate is reduced to 0% for 2020 and 2019 due to the full valuation allowance on its net deferred tax assets.

The Company's ability to utilize net operating loss carryforwards will depend on its ability to generate adequate future taxable income. At December 31, 2020 and 2019, the Company had net operating loss carryforwards available to offset future taxable income in the amounts of \$23,213,191 and \$14,306,571, respectively.

The Company has evaluated its income tax positions and has determined that it does not have any uncertain tax positions. The Company will recognize interest and penalties related to any uncertain tax positions through its income tax expense.

The Company may in the future become subject to federal, state and local income taxation though it has not been since its inception, other than minimum state tax. The Company is not presently subject to any income tax audit in any taxing jurisdiction, though its 2018-2020 tax years remain open to examination.

## **10. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2019, the Company recognized \$86,154 in revenue with an entity owned by an investor in the Company pursuant to a hardware and software agreement.

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## **MISO ROBOTICS, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

In September 2019, the Company issued a promissory note to an entity with common management for a principal amount of \$782,167. In conjunction with the note, the Company granted warrants to purchase 78,061 shares of common stock to the entity (see Note 6). In 2020, the Company issued additional notes to this entity for proceeds of \$889,982 and grants warrants to purchase 88,821 shares of common stock.

As of December 31, 2020, the Company had accounts payable of \$128,716 to an entity with common management.

During the year ended December 31, 2019, the Company issued 200,000 shares to an entity with common management for services performed. The fair value of \$82,000 is included in general and administrative expenses in the statements of operations.

## **11. COMMITMENTS AND CONTINGENCIES**

### ***Lease Agreements***

In August 2017, the Company entered into an operating lease to sublease office space. The lease term commenced on December 1, 2017 and expires on May 31, 2023. The lease agreement requires base rent payments of \$9,000 per month through May 31, 2019 with annual escalations of approximately 3%. The lease required a security deposit of \$150,000.

In May 2018, the Company entered into an operating lease for office and lab space. The lease term commenced on June 1, 2018 and expired on May 31, 2020. The lease agreement required monthly base rent payments of \$15,075 through May 31, 2019 and \$15,527 for the year thereafter, plus operating costs estimated at \$950 per month. The lease required a security deposit of \$31,055 and advance rent payment of \$46,581, which were returned in 2020.

In June 2018, the Company entered into an operating lease to lease kitchen facilities. The lease term commenced on June 1, 2018 and expired on May 31, 2020, and was renewed for an additional two-year term to May 31, 2022. The lease agreement required monthly base rent payments of \$4,000 through May 31, 2019 and \$4,120 for the year thereafter, plus operating costs of \$500 per month.

Rent expense for the years ended December 31, 2020 and 2019 was \$256,424 and \$387,839, respectively.

Future minimum lease commitments under operating and capital leases as of December 31, 2020 are as follows:

<b>Year Ending December 31,</b>	
2021	168,397
2022	141,934
2023	50,648
Total	<u>\$ 360,979</u>

### *Contingencies*

The Company may be subject to pending legal proceedings and regulatory actions in the ordinary course of business. The results of such proceedings cannot be predicted with certainty, but the Company does not anticipate that the final outcome, if any, arising out of any such matters will have a material adverse effect on its business, financial condition or results of operations.

## **12. SUBSEQUENT EVENTS**

In April 2021, the Company converted principal of \$2,422,148 and accrued interest of \$272,709 of venture debt to Series C Preferred Stock at a per share price of \$13.728, a 20% discount to the offering per share price of \$17.16, into 196,300 shares of Series C Preferred Stock. In March 2021, the Company repaid \$1,222,465, comprised of principal of \$1,062,500 and accrued interest of \$159,965, of venture debt to Rise of Miso, LLC.

Through the issuance date, the Company has received approximately \$11,490,978 in proceeds from the issuance of Series C preferred stock, including the subscription receivable at December 31, 2020.

Management has evaluated subsequent events through May 6, 2021, the date the financial statements were available to be issued. Based on this evaluation, no additional material events were identified which require adjustment or disclosure in these financial statements.

**MISO ROBOTICS, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**MISO ROBOTICS, INC.**  
**BALANCE SHEETS**

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	<u>(unaudited)</u>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 6,885,371	\$ 1,767,841
Accounts receivable, net	-	95,285
Inventory	666,366	418,032
Prepaid expenses and other current assets	95,063	86,054
Total current assets	<u>7,646,800</u>	<u>2,367,212</u>
Property and equipment, net	202,441	205,160
Deposits	150,000	150,000
Total assets	<u>\$ 7,999,241</u>	<u>\$ 2,722,372</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable	\$ 802,551	\$ 86,330
Accounts payable, related party	31,184	128,716
Accrued expenses and other current liabilities	149,976	625,014
Deferred rent	11,464	12,720
Loan payable, current portion	450,000	297,649
Venture debt, net of discount	-	2,963,705
Total current liabilities	<u>1,445,175</u>	<u>4,114,134</u>
Loan payable, net of current portion	-	152,351
Total liabilities	<u>1,445,175</u>	<u>4,266,485</u>
Commitments and contingencies (Note 10)		
Stockholders' equity (deficit):		
Series D convertible preferred stock, \$0.0001 par value, 706,464 shares authorized, 1,573 and 0 shares issued and outstanding as of June 30, 2021 and December 31, 2020; liquidation preference of \$89,063 and \$0 as of June 30, 2021 and December 31, 2020, respectively	-	-
Series C convertible preferred stock, \$0.0001 par value, 1,748,252 shares authorized, 1,518,231 and 979,868 shares issued and outstanding as of June 30, 2021 and December 31, 2020; liquidation preference of \$26,052,844 and \$16,814,535 as of June 30, 2021 and December 31, 2020, respectively	152	98

