

Sonasoftware®

Sonasoftware Corporation

State of Incorporation: California

1735 North First Street, Suite 103

San Jose, California 95112

(408) 708-4000

www.sonasoftware.com

SIC Code: 7372

Annual Report

For the Year Ended December 31, 2020 (the "Reporting Period")

The number of shares outstanding of our Common Stock is 510,381,091 as of December 31, 2020. The number of shares outstanding of our Common Stock was 259,119,544 as of December 31, 2019.

The number of shares outstanding of our Preferred Stock is 1,543,088 as of December 31, 2020. The number of shares outstanding of our Preferred Stock was 3,530,804 as of December 31, 2019.

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: No:

Indicate by check mark whether a change in control of the company has occurred over this reporting period:

Yes: No:

For more information:

www.OTCmarkets.com Ticker: SSFT

(www.otcmarkets.com/stock/SSFT) or www.sonasoftware.com

Table of Contents

Part A – General Company Information	1
Part B – Share Structure	2
Part C – Business Information	4
Part D – Management Structure and Financial Information	13
Consolidated Financial Statements	F-1
Auditor’s Opinion	F-2
Consolidated Balance Sheets	F-5
Consolidated Statements of Operations	F-7
Consolidated Statements of Cash Flows	F-8
Consolidated Statements of Shareholder’s Equity	F-10
Notes to the Consolidated Financial Statements	F-12
Management’s Discussion and Analysis and Plan of Operation	16
Part E – Issuance History	20
Part F – Exhibits & Material Events in 2020	47
Subsequent Events	49
Legal & Disciplinary History	50
Issuer’s Certification	51

Disclosure Regarding Forward-looking Statements

This annual report contains statements that constitute forward-looking statements. These statements appear in a number of places in this report and include all statements that are not statements of historical fact regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things: (i) the Company's financing plans; (ii) trends affecting the Company's financial condition or results of operations; (iii) the Company's growth strategy and operating strategy; and (iv) the declaration and payment of dividends. The words "may," "would," "will," "expect," "estimate," "anticipate," "believe," "intend," and similar expressions and variations thereof are intended to identify forward-looking statements. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, many of which are beyond the Company's ability to control, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors.

Available Information

The Company's common stock has been quoted on OTC markets under the trading symbol "SSFT". As part of the OTCQB listing requirements, the Company will prepare and post material news, quarterly and annual financial reports on the OTCQB website.

Part A: General Company Information:

SONASOFT CORPORATION

1735 North First Street, Suite 103 San

Jose, CA, 95112

408-708-4000

INCORPORATION DATE: December 18, 2002

State or other jurisdiction of incorporation or organization: **California**

Primary Standard Industrial Classification Code Number: **7372**

IRS Employer Identification Number: **51-0429372**

Part B: Share Structure

Trade Symbol: **SSFT**

Exact Title and Class of Securities Outstanding: **Common Stock**

CUSIP: **835413105**

Par or Stated Value: **No Par Value (“The “Common Stock”)**

Total Common Shares Authorized: **700,000,000**

Total Shares Outstanding: **510,381,191 as of Dec 31, 2020**

Total Free Trading Shares Outstanding: **262,345,991 as of December 31, 2020**

Total Number of Investors: **247 as of December 31, 2020**

Exact Title & Class of Securities Outstanding: **Preferred Stock**

CUSIP: **Restricted Stock (N.A.)**

Par or Stated Value: **No Par Value (The “Preferred Stock”)**

Total Preferred Shares Authorized: **10,000,000**

Total Shares Outstanding: **1,543,088 as of December 31, 2020**

Total Number of Investors: **52 as of December 31, 2020**

Common Stock: Voting right of one vote per share. At present dividend and preemption rights are not applicable. Authorized number of shares 700,000 @ no par value.

Additional class of securities: Preferred Shares: Authorized number of shares 10,000,000 @ no par value. The Company created this class of securities for conversion of common shares into preferred shares.

Preferred Stock: Conversion Rights of Common Stock into Preferred Stock

The Company created Series A Preferred Stock so that existing shareholders can convert Common Stock into Preferred Stock based on the following terms and conditions:

- Common Stockholders are eligible to convert shares of Common Stock into shares of Preferred Stock in a ratio of 100:1

- Lock Up Period – After conversion into Preferred Stock, the stockholder cannot convert Preferred Stock into Common Stock for eighteen months from the issuance date unless one of the following conditions is met:
 - There is a sale of Sonasoft and its subsidiaries to another public or private company with a change of control
 - Sonasoft raises funds from public markets via a secondary offering using an Investment Banker and Underwriter

- Conversion Ratio – After the lockup period is complete, the Preferred Stockholder can convert back to Common Stock at a ratio of 1:100. Upon conversion of Preferred Stock into Common Stock, the Preferred Stockholder will be entitled to an additional 10% of Common Stock shares as Bonus Shares for a final conversion ratio of 1:110.

Name & Address of the Transfer Agent

Name: Corporate Stock Transfer, Inc.
3200 Cherry Creek Drive South, Suite 430
Denver, CO, 80209
(303) 282-4800

Part C: Business Information

The Nature of Issuer's Business

1. The form of organization of the issuer:

Sonasoftware was incorporated as a C Corp in the State of California.

2. The year that the issuer (or any predecessor) was organized:

December 18, 2002

3. The issuer's fiscal year end date:

Fiscal year ending is December 31

4. Whether the issuer (or any predecessor) has been in bankruptcy, receivership or any similar proceedings

Not Applicable

5. Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets:

- a) On June 26th, the Company finalized an agreement to divest its subsidiaries E-Connect Inc. and Optimaize Inc. to Vikas Agrawal and Judhajt Senmazumdar for a combination of Sonasoftware shares and cash. Agrawal and Senmazumdar will assume all assets and liabilities of E-Connect Inc. and Optimaize Inc. as of the closing balance on Mar. 31, 2020, in return for the surrender of 32,000 preferred shares of Sonasoftware common stock, 2,000,000 shares of Sonasoftware common stock, and payment of \$110,000 in cash. They also forfeit any right to un-issued stock associated with the agreed post-completion compensation linked to the 2019 mergers of E-Connect Inc. and Optimaize Inc. amounting to a forfeit of future issuance of an additional 48,000 preferred shares and 3,200,000 common shares.
- b) Between January 1, 2020 and December 31, 2020, 700,000 options were exercised, and 2,000,000 shares of common stock were issued for a combined cash payment of \$217,500. 12,880,000 shares of common stock were issued against subscriptions paid for in 2019. 2,766,259 shares were issued as compensation and 16,266,528 shares were issued in satisfaction of a Simple Agreement for Future Equity (SAFE) agreement with Dr. Romesh Japra. 2,000,000 shares of common stock were surrendered as part of the sale of E-Connect and Optimaize.
- c) Between January 1, 2020 and December 31, 2020, 1,987,716 shares of Series A preferred stock were converted into 218,648,760 shares of common stock, and 32,000 shares of preferred stock were issued as compensation.