Series B convertible preferred stock, \$0.0001 par value, 997,616 shares authorized, issued and outstanding as of June 30, 2021 and December 31, 2020; liquidation preference of \$10,050,083 as of both June 30, 2021 and December 31, 2020	100	100
Series A convertible preferred stock, \$0.0001 par value, 769,784 shares authorized, issued and outstanding as of June 30, 2021 and December 31, 2020; liquidation preference of \$3,164,433 as of both June 30, 2021 and December 31, 2020	77	77
Common stock, \$0.0001 par value, 7,000,000 shares authorized as of June 30, 2021 and December 31, 2020, respectively; 1,732,085 shares issued and outstanding as of both June 30, 2021 and December 31, 2020,	173	173
Additional paid-in capital	39,160,022	32,265,835
Subscription receivable	-	(7,469,164)
Accumulated deficit	(32,606,458)	(26,341,232)
Total stockholders' equity (deficit)	<u>6,554,066</u>	<u>(1,544,113)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 7,999,241</u>	<u>\$ 2,722,372</u>

See accompany notes, which are an integral part of these financial statements.

**MISO ROBOTICS, INC.  
STATEMENTS OF OPERATIONS**

	<b>Six Months Ended June 30,</b>	
	<u>2021</u>	<u>2020</u>
	<b>(unaudited)</b>	
Net revenue	\$ -	\$ 75,500
Cost of net revenue	-	55,104
Gross profit (loss)	-	20,396
Operating expenses:		
Research and development	3,227,898	1,199,480
Sales and marketing	331,850	743,981
General and administrative	2,356,019	1,223,245
Total operating expenses	<u>5,915,767</u>	<u>3,166,706</u>
Loss from operations	(5,915,767)	(3,146,310)
Other income (expense):		
Interest expense	(349,459)	(310,128)
Interest income	-	198
Other income	-	35,000
Total other income (expense), net	<u>(349,459)</u>	<u>(274,930)</u>
Provision for income taxes	-	-
Net loss	<u>\$ (6,265,226)</u>	<u>\$ (3,421,240)</u>
Weighted average common shares outstanding - basic and diluted	1,689,057	1,732,085
Net loss per common share - basic and diluted	<u>\$ (3.71)</u>	<u>\$ (1.98)</u>

See accompany notes, which are an integral part of these financial statements.

**MISO ROBOTICS, INC.**  
**STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)**

	Series D Convertible		Series C Convertible		Series B Convertible		Series A Convertible		Common Stock		Addition al Paid-in Capital	Subscrip tion Receivable	Accumulate d Deficit	Total Stockholder s' Equity (Deficit)
	Preferred Stock		Preferred Stock		Preferred Stock		Preferred Stock		Preferred Stock					
	Share s	Amoun t	Shares	Amou nt	Shares	Amou nt	Shares	Amou nt	Shares	Amou nt				
<b>Balances at December 31, 2019</b>	-	\$ -	-	\$ -	997,616	\$ 100	769,784	\$ 77	1,732,085	\$ 173	16,206,138	\$ -	(15,656,440)	\$ 550,048
Issuance of Series C preferred stock, net	-	-	103,811	10	-	-	-	-	-	-	1,316,285	-	-	1,316,295
Issuance of debt discount	-	-	-	-	-	-	-	-	-	-	144,842	-	-	144,842
Stock-based compensation expense	-	-	-	-	-	-	-	-	-	-	32,305	-	-	32,305
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	(3,421,240)	(3,421,240)
<b>Balances at June 30, 2020 (unaudite d)</b>	-	\$ -	103,811	\$ 10	997,616	\$ 100	769,784	\$ 77	1,732,085	\$ 173	17,699,569	\$ -	(19,077,680)	(1,377,750)
<b>Balances at December 31, 2020</b>	-	\$ -	979,868	\$ 98	997,616	\$ 100	769,784	\$ 77	1,732,085	\$ 173	32,265,835	(7,469,164)	(26,341,232)	(1,544,113)
Issuance of Series C preferred stock	-	-	342,063	34	-	-	-	-	-	-	5,869,801	7,469,164	-	13,338,999
Conversion of venture debt into preferred stock	-	-	196,300	20	-	-	-	-	-	-	2,247,687	-	-	2,247,706
Issuance of Series D preferred stock	1,573	-	-	-	-	-	-	-	-	-	89,063	-	-	89,063
Stock-based compensation expense	-	-	-	-	-	-	-	-	-	-	278,907	-	-	278,907
Offering costs	-	-	-	-	-	-	-	-	-	-	(1,591,271)	-	-	(1,591,271)
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	(6,265,226)	(6,265,226)
<b>Balances at June 30, 2021 (unaudite d)</b>	1,573	\$ -	1,518,231	\$ 152	997,616	\$ 100	769,784	\$ 77	1,732,085	\$ 173	39,160,022	\$ -	(32,606,458)	6,554,066

See accompanying notes, which are an integral part of these financial statements.

**MISO ROBOTICS, INC.**  
**STATEMENTS OF CASH FLOWS**

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>(unaudited)</b>	
<b>Cash flows from operating activities:</b>		
Net loss	\$ (6,265,226)	\$ (3,421,240)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	278,907	144,842
Amortization of debt discount	263,302	170,111
Depreciation and amortization expense	53,560	50,405
Changes in operating assets and liabilities:		
Accounts receivable	95,285	(80,500)
Inventory	(248,334)	-
Prepaid expenses and other current assets	(9,009)	33,884
Accounts payable	618,658	7,838
Accrued expenses and other current liabilities	(241,808)	165,219
Deferred revenue	-	92,500
Deferred rent	(1,256)	-
Net cash used in operating activities	(5,455,921)	(2,836,942)
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(50,841)	(13,500)
Deposits returned	-	46,581
Net cash provided by (used in) investing activities	(50,841)	33,081
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of preferred stock	13,428,062	1,446,086
Proceeds from issuance of venture debt, net of fees	-	125,000
Repayments of venture debt	(1,212,500)	-
Proceeds from loan payable	-	450,000
Offering costs	(1,591,271)	-
Net cash provided by financing activities	10,624,291	2,021,086
<b>Net decrease in cash and cash equivalents</b>	<b>5,117,530</b>	<b>(782,774)</b>
Cash and cash equivalents at beginning of period	1,767,841	2,021,777
Cash and cash equivalents at end of period	\$ 6,885,371	\$ 1,239,003
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ 172,577	\$ -
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Conversion of venture debt and accrued interest to preferred stock	\$ 2,520,415	\$ -
Warrants issued with venture debt	\$ -	\$ 527
Beneficial conversion feature on venture debt	\$ -	\$ 31,777
Deferred offering costs charged to additional paid-in capital	\$ -	\$ 129,791

See accompany notes, which are an integral part of these financial statements.

**MISO ROBOTICS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**1. NATURE OF OPERATIONS**

Miso Robotics, Inc. (the “Company”) was incorporated on June 20, 2016 as Super Volcano, Inc. under the laws of the State of Delaware. The Company changed its name to Miso Robotics, Inc. on October 3, 2016. The Company develops and manufactures artificial intelligence-driven robots that assist chefs to make food at restaurants. The Company is headquartered in Pasadena, California.

**2. GOING CONCERN**

The Company has evaluated whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt and the Company’s ability to continue as a going concern within one year after the date that the financial statements are issued.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has not generated profits since inception, has sustained net losses of \$6,265,226 and \$3,421,240 for the six months ended June 30, 2021 and 2020, respectively, and has incurred negative cash flows from operations for the six months ended June 30, 2021 and 2020. As of June 30, 2021, the Company had an accumulated deficit of \$32,606,458. These factors raise substantial doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern for the next twelve months is dependent upon its ability to generate sufficient cash flows from operations to meet its obligations, which it has not been able to accomplish to date, and/or to obtain additional capital financing. No assurance can be given that the Company will be successful in these efforts.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (“GAAP”). The Company’s fiscal year is December 31.

***Use of Estimates***

The preparation of the Company’s financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions reflected in these financial statements include, but are not limited to, the valuations of common stock and stock options. The Company bases its estimates on historical experience, known trends and other market-specific or other relevant factors that it believes to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates when there are changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results could differ from those estimates.

***Concentrations of Credit Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. The Company generally maintains balances in various operating accounts at financial institutions that management believes to be of high credit quality, in amounts that may exceed federally insured limits. The Company has not experienced any losses related to its cash and cash equivalents and does not believe that it is

subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships. At June 30, 2021 and December 31, 2020, all of the Company's cash and cash equivalents were held at one accredited financial institution. As of June 30, 2021 and December 31, 2020, the Company had cash of \$6,635,371 and \$1,517,841, respectively, in excess of federally insured limits.

### ***Cash and Cash Equivalents***

The Company considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents.

## **MISO ROBOTICS, INC. NOTES TO FINANCIAL STATEMENTS**

### ***Fair Value Measurements***

Certain assets and liabilities of the Company are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The carrying values of the Company's assets and liabilities approximate their fair values.

### ***Accounts Receivable***

Accounts receivable are derived from products and services delivered to customers and are stated at their net realizable value. Each month, the Company reviews its receivables on a customer-by-customer basis and evaluates whether an allowance for doubtful accounts is necessary based on any known or perceived collection issues. Any balances that are eventually deemed uncollectible are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of December 31, 2020, the Company had an allowance for doubtful accounts of \$63,491.

### ***Inventory***

Inventory is stated at the lower of cost or market and accounted for using the specific identification cost method. As of June 30, 2021 and December 31, 2020, inventory consisted of robotic raw materials purchased from the Company's suppliers. Management reviews its inventory for obsolescence and impairment as it is determined necessary.

### ***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization expense is recognized using the straight-line method over the estimated useful life of each asset, as follows:

	<b>Estimated Useful Life</b>
Computer equipment and software	2 - 3 years
Kitchen equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	Shorter of lease term or 5 years

Estimated useful lives are periodically assessed to determine if changes are appropriate. Maintenance and repairs are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost of these assets and related accumulated depreciation or amortization are eliminated from the balance sheet and any resulting gains or losses are included in the statement of operations loss in the period of disposal.

#### ***Impairment of Long-Lived Assets***

The Company continually monitors events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. When such events or changes in circumstances are present, the Company assesses the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. The Company did not record any impairment losses on long-lived assets during the six months ended June 30, 2021 and 2020.