32,000 shares of preferred stock were surrendered as part of the sale of E-Connect and Optimaize.

- d) Between January 1, 2020 and December 31, 2020, Sonasoft raised \$1,005,000 through a convertible note facility.

6. Any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the issuer to make payments:

NO

7. Any change of control:

NO

8. Any increase of 10% or more of the same class of outstanding equity securities:

There was an increase of 251,261,547 Common stock shares (97% increase over December 31, 2019 total).

9. Any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization:

NO

10. Any delisting of the issuer's securities by any securities exchange:

NO

11. Any current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator. State the names of the principal parties, the nature and status of the matters, and the amounts involved.

Legal Dispute with Ex-employee, a civil legal proceeding pending appeal, a detailed description is provided in Legal History Section.

Business of Issuer

1. The issuer's primary and secondary SIC Codes:

Software Product and Solution provider SIC Code: 7372

2. If the issuer has never conducted operations, is in the development stage, or is currently conducting operations:

The Company is not in the development stage and is currently generating revenues from the sale of products and services.

3. Whether the issuer has at any time been a "shell company":

The Company has never been a Shell Company and has been an operating company since inception.

4. The names and contact information of any parent, subsidiary, or affiliate of the issuer, and its business purpose, its method of operation, its ownership, and whether it is included in the financial statements attached to this disclosure statement:

Cornerstone Tech. Inc. - value added reseller of hardware, software and engineering services, 100% owned by Sonasoft Corp. Included in the financial statements in this disclosure statement.

Hotify Inc - AI software development business, 100% owned by Sonasoft Corp. Included in the financial statements in this disclosure statement.

E-Connect Inc. - data engineering services provider, 100% owned by Sonasoft Corp. Included in the financial statements in this disclosure statement but divested as of March 31, 2020.

Optimaize Inc. -AI software development business, 100% owned by Sonasoft Corp. Included in the financial statements in this disclosure statement but divested as of March 31, 2020.

5. The effect of existing or probable governmental regulations on the business:

The Company follows the rules and regulations applicable to public companies operating in the software industry. No material regulatory changes are anticipated.

6. An estimate of the amount spent during each of the last two fiscal years on research and development activities, and, if applicable, the extent to which the cost of such activities was borne directly by customers:

The Company primary objective is the commercial development of Artificial Intelligence platform solutions. The Company employs a small but growing team of development engineers engaged in the development and improvement of these products. Spend on this activity was approximately \$500,000 in FY 2019 and \$1,000,000 in FY 2020. The expenses incurred pertaining to this development are classified as Operating expenses. Less than 5% of these costs were borne directly by customers.

7. The costs and effects of compliance with environmental laws (federal, state and local):

Not Applicable

8. The number of total employees and number of full-time employees:

Total number of employees 24, full time employees 24.

9. Describe in detail what business the Company does and proposes to do, including what product or goods are or will be produced or services that are or will be rendered.

Sonasoftware's primary focus and objective is to provide innovative artificial intelligence ("AI") software solutions that ingest data from different structured and unstructured sources and turn that data into meaningful business insights. Our SAIBRE AI platform enables users to analyze, predict and prescribe business actions based on intelligent process automation ("IPA") regardless of format or source.

Our mission is to make the implementation and use of AI and IPA easy for any organization. Customers leverage our AI-based offerings for various use cases, including financial technology, security and compliance, insurance, infrastructure, software development and IT operations, applications management and business analytics. Our technology provides business insights into data generated intelligence through a variety of structured and unstructured data sources. Our offerings are intended to help various users (IT, security, application development, manufacturing and business professionals, etc...) to quickly analyze their data, identify causation, and achieve real-time understanding of their organization's operations. This enables organizations to drive better business decisions, identify and develop new products and revenue sources, reduce operational costs, mitigate risks and increase efficiency through intelligent process automation.

In support of our AI first objective, Sonasoftware also owns and operates Cornerstone Tech. Inc., a value-added reseller of software and data management services.

Our Product Offerings

***Sonasoftware SAIBRE AI* - Our flagship product is SAIBRE (Sonasoftware Artificial Intelligence Bot Runtime Engine) AI, a real-time AI platform, comprised of data ingestion, data transformation, search,**

reporting, analysis, alerting, supervised machine learning models and un-supervised machine learning models that provide prediction and prescription capabilities. SAIBRE uses data processing and artificial intelligence architecture to train machine learning models, enabling users to run experiments on data without having to define or understand the model or structure of the data prior to collection and indexing. This contrasts with more traditional AI offerings that require users to establish the format of their data prior to collection in order to answer a pre-set list of questions.

The Nature of Products or Services Offered:

1. Principal products or services, and their markets:

AI platform and Professional Services, sold in US and international markets.

2. Distribution methods of the products or services:

Direct Sales to SME, ERP and OEM customers

4. Status of any publicly announced new product or service:

Our primary product is SAIBRE AI.

5. Competitive business conditions, the issuer's competitive position in the industry, and methods of competition:

The primary competition for our SAIBRE AI platform comes from other AI technology companies such as H2O, DataRobot and SageMaker. These businesses generally take a broad-brush marketing-centric approach to competition, with significant investment in search engine marketing and online ad spend, focused primarily on the data scientist community. By contrast, Sonasoft is pursuing larger strategic partnerships with enterprise OEMs to establish a strong reputational foothold in the growing AI sector, focusing on non-experts who need assistance in leveraging AI, such as chief revenue officers and sales and marketing managers. Our speed of execution of AI development remains unmatched in the industry, with completion of AI integrations in 4 to 6 weeks vs. what competitors deliver in 4 to 9 months. This makes us a very attractive partner for customers who wish to partner with us to monetize very large data sets.

The Cornerstone subsidiary competes with a large number of other VAR resellers in the increasingly commoditized reseller sector. Our primary competitive advantage in this space is our customer network, depth of experience and knowledge of our engineering staff along with our strong reputation for service.

6. Sources and availability of raw materials and the names of principal suppliers:

Not Applicable.

7. Dependence on one or a few major customers:

The Company is not dependent on one customer and has active proof of concept demonstrations under way with a variety of Fortune 500 scale OEMs. Through Cornerstone the business has customer relations with hundreds of clients globally.

8. Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration:

Patent applications pending

9. The need for any government approval of principal products or services and the status of any requested government approvals:

Not Applicable.

A detailed description of products, sales and marketing strategy is provided below:

Sonasoftware Corp.