## **MISO ROBOTICS, INC. NOTES TO FINANCIAL STATEMENTS**

#### ***Revenue Recognition***

The Company adopted ASU 2014-09, *Revenue from Contracts with Customers*, and its related amendments (collectively known as “ASC 606”), effective January 1, 2019 using the modified retrospective transition approach applied to all contracts. Therefore, the reported results for the six months ended June 30, 2021 and 2020 reflect the application of ASC 606. Management determined that there were no retroactive adjustments necessary to revenue recognition upon the adoption of the ASU 2014-09. The Company determines revenue recognition through the following steps:

- Identification of a contract with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the performance obligations are satisfied.

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. As a practical expedient, the Company does not adjust the transaction price for the effects of a significant financing

component if, at contract inception, the period between customer payment and the transfer of goods or services is expected to be one year or less.

The Company derives its revenue from hardware and software usage of its installed units as well as consulting services. Sales tax is collected on sales in California and these taxes are recorded as a liability until remitted.

#### *Hardware*

Each product sold to a customer typically represents a distinct performance obligation. The Company satisfies its performance obligation and revenue is recorded at the point in time when products are installed as the Company has determined that this is the point that control transfers to the customer. The Company invoices customers upon delivery of the products, and payments from such customers are due upon invoicing. Orders or set-up fees that have been paid but performance obligations have not been met are recorded to deferred revenue.

#### *Software*

Software as a service (SaaS) and usage fees are recognized as revenue as the performance obligation is satisfied over time. Revenue is recognized monthly over the life of the contract. Service fees that have been invoiced or paid but performance obligations have not been met are recorded to deferred revenue.

#### *Consulting*

Consulting services are recognized at the point in time when the performance obligation has been completed.

#### *Disaggregation of Revenue*

The following table presents the Company's revenue disaggregated by revenue source:

	<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>(unaudited)</b>	
Consulting and services	\$ -	\$ 72,500
Software and usage fees	-	3,000
	<u>\$ -</u>	<u>\$ 75,500</u>

#### *Significant Judgements*

The Company estimates warranty claims reserves based on historical results and research and determined that a warranty reserve was not necessary as of June 30, 2021 and December 31, 2020.

## **MISO ROBOTICS, INC. NOTES TO FINANCIAL STATEMENTS**

#### *Contract Balances*

The Company invoices customers based upon contractual billing schedules, and accounts receivable are recorded when the right to consideration becomes unconditional. Contract liabilities represent a set-up fee prepayment received from a customer in advance of performance obligations met.

As of June 30, 2021 and December 31, 2020, accounts receivable included \$0 and 45,285 in unbilled receivables, respectively.

### ***Cost of Sales***

Cost of sales consists primarily of inventory sold, parts used in building machines for sale, tooling and supplies, depreciation of certain equipment, allocations of facility costs, and allocations of personnel time in assembly, installation, and servicing.

### ***Advertising and Promotion***

Advertising and promotional costs are expensed as incurred. Advertising and promotional expense for the six months ended June 30, 2021 and 2020 amounted to approximately \$9,210,000 and \$571,000, respectively, which is included in sales and marketing expense.

### ***Research and Development Costs***

Costs incurred in the research and development of the Company's products are expensed as incurred.

### ***Concentrations***

During the six months ended June 30, 2020, approximately 70% of the revenues were derived from a single, non-recurring agreement.

As of December 31, 2020, two customers accounted for 52% and 48% of the Company's accounts receivable.

The Company is dependent on third-party vendors to supply inventory and products for research and development activities and parts for building products. In particular, the Company relies and expects to continue to rely on a small number of vendors. The loss of one of these vendors may have a negative short-term impact on the Company's operations; however, the Company believes there are acceptable substitute vendors that can be utilized longer-term.

### ***Convertible Instruments***

U.S. GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. An exception to this rule is when the host instrument is deemed to be conventional as that term is described under applicable U.S. GAAP.

When the Company has determined that the embedded conversion options should not be bifurcated from their host instruments, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption. The Company also records, when necessary, deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the transaction and the effective conversion price embedded in the preferred shares.

### ***Accounting for Preferred Stock***

ASC 480, *Distinguishing Liabilities from Equity*, includes standards for how an issuer of equity (including equity shares issued by consolidated entities) classifies and measures on its balance sheet certain financial instruments with characteristics of both liabilities and equity.

## **MISO ROBOTICS, INC. NOTES TO FINANCIAL STATEMENTS**

Management is required to determine the presentation for the preferred stock as a result of the redemption and conversion provisions, among other provisions in the agreement. Specifically, management is required to determine whether the embedded conversion feature in the preferred stock is clearly and closely related to the host instrument, and whether the bifurcation of the conversion feature is required and whether the conversion feature should be accounted for as a derivative instrument. If the host instrument and conversion feature are determined to be clearly and closely related (both more akin to equity), derivative liability accounting under ASC 815, *Derivatives and Hedging*, is not required. Management determined that the host contract of the preferred stock is more akin to equity, and accordingly, liability accounting is not required by the Company. The Company has presented preferred stock within stockholders' equity.

Costs incurred directly for the issuance of the preferred stock are recorded as a reduction of gross proceeds received by the Company, resulting in a discount to the preferred stock. The discount is not amortized.