Sonasoftware Overview

Sonasoftware's primary objective is to provide innovative artificial intelligence ("AI") software solutions that ingest data from different structured and unstructured sources and turn that data into meaningful business insights. The heart of this AI-first strategy, and the focus of Sonasoftware's future growth is our AI platform, SAIBRE.

In support of our AI first objective, Sonasoftware also owns and operates Cornerstone Tech. Inc., a value-added reseller of software and data management services, Sonasoftware also partners with a large ecosystem of third-party services suppliers to support our push into the AI marketplace.

SAIBRE AI

SAIBRE Overview

SAIBRE is a unified AI platform that creates intelligent AI bots autonomously. It becomes an AI Bot Factory for enterprise companies, generating new intelligent bots on-demand to solve a multitude of business problems. Unlike other AI platforms, SAIBRE takes the raw data and learns from it in the way a skilled data scientist would. It looks for patterns, forms hypotheses, and tests these for causality. This means that the Machine Learning models it generates are less likely to be biased. Importantly, it understands a wide range of data types and can work with time series, audio, visual and numerical data. SAIBRE can generate a wide range of AI bots that can solve a variety of business problems - from support case deflection to demand forecasting. When creating and deploying multiple AI bots these can share datasets, learn from one another and provide cross-functional actionable insights. Our execution of AI development remains unmatched. Deployment of a SAIBRE AI bot takes between 4-6 weeks whereas a typical AI project takes anywhere from 6 to 9 months.

SAIBRE's Business Model

The Sonasoft SAIBRE Product is sold globally to enterprise companies as a SaaS or on-premise solution. The product is being distributed through direct sales as well as partner programs. The SAIBRE product offering includes the entire software lifecycle: Design, Build, Deploy, Maintain, Support, Up-sell. Each AI bot has a one-time price for deployment and an annual license fee. The license fee includes ongoing maintenance and support for the bot. Sonasoft also offers ad-hoc contract options, i.e., support upgrade, product training and product enhancements.

SAIBRE's Sales and Marketing Strategy

Direct Sales

SAIBRE is marketed and sold directly to clients through our direct sales force, operating out of sales offices primarily in California. We also market our products indirectly through strategic partnerships. Our clients include Enterprise technology companies, financial services, health services, and power co-ops. The strong relationships we have built with our customers gives us a unique understanding of their needs and future plans. This in turn positions us to tailor our AI products and services to meet those future needs.

Third-Party Services

Third Party Services Overview

Through its Cornerstone subsidiary, Sonasoft's Third-Party services offerings are designed to help modernize our customers on-premise or legacy environments with our cloud first approach. We use our service offerings as the starting point for our

customers data transition roadmap. We start with migrating or optimizing their current systems. Once their data has been modernized, we then help them to interpret and understand that data. The final and most important step is to introduce our SAIBRE AI platform to allow them to make actionable decisions with their data. Our core services center around data engineering/transformation and data migrations consisting of email, user archives, PST data, SQL workloads and domains to the cloud (MSFT, Google & Amazon).

Because of our close relationship with Microsoft, we can offer services across most Microsoft solution offerings to our customers as well as premium support through our Microsoft partnership.

Our business strategy is supported by a framework that focuses on the following three pillars:

- Assist clients to advance their digital transformations by modernizing and simplifying their mainstream IT systems
- Invest in our people to nurture digital skills and leadership development
- Deliver value by achieving results for our clients and stakeholders

Sales and Marketing

We market and sell our services directly to clients through our direct sales force, operating out of sales offices primarily in California. Our clients include technology, financial services, health services, and various other businesses of many sizes, state & local government, and educational institutions. Most of our customers reside in North America. The strong relationships we have built with our customers puts us in a unique position to understand their needs and future plans, especially in regard to our AI products and services.

Distinguishing Features

Sonasoftware is a Direct Cloud Solution Provider with Microsoft which allows us to transact directly with Microsoft and pass resulting benefits and savings onto our customers. We were awarded the fast migration to O365 by Transvault at Microsoft Inspire 2017. Sonasoftware has achieved five Microsoft Gold Competencies. The services team has developed trademarked IP providing us a variety of competitive advantages. Our team comes with a multitude of experience across a variety of platforms (MSFT, Google, Amazon, Dell, Veritas and others) allowing us to provide customers with access to resources to fit their IT needs. We have also established a large partner network of solution providers that we can bring in to assist us with delivering solutions outside of our core areas of expertise.

The Nature and Extent of the Issuer's Facilities

The company leases office space in Santa Clara, CA, under a lease agreement starting January 2, 2019 and extending through January 31, 2022, at a cost of \$3,642 per month.

Part D: Management Structure & Financial Information

Names of Officers, Directors and Control Persons. (As of December 31, 2019)

Name	Affiliation
Mike Khanna	CEO, President and Director, holding 7,777,300 or 1.5% of Company's Common Stock and 44,891 or 2.9% of Company's Preferred shares.
Dr. Romesh K. Japra	Control Person holding 141,412,398 shares or approximately 27.7% of Company's Common Stock.
Ankur Garg	Director and Chief of Artificial Intelligence holding 7,358,143 or 1.4% of Company's Common stock and 313,897 or 20.3% of Company's Preferred shares.
Nand "Andy Khanna	Control Person, holding 26,098,000 shares, or approximately 5.1% of Company's Common Stock
Frank Velasquez	Director and Control Person, holding 29,992,460 shares or approximately 5.9% of Company's Common Stock.
Jim Gilmer	Secretary holding 2,225,000 or 0.4 % of Common stock.
Paul Clauson	Director
Kris Murthy	Director
Bruce Serpa	Director
Rob Baumert	CFO, as of Feb. 3, 2020

Subsequent Events:

Our dear friend and secretary Jim Gilmer passed away in March of 2021. Paul Clauson was hired as a full time W2 employee in the role of COO as of Jan. 1, 2021. Ankur Garg relinquished his role as Chief of Artificial Intelligence and ceased being an employee of the company on Feb. 19, 2021. As of the printing of this report he is still a Director of Sonasoft.

Directors and Executive Officers:

Name: Mike Khanna, CEO & President

Office Street Address: 1750 North First Street, Suite 103, San Jose, California 95112

Also a Director of the Company Yes No

Mike Khanna is a Business Development professional and an experienced tech-based entrepreneur. With over 20 years of experience in the Silicon Valley, he has driven innovation and optimization from day one. From its inception, Mike has been an integral part of Sonasoft's success through both business development and leadership roles. He has been a key contributor to the launch of several products and service solutions including SonaCloud, SonaSecure, and SonaVault, and is now a key driver of the company's AI first strategy. In his new role as CEO, Mike continues to fuel growth, through leadership in Business Development, raising funds and maintaining investors relationship for the Company.