### ***Deferred Offering Costs***

The Company complies with the requirements of FASB ASC 340-10-S99-1 with regards to offering costs. Prior to the completion of an offering, offering costs are capitalized. The deferred offering costs are charged to additional paid-in capital or as a discount to debt, as applicable, upon the completion of an offering or to expense if the offering is not completed.

### ***Stock-Based Compensation***

The Company measures all stock-based awards granted to employees and directors based on the fair value on the date of the grant and recognizes compensation expense for those awards, net of estimated forfeitures, over the requisite service period, which is generally the vesting period of the respective award. The Company issues stock-based awards with only service-based vesting conditions and records the expense for these awards using the straight-line method. The Company has not issued any stock-based awards with performance-based vesting conditions.

For stock-based awards granted to non-employee consultants, compensation expense is recognized over the period during which services are rendered by such non-employee consultants until completed. At the end of each financial reporting period prior to completion of the service, the fair value of these awards is remeasured using the then-current fair value of the Company's common stock and updated assumption inputs in the Black-Scholes option-pricing model.

The Company classifies stock-based compensation expense in its statement of operations in the same manner in which the award recipient's payroll costs are classified or in which the award recipient's service payments are classified.

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The Company historically has been a private company and lacks company-specific historical and implied volatility information for its stock. Therefore, it estimates its expected stock price volatility based on the historical volatility of publicly traded peer companies and expects to continue to do so until such time as it has adequate historical data regarding the volatility of its own traded stock price. The expected term of the Company's stock options has been determined utilizing the "simplified" method for awards that qualify as "plain-vanilla" options. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time

periods approximately equal to the expected term of the award. Expected dividend yield is based on the fact that the Company has never paid cash dividends on common stock and does not expect to pay any cash dividends in the foreseeable future. Determining the appropriate fair value of stock-based awards requires the input of subjective assumptions. The assumptions used in calculating the fair value of stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment. As a result, if factors change and management uses different assumptions, stock-based compensation expense could be materially different for future awards.

### *Income Taxes*

The Company uses the liability method of accounting for income taxes as set forth in ASC 740, *Income Taxes*. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is unlikely that the deferred tax assets will not be realized. We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. In accordance with ASC 740-10, for those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, our policy will be to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the financial statements.

## MISO ROBOTICS, INC. NOTES TO FINANCIAL STATEMENTS

### *Net Loss per Share*

Net earnings or loss per share is computed by dividing net income or loss by the weighted-average number of common shares outstanding during the period, excluding shares subject to redemption or forfeiture. The Company presents basic and diluted net earnings or loss per share. Diluted net earnings or loss per share reflect the actual weighted average of common shares issued and outstanding during the period, adjusted for potentially dilutive securities outstanding. Potentially dilutive securities are excluded from the computation of the diluted net loss per share if their inclusion would be anti-dilutive. As all potentially dilutive securities are anti-dilutive as of June 30, 2021 and 2020, diluted net loss per share is the same as basic net loss per share for each year. Potentially dilutive items outstanding as of June 30, 2021 and 2020 are as follows:

#### **Anti-Dilutive Effect**

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>(unaudited)</b>	
Series A Preferred Stock (convertible to common stock)	769,784	769,784
Series B Preferred Stock (convertible to common stock)	997,616	997,616
Series C Preferred Stock (convertible to common stock)	1,518,231	103,811
Series D Preferred Stock (convertible to common stock)	1,573	-
Venture debt*	-	196,300
Common stock warrants	367,739	273,919
Options to purchase common stock	884,945	419,570
Total potentially dilutive shares	4,539,888	2,761,000

\* Represents number of shares of Series C preferred stock that the venture debt, less what was repaid in cash, was converted into in 2021.

### ***Recently Adopted Accounting Pronouncements***

In August 2020, the FASB issued Accounting Standards Update (“ASU”) 2020-06, which simplifies the guidance on the issuer’s accounting for convertible debt instruments by removing the separation models for convertible debt with a cash conversion feature and convertible instruments with a beneficial conversion feature. As a result, entities will not separately present in equity an embedded conversion feature in such debt and will account for a convertible debt instrument wholly as debt, unless certain other conditions are met. The elimination of these models will reduce reported interest expense and increase reported net income for entities that have issued a convertible instrument that is within the scope of ASU 2020-06. ASU 2020-06 is applicable for fiscal years beginning after December 15, 2021, with early adoption permitted no earlier than fiscal years beginning after December 15, 2020. The Company has elected to early adopt this ASU and the adoption of this ASU did not have a material impact on the Company’s consolidated financial statements and related disclosures.

In February 2016, the Financial Accounting Standards Board (“FASB”) issued AU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. The ASU is effective for annual and interim periods beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and has issued subsequent amendments to this guidance. This new standard will replace all current guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for interim and annual periods beginning after December 31, 2018. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company has adopted this standard effective January 1, 2019.

## **MISO ROBOTICS, INC. NOTES TO FINANCIAL STATEMENTS**

Management does not believe that any other recently issued, but not yet effective, accounting standards could have a material effect on the accompanying financial statements. As new accounting pronouncements are issued, the Company will adopt those that are applicable under the circumstances.

### **4. PROPERTY AND EQUIPMENT, NET**

Property and equipment, net consists of the following:

#### **Property and Equipment, Net**

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	<b>(unaudited)</b>	
Computer equipment and software	\$ 181,978	\$ 137,914
Kitchen and lab equipment	120,533	120,533
Furniture and fixtures	41,740	34,962
Leasehold improvements	184,536	184,536
	<u>528,787</u>	<u>477,945</u>
Less: Accumulated depreciation	(326,346)	(272,785)
	<u>\$ 202,441</u>	<u>\$ 205,160</u>

Depreciation and amortization expense of \$53,560 and \$50,405 for the six months ended June 30, 2021 and 2020, respectively, were included in general and administrative expenses in the statements of operations.

## 5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

### Accrued Expense

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
	<u>(unaudited)</u>	
Accrued personnel costs	\$ 127,376	\$ 129,497
Accrued legal and professional fees	22,600	166,687
Accrued interest payable	-	328,830
	<u>\$ 149,976</u>	<u>\$ 625,014</u>

## 6. DEBT

### *Venture Debt*

In September 2019, the Company issued six senior secured promissory notes (the “2019 Notes”) for an aggregate principal amount of \$2,744,667. In 2020, the Company received an additional \$889,982 (collectively the “Notes”) in proceeds from three additional notes with the same terms. Upon a vote of the majority in principal amount, the Notes are subject to automatic conversion upon an equity financing of common or preferred stock of proceeds of \$2,000,000. Upon the future equity financing, the outstanding principal and any unpaid accrued interest shall automatically convert at a conversion price of 80% of the lowest price per share of the equity securities sold in the future equity financing. The noteholders may elect to convert the principal and any unpaid accrued interest at any time into the type of equity securities issued in the Company’s most recently completed equity financing of proceeds of \$2,000,000. The noteholders may convert the principal and unpaid accrued interest at a conversion price of 80% of the price per share of the equity securities sold in the completed equity financing. Prepayments are allowed, subject to various provisions, including an initial minimum payment amount of \$500,000 and additional increments of \$100,000. Upon the occurrence of an event of default, the Notes shall accrue interest at 13% per annum. The Notes are senior to all other debts and obligations of the Company, is collateralized by all assets of the Company. In conjunction with the Notes, the Company incurred fees of \$6,703, which were recorded as a discount to the Notes and are amortized under the effective interest method to interest expense over the life of the Notes.

## MISO ROBOTICS, INC. NOTES TO FINANCIAL STATEMENTS

The Company recognized a beneficial conversion feature with respect to the voluntary conversion rights of the noteholders. The beneficial conversion feature was initially valued at a fair value of \$697,749 for the 2019 Notes and \$346,463 for the 2020 Notes, and is recorded as a discount to the note payable balance that is being amortized under the effective interest method over the life of the notes.

In April 2021, the Company converted principal of \$2,422,148 and accrued interest of \$272,709 of venture debt to Series C Preferred Stock at a per share price of \$13.728, a 20% discount to the offering per share price of \$17.16, into 196,300 shares of Series C Preferred Stock. In March and May 2021, the Company paid back \$1,394,256.95, comprised of principal of \$1,212,500 and interest of \$181,756.95 to two parties. In connection with the conversions and repayments, the Company amortized the remaining \$223,823 of unamortized debt discount (see above and below).

The Notes bear interest at 10% per annum and incurred interest expense of \$125,636 and \$310,128 for the six months ended June 30, 2021 and 2020, respectively.

In connection with the Notes, the Company also granted to the holders warrants to purchase common stock equal to the principal amount of the Notes divided by the warrant exercise price. As of June 30, 2021 and December 31, 2020, there were an aggregate of 362,739 shares of common stock outstanding, which were issued to the noteholders with an exercise price of \$10.02 per share, expiring after 10 years. As discussed in Note 8, these warrants were valued at \$11,582 for the 2019 Notes and \$123,968 for the 2020 Notes, and is recorded as a discount to the note payable balance that are being amortized under the effective interest method over the life of the notes.

### ***PPP Loan***

In April 2020, the Company entered into a loan with a lender in an aggregate principal amount of \$450,000 pursuant to the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The PPP Loan is evidenced by a promissory note (“PPP Loan”). Subject to the terms of the Note, the PPP Loan bears interest at a fixed rate of one percent (1%) per annum, with the first six months of interest deferred, has an initial term of two years, and is unsecured and guaranteed by the Small Business Administration. The Company may apply to the Lender for forgiveness of the PPP Loan, with the amount which may be forgiven equal to the sum of payroll costs, covered rent, and covered utility payments incurred by the Company during the applicable forgiveness period, calculated in accordance with the terms of the CARES Act. The Note provides for customary events of default including, among other things, cross-defaults on any other loan with the lender. The PPP Loan may be accelerated upon the occurrence of an event of default. The loan proceeds were used for payroll and other covered payments; the note was formally forgiven in August 2021.

## **7. STOCKHOLDERS’ EQUITY (DEFICIT)**

### ***Convertible Preferred Stock***

The Company has issued Series A, Series B, Series C and Series D convertible preferred stock (collectively referred to as “Preferred Stock”). As of June 30, 2021, the Company's certificate of incorporation, as amended and restated, authorized the Company to issue a total of 4,222,116 shares of Preferred Stock, of which 769,784 shares were designated as Series A preferred stock, 997,616 shares were designated as Series B preferred stock, 1,748,252 shares were designated as Series C preferred stock and 706,464 shares designated as Series D preferred stock. The Preferred Stock have a par value of \$0.0001 per share.