Name: Rob Baumert, CFO as of Feb. 3, 2020

Office Street Address: 1750 North First Street, Suite 103, San Jose, California 95112

Also a Director of the Company Yes No

Rob Baumert is a seasoned senior executive, with over 25 years of experience in the tech sector. He began his career as a chemical engineer in the fuel cell industry, developing fuel cell vehicles for Ford and Daimler Chrysler before transitioning into a career in finance and operations. He has held CFO/COO positions in startups since 2004, working for Grattan Group Capital, Redbubble, and X-Company. He holds advanced degrees in engineering from the Royal Military College of Canada and Queen's University, as well as five patents in fuel cell technology. He holds an MBA from the Melbourne Business School and completed the Emergent CFO Executive Education program at Stanford University.

Name: Ankur Garg, Chief of Artificial Intelligence through Feb. 19, 2021

Office Street Address: 1750 North First Street, Suite 103, San Jose, California 95112

Also a Director of the Company Yes No

Ankur Dinesh Garg is the creator and chief architect of Hotify's AI platform, NuGene. He was one of the original founders and CEO of Hotify Inc. which merged with Sonasoft in early 2019. Prior to Hotify, Ankur's entrepreneurship, innovation and enthusiasm for technology led him to create several successful startups in mobile technology, advertising, content-led marketing, and e-commerce. Ankur is a member of the Forbes Technology Council and holds advanced degrees from the Indian Institute of Technology in Bombay.

Name: Bruce Serpa - Director

Office Street Address: 1750 North First Street, Suite 103, San Jose, California 95112

Mr. Bruce Serpa is senior manager for Seagate's Lyve Services and has worked in the storage industry for his entire career. Previous roles included VP of Global Sales for a Scottish HDD manufacturer and General Manager of a \$200M storage division for a global distributor. Bruce spent the last 14 years with Seagate providing service offerings for customer data. A storage industry pioneer, his passion is helping customers to gain access to dormant or previously inaccessible data. He holds a degree in Computer Science.

Name: Paul Clauson - Director

Office Street Address: 1750 North First Street, Suite 103, San Jose, California 95112 Paul Clauson is an entrepreneur with over a decade of experience empowering startups. His wealth of expertise encompasses go-to-market, digital strategy, customer acquisition, fundraising, and software as a service (SaaS). Recently, the innovative spirit running through Paul's family was the subject of a book about his grandfather, Wallace, a brilliant scientist who worked with John von Neumann and Albert Einstein. Paul received his undergraduate degree from UCLA in Political Theory and has a master's degree from Western Seminary.

Name: Kris Murthy - Director

Office Street Address: 1750 North First Street, Suite 103, San Jose, California 95112 Kris Murthy has headed several companies in senior leadership positions including Managing Director of Resonance IT, CEO of Oasis Systems, and Vice President of Scottline Healthcare. He has also worked extensively in the hospitality industry at senior levels, receiving several awards of distinction from multinationals including Marriott Corporation.

Kris has tech management expertise and has conducted several training programs in leadership, motivation, training and technical frameworks and operations for post-graduate and graduate students in 12 different countries. Kris has a Masters in Information Systems, an undergraduate degree in Health Information Management, and is a Microsoft Certified Systems Engineer.

Executive Compensation

Compensation of Officers and Directors

As of ended December 31, 2020

	Annual Base Salary
Mike Khanna – CEO & Director	\$250,000
Ankur Garg – CAIO & Director	\$125,000
Rob Baumert – CFO from February 3, 2020	\$240,000

Disclosure of Family Relationship

The Company CEO and President, Mike Khanna is related to director Andy Khanna. Mike is the son of Andy Khanna. Neil Khanna, another Sonasoft employee responsible for business development, is also a son of Andy Khanna.

Disclosure of Related Party Transactions

On January 23, 2017, the Company issued a promissory note in the amount of \$300,000 to Dr. Romesh Japra, Chairman and investor owning more than 20% of shares of Sonasoft common stock. The note bore interest at 10% per annum. The principal was paid out in full via the issuance of 12,000,000 share of common stock during 2020. An interest liability of \$68,109 remained outstanding as of December 31, 2020.

On August 25, 2020, the Company issued a promissory note in the amount of \$20,000 to Sally Khanna, mother of CEO Mike Khanna. The note bore interest at 3.5% per annum. The outstanding principal amount and interest due as of December 31, 2020, was \$20,247.

During 2020 and continuing in 2020 the Company has engaged Comezzo Inc., an India based marketing company, to perform a number of marketing tasks for the business. Ankur Garg, Sonasoft's Chief of Artificial Intelligence, holds a direct 26% ownership stake in Comezzo, with an additional indirect 10% stake. Payments to Comezzo in 2020 were less than \$15,000.

During 2020 and continuing in 2020 the Company has engaged Bay Area GTM., a Silicon Valley based marketing company, to perform a number of marketing tasks for the business. Paul Clauson, one of the company's directors is the owner of Bay Area GTM. Payments to Comezzo in 2020 were less than \$215,000

Disclosure of Conflicts of Interest:

Beyond what is stated above regarding family relationships and related party transactions, there is no other known conflict of interest to the best of our knowledge.

Sonasoft Corporation

Consolidated Financial Statements

For the Years Ended December 31, 2020, and 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Sonasoft Corporation.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Sonasoft Corporation. (“the Company”), as of December 31, 2020, and the related consolidated statements of operations, changes in stockholders’ (deficit)/equity and cash flows for the year then ended and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020, and the consolidated results of its operations and its cash flows for the year ended December 31, 2020, in conformity with U.S generally accepted accounting principles.

Basis for Opinion

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

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

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

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 and going concern assessment of critical accounting matter below, the Company has suffered recurring losses from operations and has working capital and stockholders’ deficit that raise substantial doubt about its ability to continue as a going concern. Management’s plans regarding 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgement. The communication of a critical audit matter does not alter in anyway our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Going Concern Assessment

As described in Note 2 to the financial statements, the Company prepared its financial statements on a going concern basis, and management has concluded that the Company has not generated sufficient income to sustain the operations.

For the year ended December 31, 2020, the Company incurred net losses of USD 7.5 million and used the net cash in operating activities of USD 2.7 million. As of December 31, 2020, the accumulated deficit amounted to USD 30.1 million and the current liabilities exceeded the current assets in the amount of USD 4.6 million. These matters, among others, raise substantial doubt about the ability of the Company to continue as a going concern.

The principal consideration for our determination that performing procedures relating to the Company's going concern assessment is a critical audit matter is the significant judgment by management related to the Company's ability to raise funds, generate revenue and profits in the future.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. These procedures included testing the issuance of additional equity, debt securities and continue generating revenue by the Company subsequent to year end.