In 2021, the Company completed its Regulation A+ offering and issued 342,063 shares of Series C preferred stock at a price of \$17.16 per share for gross proceeds of \$5,869,835, including additional proceeds of \$7,469,164 which was included as a subscription receivable at December 31, 2020. In the six months ended June 30, 2020, the Company issued 103,811 shares of Series C preferred stock for net proceeds of \$1,446,086.

In 2021, the Company initiated a Regulation A+ offering and issued 1,573 shares of Series D preferred stock at a price at a price of \$56.62 per share for gross proceeds of \$89,063.

In April 2021, the Company converted principal of \$2,422,148 and accrued interest of \$272,709 of venture debt to Series C Preferred Stock at a per share price of \$13.728, a 20% discount to the offering per share price of \$17.16, into 196,300 shares of Series C Preferred Stock.

## **MISO ROBOTICS, INC. NOTES TO FINANCIAL STATEMENTS**

The holders of the Preferred Stock have the following rights and preferences:

### *Voting*

The holders of Preferred Stock are entitled to vote, together with the holders of common stock as a single class, on all matters submitted to stockholders for a vote and have the right to vote the number of shares equal to the number of shares of common stock into which each share of Preferred Stock could convert on the record date for determination of stockholders entitled to vote.

The holders of Series B preferred stock, voting exclusively and as a separate class, are entitled to elect one director of the Company. The holders of Series A preferred stock, voting exclusively and as a separate class, are entitled to elect one director of the Company.

### *Dividends*

The Company shall not declare, pay or set aside any dividends on shares of other classes of capital stock unless the holders of Preferred Stock then outstanding shall first receive, or simultaneously receive, on a pari passu basis, a dividend on each outstanding share of Preferred Stock.

### *Liquidation*

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company or deemed liquidation event, the Series C and Series B stockholders shall be entitled to a liquidation preference equal to the greater of (i) the Original Issue Price, plus any dividends declared but unpaid, or (ii) such amount per share as would have been payable had all shares of preferred stock been converted into common stock. Upon this completion, the Series A stockholders will then be entitled to a liquidation preference in the same manner. After the payment of all preferential amounts to preferred stockholders, the remaining assets available for distribution shall be distributed among common stockholders on a pro-rata basis. The liquidation preference per share for Series A, Series B, Series C and Series D preferred stock are \$4.1108, \$10.0744, \$17.16 and \$56.62, respectively.

### *Conversion*

Each share of Preferred Stock is convertible into common stock, at the option of the holder, at any time after the date of issuance. In addition, each share of Preferred Stock will be automatically converted into shares of common stock at the applicable conversion ratio then in effect (i) upon the closing of a firm-commitment public offering resulting in at least \$80,000,000 of gross proceeds to the Company at a price of at least \$68.64 per share of common stock, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization, or (ii) upon the written consent of the holders of a majority of the then-outstanding shares of Preferred Stock, voting together as a single class.

The conversion ratio of each series of Preferred Stock is determined by dividing the Original Issue Price of each series by the Conversion Price of each series. The Conversion Price per share is \$4.1108 for Series A preferred stock, \$10.0239 for Series B preferred stock, \$17.16 for Series C preferred stock and \$56.62 for Series D preferred stock, each subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization. Accordingly, as of June 30, 2021 and December 31, 2020, each share of each series of Preferred Stock was convertible into shares of common stock on a one-for-one basis.

### *Common Stock*

The Company authorized 7,000,000 shares of common stock at \$0.0001 par value as of June 30, 2021. As of both June 30, 2021 and December 31, 2020, there were 1,732,085 shares of common stock issued and outstanding.

Common stockholders have voting rights of one vote per share and are entitled to elect one director of the Company. The voting, dividend, and liquidation rights of the holders of common stock are subject to and qualified by the rights, powers, and preferences of preferred stockholders.

**MISO ROBOTICS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**8. STOCK-BASED PAYMENTS**

*Common Stock Warrants*

In connection with the Notes (see Note 6), the Company granted to the holders warrants to purchase common stock equal to the principal amount of the Notes divided by the warrant exercise price. As of June 30, 2021 and December 31, 2020, warrants for an aggregate of 362,739 shares of common stock were issued to the noteholders with an exercise price of \$10.02 per share, expiring after 10 years. The fair value of the warrants was calculated under the Black-Scholes method, which was recorded as a discount to the Notes and is being recognized under the effective interest method over the life of the Notes.

In September 2020, the Company granted 5,000 warrants to purchase common stock for services.

*Super Volcano, Inc. 2016 Stock Plan*

The Company has adopted the Super Volcano, Inc. 2016 Stock Plan (“2016 Plan”), as amended and restated, which provides for the grant of shares of stock options and restricted stock awards to employees, non-employee directors, and non-employee consultants. The number of shares authorized by the 2016 Plan was 466,406 shares as of June 30, 2021. The option exercise price generally may not be less than the underlying stock’s fair market value at the date of the grant and generally have a term of ten years. The amounts granted each calendar year to an employee or non-employee is limited depending on the type of award. Stock options comprise all of the awards granted since the 2016 Plan’s inception. As of June 30, 2021, there were 151,000 shares available for grant under the 2016 Plan. Stock options granted under the 2016 Plan typically vest over a four-year period.