/S/ TPS Thayer, LLC

TPS Thayer, LLC
We have served as the Company's auditor since 2021
Sugar Land, Texas
May 17, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Sonasoft Corporation.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sonasoft Corporation (“the Company”), as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in stockholders’ equity (deficit) and cash flows for the years then ended and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with U.S generally accepted accounting principles.

Basis for Opinion

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

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

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

Emphasis of a Matter

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note #2 to the financial statements, the Company has suffered losses from operations and has yet to attain profitability. This raises substantial doubt about its ability to continue as a going concern. Management’s plan in regard to these matters is also described in Note #2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Thayer O’Neal Company, LLC

We have served as the Company's auditor since 2017
Sugar Land, Texas
July 20, 2020

SONASOFT CORPORATION
CONSOLIDATED BALANCE SHEETS
As of December 31, 2020, and December 31, 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash	\$ 180,677	\$ 2,719,976
Accounts receivable, net	918,084	1,199,507
Prepaid Expenses	3,325,657	2,113,823
Other current assets	63,999	189,182
Total Current Assets	<u>4,488,417</u>	<u>6,222,488</u>
Other Assets - non-current		
Intangible assets	2,530,456	2,852,256
Goodwill	2,938,771	2,938,771
Right of use lease assets	39,963	235,049
Furniture, fixtures and equipment, net	23,585	35,423
Total other non-current Assets	<u>5,532,775</u>	<u>6,061,499</u>
Assets from Discontinued Operations	<u>-</u>	<u>1,074,331</u>
Total Assets	<u>10,021,192</u>	<u>13,358,318</u>
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities		
Accounts payable	1,853,817	1,417,960
Accrued expenses and accrued liabilities	1,254,907	1,645,385
Accrued compensation	2,036,659	1,847,732
Deferred revenue -current portion	1,675,386	1,963,707
Operating Lease Liability - Current Portion	41,911	114,471
Notes Payable – Related Party	20,000	-
Accrued interest – Related Party	68,355	68,109
PPP Loan Current	250,542	-
8% Convertible Notes - Current	440,000	-
Bank Credit Line	-	505,047
Royalty liabilities	1,488,612	923,920
Provision for Taxes	15,522	-
Total Current Liabilities	<u>9,145,711</u>	<u>8,486,331</u>
Non-current liabilities		
PPP Loan - Long Term	178,958	-
8% Convertible Notes – Long Term	565,000	-
Operating Lease Liability - Long Term Portion	3,404	120,578
Deferred revenue- Long term Portion	2,027,129	599,144
Total Non-Current Liabilities	<u>2,774,491</u>	<u>719,722</u>
Liabilities from Discontinued Operations	<u>-</u>	<u>420,620</u>
Total Liabilities	<u>11,920,202</u>	<u>9,626,673</u>

The accompanying notes are an integral part of these consolidated financial statements

SONASOFT CORPORATION
CONSOLIDATED BALANCE SHEETS
As of December 31, 2020, and December 31, 2019

COMMITMENTS AND CONTINGENCIES - -

STOCKHOLDERS' (DEFICIT) EQUITY

Preferred Stock, no par, 10,000,000 authorized, 1,543,078 and 3,530,804 issued and outstanding as of December 31, 2020, and 2019 respectively	5,901,022	10,437,579
Common Stock, no par, 700,000,000 authorized, 510,381,091 and 259,119,544 issued and outstanding as of December 31, 2020, and 2019, respectively:	17,632,486	11,030,734
Additional Paid-in Capital	4,686,360	4,824,191
Accumulated Deficit	(30,116,113)	(22,559,156)
Accumulated Comprehensive (Loss)	(2,765)	(1,703)
	(7,800,032)	(6,705,934)
Total Stockholders' (Deficit) Equity	(1,899,010)	3,731,645
Total Liabilities and Stockholders' (Deficit) Equity	10,021,192	13,358,318

The accompanying notes are an integral part of these consolidated financial statements

SONASOFT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31, 2020 and 2019

	2020	2019
Operations		
Revenue	\$ 8,935,271	\$ 10,351,398
Cost of Goods Sold	7,349,911	8,385,736
Gross profit	1,585,360	1,965,662
Operating expenses	7,989,339	6,337,699
Loss from operations	(6,403,979)	(4,372,037)
Other income (expense)		
Settlement of contingent liability	-	447,738
Provision for legal settlement	-	(860,000)
Interest	(67,228)	(38,113)
Other Income (Expenses)	30,815	435
Loss from Continuing Operations	(6,440,392)	(4,821,977)
Provision for Income Taxes	(15,522)	-
Net Loss from Continuing Operations	(6,455,914)	(4,821,977)
Net Income (Loss) from Discontinued Operations	(1,101,043)	117,887
Net Loss	(7,556,957)	(4,704,090)
Other Comprehensive Loss		
Foreign currency translation loss	(1,062)	(1,703)
Total other comprehensive loss	(1,062)	(1,703)
Comprehensive Loss	\$ (7,558,019)	\$ (4,705,793)
Basic And Diluted Loss per share from Continuing Operations	\$ (0.013)	\$ (0.022)
Basic And Diluted Gain (Loss) per share from Discontinued Operations	\$ (0.002)	\$ 0.001
Weighted average common shares outstanding	491,799,937	218,454,163

The accompanying notes are an integral part of these consolidated financial statements

SONASOFT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020, and December 31, 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	\$ (7,556,957)	\$ (4,704,090)
Adjustments to reconcile net income to net cash		
Used in operating activities		
Depreciation expenses	5,403	-
Provision for income tax	15,522	
Gain on disposal of furniture, fixtures & equipment	(5,313)	(2,172)
Amortization of Intangibles	321,800	265,382
Gain on extinguishment of liabilities	-	(447,738)
Bargain purchase gain	-	(332,720)
Loss (Gain) on sale of discontinued operations	1,101,043	(117,887)
Amortization of right of use asset	119,846	-
Bad debt (recovery) expense	(35,964)	4,990
Share based compensation – common Stock options	1,143,919	792,313
Interest converted to note payable	-	10,000
Share-based compensation - services	762,831	449,134
Other non -cash	(815)	(3,966)
Changes in assets and liabilities		
Accounts receivable	317,387	(260,739)
Other current assets	(1,086,651)	(1,818,242)
Accounts payable	435,857	(596,680)
Deferred revenue	1,139,664	2,014,879
Accrued liabilities	(390,478)	567,196
Royalty payable	564,692	190,871
Accrued Compensation	188,927	(75,500)
Cash flows from discontinued operations	196,027	330,401
Net cash used in Operating Activities	(2,763,260)	(3,734,568)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Due to related party	-	(22,000)
Purchase of furniture, fixtures & equipment	(7,252)	(17,654)
Proceeds from sale of furniture fixtures & equipment	19,000	-
Cash flows from discontinued operations, net	(846,496)	314,000
Net payments for acquisition of Cornerstone	-	(148,372)
Net proceeds from acquisition of Hotify Inc.	-	68,000
Net cash (used in) provided by Investing Activities	\$ (834,748)	\$ 193,974

The accompanying notes are an integral part of these consolidated financial statements.

SONASOFT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020, and December 31, 2019

CASH FLOWS FROM FINANCING ACTIVITIES:

(Payments)/Proceeds from Bank Credit Line	\$	(505,047)	\$	505,047
Proceeds from issuance of 8% convertible notes		1,005,000		-
Proceeds from PPP Loan		429,500		
Proceeds payments from notes payable-related party		20,000		(90,000)
Stock subscription		6,250		1,288,000
Proceeds from issuance of common stock		217,500		1,960,021
Operating lease liability payment		(114,494)		
Proceeds from issuance of preferred stock		-		1,985,000
Net cash provided by financing activities		<u>1,058,709</u>		<u>5,648,068</u>

NET INCREASE (DECREASE) IN CASH

(2,539,299) **2,107,474**

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR

2,719,976 1,024,293

CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR ATTRIBUTED TO DISCONTINUED OPERATIONS

(411,791)

CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

180,677 **2,719,976**

NON-CASH INVESTING AND FINANCING TRANSACTIONS

Sale of Optimaize, Inc. and E-Connect Inc. software for preferred shares	\$	129,536	\$	-
Sale of Optimize Inc, and E-Connect Inc. software for common shares		73,600		-
Acquisition of Optimaize, Inc. software for common and preferred stock		-		183,160
Issuance of common stock for acquisitions		-		1,085,622
Issuance of preferred stock for acquisitions		-		2,508,846
Issuance of common stock for accrued compensation or services		762,831		449,134
Conversion of notes payable to common shares		-		300,000
Operating lease acquired for lease liability		45,315		234,693
Total non-cash investing and financing transactions	\$	<u>1,011,282</u>	\$	<u>4,761,455</u>

SUPPLEMENTAL DISCLOSURES

Cash paid for:

Interest	\$	67,228	\$	38,113
income taxes	\$	1,600	\$	1,661

The accompanying notes are an integral part of these consolidated financial statements

SONASOFT CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY
For the years ended December 31, 2020, and December 31, 2019

	<u>Common Stock</u>		Additional Paid-In Capital	Other Comprehensive Loss	Accumulated Deficit	Stockholders' (Deficit) Equity
	Number of Shares	Amount				
Balance as of December 31,2018	181,489,129	\$ 7,636,655	\$ 2,743,878	\$	\$ (17,855,066)	\$ (7,474,533)
Issuance of common stock for cash	22,240,035	1,960,021				1,960,021
Conversion of common stock into Preferred stock	(5,670,000)	(141,750)				(141,750)
Stock Options issued			792,313			792,313
Issuance of common stock for services	1,650,000	135,000				135,000
Issuance of common stock for loan	12,000,000	300,000				300,000
Issuance of stocks for acquisitions	45,202,957	1,085,622				1,085,622
Issuance of stocks for compensation	2,207,423	55,186				55,186
Subscription			1,288,000			1,288,000
Accumulated Comprehensive Loss				(1,703)		(1,703)
Net loss for the year					(4,704,090)	(4,704,090)
Balance as of December 31,2019	259,119,544	\$ 11,030,734	\$ 4,824,191	\$ (1,703)	\$ (22,559,156)	\$ (6,705,934)
Issuance of common stock for cash	2,000,000	200,000				200,000
Exercise of Stock Options for Cash	700,000	17,500				17,500
Conversion of Preferred stocks to Common Stock	218,648,760	4,891,021				4,891,021
Stock Options issued			1,143,919			1,143,919
Issuance of stocks for compensation	2,766,259	278,831				278,831
Subscription			6,250			6,250
Subscription Previous year	12,880,000	1,288,000	(1,288,000)			-
Buyback	(2,000,000)	(73,600)				(73,600)
Simple Agreement for Future Equity (SAFE) Exercised	16,266,528					-
Accumulated Comprehensive Loss				(1,062)		(1,062)
Net loss for the year					(7,556,957)	(7,556,957)
Balance as of December 31,2020	510,381,091	\$ 17,632,486	\$ 4,686,360	\$ (2,765)	\$ (30,116,113)	\$ (7,800,032)

The accompanying notes are an integral part of these consolidated financial statements.

SONASOFT CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY
For the years ended December 31, 2020, and December 31, 2019

	Preferred Stock		Stockholders' (Deficit) Equity
	Number of Shares	Amount	
Balance as of December 31,2018	2,209,214	\$ 5,543,035	\$ 5,543,035
Issuance of preferred stock for cash	244,000	1,985,000	1,985,000
Conversion of Common stock into Preferred stock	56,700	141,750	141,750
Issuance of stocks for compensation	94,163	258,948	258,948
Issuance of preferred stocks for acquisitions	926,727	2,508,846	2,508,846
Balance as of December 31,2019	3,530,804	\$ 10,437,579	\$ 10,437,579
Conversion of Common stock into Preferred stock	(1,987,716)	(4,891,021)	(4,891,021)
Issuance of stocks for compensation	32,000	484,000	484,000
Buyback	(32,000)	(129,536)	(129,536)
Balance as of December 31,2020	1,543,088	\$ 5,901,022	\$ 5,901,022

The accompanying notes are an integral part of these consolidated financial statement

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

Sonasoftware Corporation (the "Company") was incorporated under the laws of the State of California on December 18, 2002. Prior to 2019, the Company's primary business was to develop and sell software to automate disk-to-disk backup and recovery processes for Microsoft Exchange, Structured Query Language ("SQL") and Windows Servers. Sonasoftware's products provided integrated data protection, instant messaging and e-mail archiving and disaster recovery solutions. During 2019, the Company acquired three entities; Cornerstone Technologies, a value-added reseller of hardware and software solutions was acquired in Jan 2019, Hotify Inc, a developer of NuGene AI, an artificial intelligence software platform was acquired in April 2019, and E-connect Inc., a provider of data analytics and data science engineering services was acquired in May 2019. With the integration of the capabilities and customer networks of these acquisitions, the Company has pivoted its primary long-term focus to the development and provision of artificial intelligence (AI) software solutions, divesting of the E-Connect and Optimaize businesses in March of 2021.