*Miso Robotics, Inc. 2017 Stock Plan*

The Company has adopted the Miso Robotics, Inc. 2017 Stock Plan (“2017 Plan”), as amended and restated, which provides for the grant of shares of stock options and restricted stock awards to employees, non-employee directors, and non-employee consultants. The number of shares authorized by the 2017 Plan was 735,848 shares as of June 30, 2021. The option exercise price generally may not be less than the underlying stock’s fair market value at the date of the grant and generally have a term of ten years. The amounts granted each calendar year to an employee or non-employee is limited depending on the type of award. Stock options and restricted common stock comprise all of the awards granted since the 2017 Plan’s inception. As of June 30, 2021, there were 6,034 shares available for grant under the 2017 Plan. Stock options granted under the 2017 Plan typically vest over a four-year period.

A summary of information related to stock options for the six months ended June 30, 2021 is as follows:

	<b>Options</b>	<b>Weighted Average Exercise Price</b>	<b>Intrinsic Value</b>
Outstanding as of December 31, 2020	678,673	\$ 5.54	\$ 659,781
Granted	271,041	6.13	
Exercised	-	-	
Forfeited	(64,769)	10.02	
Outstanding as of June 30, 2021 (unaudited)	<u>884,945</u>	<u>\$ 6.15</u>	<u>\$ 1,005,355</u>
Exercisable as of June 30, 2021 (unaudited)	623,817	\$ 4.20	\$ 1,662,467

As of June 30, 2021, the weighted average time to expiration for outstanding options was 8.7 years.

**MISO ROBOTICS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

The following table presents, on a weighted average basis, the assumptions used in the Black-Scholes option-pricing model to determine the grant-date fair value of stock options granted to employees and directors:

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>(unaudited)</b>	
Risk-free interest rate	1.08%	1.44%
Expected term (in years)	6.08	6.08
Expected volatility	70.00%	44.43%
Expected dividend yield	0%	0%
Fair value per stock option	\$ 3.83	\$ 3.20

The total grant-date fair value of the options granted during the six months ended June 30, 2021 and 2020 was \$1,051,653 and \$105,030, respectively.

Stock-based compensation expense for stock options of \$191,570 and \$114,992 was recognized under FASB ASC 718 for the six months ended June 30, 2021 and 2020, respectively. Total unrecognized compensation cost related to non-vested stock option awards amounted to \$1,815,851 as of June 30, 2021, and will be recognized over a weighted average period of 25 months as of June 30, 2021.

***Restricted Common Stock***

During the six months ended June 30, 2021 and 2020, the Company recorded stock-based compensation expense of \$68,187 and \$29,850 in the statements of operations, respectively.

***Classification***

Stock-based compensation expense was classified in the statements of operations as follows:

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>(unaudited)</b>	
Research and development expenses	\$ 48,482	\$ 38,765
General and administrative expenses	230,425	106,077
	<u>\$ 278,907</u>	<u>\$ 144,842</u>

**9. RELATED PARTY TRANSACTIONS**

In September 2019, the Company issued a promissory note to an entity with common management for a principal amount of \$782,167. In conjunction with the note, the Company granted warrants to purchase 78,061 shares of common stock to the entity (see Note 6). In 2020, the Company issued additional notes to this entity for proceeds of \$889,982 and grants warrants to purchase 88,821 shares of common stock. In April 2021, the Company converted these notes, and accrued interest, into shares of Series C Preferred Stock at a per share price of \$13.728, a 20% discount to the offering per share price of \$17.16. See Note 6.

As of June 30, 2021 and December 31, 2020, the Company had accounts payable of \$31,184 and \$128,716, respectively, to an entity with common management.

During the six months ended June 30, 2020, the Company incurred \$82,700 in expenses to an entity with common management, of which \$43,500 was included as cost of net revenue and \$39,260 was included as research and development expenses in the statements of operations.

## **10. COMMITMENTS AND CONTINGENCIES**

### *Lease Agreements*

In August 2017, the Company entered into an operating lease to sublease office space. The lease term commenced on December 1, 2017 and expires on May 31, 2023. The lease agreement requires base rent payments of \$9,000 per month through May 31, 2019 with annual escalations of approximately 3%. The lease required a security deposit of \$150,000.

## **MISO ROBOTICS, INC. NOTES TO FINANCIAL STATEMENTS**

In May 2018, the Company entered into an operating lease for office and lab space. The lease term commenced on June 1, 2018 and expired on May 31, 2020. The lease agreement required monthly base rent payments of \$15,075 through May 31, 2019 and \$15,527 for the year thereafter, plus operating costs estimated at \$950 per month. The lease required a security deposit of \$31,055 and advance rent payment of \$46,581, which were returned in 2020.

In June 2018, the Company entered into an operating lease to lease kitchen facilities. The lease term commenced on June 1, 2018 and expired on May 31, 2020. The lease agreement required monthly base rent payments of \$4,000 through May 31, 2019 and \$4,120 for the year thereafter, plus operating costs of \$500 per month.

Rent expense for the six months ended June 30, 2021 and 2020 was \$90,298 and \$256,424, respectively.

### *Contingencies*

The Company may be subject to pending legal proceedings and regulatory actions in the ordinary course of business. The results of such proceedings cannot be predicted with certainty, but the Company does not anticipate that the final outcome, if any, arising out of any such matters will have a material adverse effect on its business, financial condition or results of operations.

## **11. SUBSEQUENT EVENTS**

Through the issuance date, the Company has received approximately \$5,00,000 in gross proceeds from the issuance of Series D preferred stock.

Management has evaluated subsequent events through September 28, 2021, the date the financial statements were available to be issued. Based on this evaluation, no additional material events were identified which require adjustment or disclosure in these financial statements.