NOTE 2 – GOING CONCERN

As reflected in the accompanying consolidated financial statements, the Company has a net loss and net cash used in operations of \$ 7,556,957 and \$2,763,260 respectively, for the year ended December 31, 2020. Additionally, the Company has a working capital deficit and accumulated deficit of approximately \$4.66 million and \$30.12 million, respectively, as of December 31, 2020. These factors raise substantial doubt about the Company's ability to continue as a going concern within one year after the issuance date of these financial statements. The ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or to obtain the necessary financing to meet its debt obligations and repay its liabilities arising from normal business operations when they come due. The Company's ability to raise additional capital through future issuances of common stock is unknown. The attainment of additional financing, the successful development of the Company's contemplated plan of operations, and its transition, ultimately, to the attainment of profitable operations are necessary for the Company to continue operations.

On March 11, 2020, the World Health Organization characterized a novel strain of coronavirus ("COVID-19") as a global pandemic and recommended containment and mitigation measures. On March 13, 2020, the United States declared a national emergency concerning the outbreak, and several states and municipalities have declared public health emergencies. Beginning at the end of February 2020, global concerns about COVID-19 intensified and since then, COVID-19 has been materially and negatively impacting travel demand, as a result of widespread travel restrictions imposed by governments and businesses. Many countries, particularly in North America (including the U.S.), Asia and Europe, have adopted laws, rules, regulations or decrees intended to address the COVID-19 pandemic, including implementing various travel restrictions, "shelter in place or "social distancing" mandates, restricting access to city centers or popular tourist destinations and restaurants or limiting other accommodation offerings in surrounding areas.

We continue to monitor the effects COVID-19 could have on our operations and liquidity including our ability to collect account receivable timely from our customers due to the economic

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

impacts COVID-19 could have on the general economy. COVID-19 has also impacted our ability to travel, meet distribution partners in their offices, present at tradeshows, and perform other enterprise-related sales functions. Many customers have still yet to return to their pre-pandemic “normal” office working conditions. These continued operating conditions have impacted our ability to execute and deploy some of our normal sales and marketing activities.

Uncertainty regarding these matters raises substantial doubt about the Company’s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. While the Company believes in the viability of its strategy to generate revenues, there can be no assurances to that effect. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and consolidation

The accompanying consolidated financial statements include the accounts of Sonasoft Corporation and all of its wholly owned subsidiaries and have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States. All significant intercompany transactions and balances have been eliminated in consolidation.

Business Combinations

The Company accounts for business combinations using the acquisition method of accounting, under which the consideration for the acquisition, including the fair value of any contingent consideration, is allocated to the assets acquired and liabilities assumed. The Company recognizes identifiable assets acquired and liabilities assumed (both specific and contingent) at their acquisition date fair values as determined by management as of the acquisition date. The excess of the consideration over the assets acquired net of liabilities assumed is recognized as goodwill and as bargain purchase where the consideration is less than the asset acquired net of liabilities assumed. In connection with certain acquisitions, the Company enters into agreements to pay additional cash amounts based on the achievement of certain performance measures and/or service and time requirements. Subsequent to the completion of the acquisition, the Company evaluates the fair value of contingent consideration quarterly based on estimates of the probability of achieving certain financial metrics and/or service and time requirements. Adjustments to contingent consideration in periods subsequent to the completion of an acquisition are reflected in other income (expense) in the consolidated statements of operations.

Acquisition-related costs, such as due diligence, legal and accounting fees, are expensed as incurred and not considered in determining the fair value of the acquired assets. Acquisition-related costs are reflected in selling, general and administrative expense in the consolidated statements of net and comprehensive income.

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet, and revenues and expenses for the period then ended. Actual results may differ significantly from those estimates. Significant estimates made by management include but are not limited to the going concern assessment, useful life of long-lived assets and the impairment of goodwill.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. The Company did not have cash equivalents at December 31, 2020 and 2019. The Company places its cash with high credit quality financial institutions. The Company's accounts at these institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of December 31, 2020, the Company had bank balances exceeding the FDIC insurance limit on interest bearing accounts, but these are held with established financial institutions. To reduce the risk associated with the failure of such financial institutions, the Company evaluates at least annually the rating of the financial institutions in which it holds deposits.

Basic and Diluted Net Loss per Share

Basic net loss per share is computed by dividing the net loss by the weighted average number of common shares during the period. Diluted net loss per share is computed using the weighted average number of common shares and potentially dilutive securities outstanding during the period. The Company had 9,400,822 and 114,322,703 potentially dilutive securities outstanding, on December 31, 2020, and December 31, 2019, respectively, related to outstanding stock options.

Those potentially dilutive common stock equivalents were excluded from the dilutive loss per share calculation as they would be antidilutive due to the net loss.

Research and Development Costs

Research and development ("R&D") costs are expensed as incurred. R&D costs include salaries and benefits, stock-based compensation and other personnel-related costs associated with product development. Also included in R&D expenses are infrastructure costs, which consist of materials used in the development effort, other internal costs, as well as expenditures for third party professional services. Material software development costs incurred subsequent to establishing technological feasibility through the general release of the software products are capitalized. Technological feasibility is demonstrated by the completion of a detailed program design or working model, if no program design is completed. GAAP requires that annual amortization expense of the capitalized software development costs be the greater of the amounts computed using the ratio of gross revenue to a products' total current and anticipated revenues, or the straight-line method over the products' remaining estimated economic life. We have determined that technological feasibility for the Company's software products is reached shortly before the products are released to manufacturing. Costs incurred after technological feasibility is established have not been material. We expense software-related research and development costs as incurred.

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes

The Company accounts for income taxes pursuant to the provision of Accounting Standards Codification (“ASC”) 740-10, “Accounting for Income Taxes” (“ASC 740-10”), which requires, among other things, an asset and liability approach to calculating deferred income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred asset will not be realized.

The Company follows the provision of ASC 740-10 related to Accounting for Uncertain Income Tax Positions. When tax returns are filed, there may be uncertainty about the merits of positions taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions.

Tax positions that meet the more likely than not recognition threshold are measured at the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefit associated with tax positions taken that exceed the amount measured as described above should be reflected as a liability for uncertain tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company believes its tax positions are all more likely than not to be upheld upon examination. As such, the Company has not recorded a liability for uncertain tax benefits.

The Company has adopted ASC 740-10-25, “Definition of Settlement”, which provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits and provides that a tax position can be effectively settled upon the completion and examination by a taxing authority without being legally extinguished. For tax positions considered effectively settled, an entity would recognize the full amount of tax benefit, even if the tax position is not considered more likely than not to be sustained based solely on the basis of its technical merits and the statute of limitations remains open.

Revenue Recognition

The Company records revenue from numerous sources including services related to professional services, system integration and migration, providing artificial intelligence (“AI”) tools for software applications and is a value-added reseller of both hardware and software for original equipment manufacturers (“OEMs”) and software publishers.

The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are established, the contract has commercial substance and collectability of consideration is probable. The Company evaluates the following indicators amongst others when determining whether it is acting as a principal in the transaction and recording revenue on a gross basis: (i) the Company is primarily responsible for fulfilling the

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

promise to provide the specified goods or service, (ii) the Company has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer and (iii) the Company has discretion in establishing the price for the specified good or service. If the terms of a transaction do not indicate the Company is acting as a principal in the transaction, then the Company is acting as an agent in the transaction and the associated revenues are recognized on a net basis.

The Company recognizes revenue once control has passed to the customer. The following indicators are evaluated in determining when control has passed to the customer: (i) the Company has a right to payment for the product or service, (ii) the customer has legal title to the product, (iii) the Company has transferred physical possession of the product to the customer, (iv) the customer has the significant risk and rewards of ownership of the product and (v) the customer has accepted the product. The Company's products can be delivered to customers in a variety of ways, including (i) as physical product shipped from the Company's warehouse, (ii) via drop-shipment by the vendor or supplier or (iii) via electronic delivery of keys for software licenses. The Company's shipping terms typically allow for the Company to recognize revenue when the product reaches the customer's location.

The Company leverages drop-shipment arrangements with many of its vendors and suppliers to deliver products to its customers without having to physically hold the inventory at its warehouses. The Company is the principal in the transaction and recognizes revenue for drop-shipment arrangements on a gross basis.

The Company invoices its customers in advance for certain revenue streams and recognizes deferred revenue for the amount collected on the invoices raised in advance. Revenue is then recognized when the services are rendered.

Revenue Recognition for Hardware

Revenues from sales of hardware products are recognized on a gross basis as the Company is acting as a principal in these transactions, with the selling price to the customer recorded as Net sales and the acquisition cost of the product recorded as Cost of sales. The Company recognizes revenue from these transactions when control has passed to the customer, which is usually upon delivery of the product to the customer.

The Company's vendor partners warrant most of the products the Company sells. These manufacturer warranties are assurance-type warranties and are not considered separate performance obligations. The standard warranties are not sold separately and only provide assurance that products will conform with the manufacturer's specifications. Certain vendor partners will provide the customer with an extended warranty or enhanced support. These extended warranties and enhanced support are sold separately and provide the customer with a service in addition to assurance that the product will function as expected. The Company considers these warranties to be separate performance obligations from the underlying product. For extended warranties and enhanced support, the Company is arranging for those services to be provided by the vendor partner and therefore is acting as an agent in the transaction and records revenue on a net basis at the point of sale.

Revenue Recognition for Software

Revenues from most software license sales are recognized as a single performance obligation on a gross basis as the Company is acting as a principal in these transactions at the point the software

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

license is delivered to the customer. For additional information regarding the accounting for bundled arrangements, see "Revenue Recognition for Bundled Arrangements" below.

Revenue Recognition for Services

The Company provides professional services, including support and maintenance activities, which include project managers, consultants and certain supporting software, recommending, designing and implementing IT solutions, including ongoing IT managed services. Revenue from professional services is recognized either on a time and materials basis or proportionally over time as costs are incurred for fixed fee project work. Revenue is recognized on a gross basis each month as work is performed and the Company transfers those services. For support and maintenance activities, revenue is recognized over time each month as the services are provided.

In certain instances, the customer requests a proof of concept of the Company's AI solutions. In those cases, the customer is not required or obligated to pay unless the concept is proven based on the terms outlined in the contract. As such the Company records revenue related to these proof-of-concept contracts at the point in time where the concept is proven based on its terms.

Revenue Recognition for Bundled Arrangements

The Company also sells some of its products and services as part of bundled contract arrangements containing multiple deliverables, which may include a combination of products and services. For each deliverable that represents a distinct performance obligation, total arrangement consideration is allocated based upon the standalone selling prices of each performance obligation.

Freight Costs

The Company records freight billed to its customers as Net sales and the related freight costs as Cost of sales when the underlying product revenue is recognized. For freight not billed to its customers, the Company records the freight costs as Cost of sales. The Company's typical shipping terms result in shipping being performed before the customer obtains control of the product. The Company considers shipping to be a fulfillment activity and not a separate performance obligation.

Other

When a contract results in revenue being recognized in excess of the amount the Company has the right to invoice to the customer, a contract asset is recorded on the Consolidated Balance Sheets. Contract assets are comprised primarily of professional services with fixed fee arrangements.

Contract liabilities consist of payments received from customers, or such consideration that is contractually due, in advance of providing the product or performing services. Contract liabilities are comprised primarily of professional services with fixed fee arrangements and when customers make annual payments for monthly maintenance and support, where control has not passed to the customer and certain governmental contracts.

Trade accounts receivable are recorded at the point of sale (or in accordance with the Statement of Work or Invoice for services) for the total amount payable by the customer to the Company for sale of goods. Taxes to be collected from the customer as part of the sale are included in Accounts receivable.

The Company noted no material incremental direct costs of obtaining a contract.

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company typically does not enter into long-term contracts. The Company has elected to use the practical expedient for its performance obligations table to include only those contracts that are longer than 12 months at the time of contract inception and those contracts that are non – cancelable. Typically, the only contracts that are longer than 12 months in duration are related to the Company's managed services business.

The Company generally does not enter into any long-term financing arrangements or payment plans with customers or contracts with customers.

The Company tracks revenues based on general product or service categories including those revenues recorded at a point in time as well as over-time. The tables on the following page show the disaggregated revenue for the years ended December 31, 2020 and 2019:

Major Products and Services

	<u>2020</u>	<u>2019</u>
Hardware	\$ 2,090,830	\$ 3,826,764
Software	3,087,013	2,072,916
Services	3,672,461	4,437,242
Other	<u>84,967</u>	<u>14,476</u>
Total Sales	\$8,935,271	\$10,351,398

Timing of Revenue Recognition

	<u>2020</u>	<u>2019</u>
Transferred at a point in time where Sonasoft is Principal	\$8,935,271	\$10,351,398
Transferred at a point in time where Sonasoft is Agent	<u>-</u>	<u>-</u>
Total Sales	\$8,935,271	\$10,351,398

Stock-Based Compensation

Stock-based compensation is accounted for based on the requirements of ASC 718, “Compensation - Stock Compensation”, which requires recognition in the financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award. The Company recognizes compensation on a straight-line basis over the requisite service period for each award.

The Company adopted ASU No. 2018-7, *Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* awards (“ASU 2018-7”) on Jan 1, 2018. As a result, awards made to independent contractors on or subsequent to Jan 1, 2018, are measured based on the grant date closing price of the Company’s common stock consistent with awards made to the Company’s employees and directors. Unvested awards issued to independent consultants/ contractors as of the adoption date of Jan 1, 2018 were remeasured at the adoption date stock price. The Company will recognize the remaining unrecognized value of unvested awards over the remaining performance period based on the adoption date stock price, with no further remeasurement through the performance completion date. Prior to the adoption of ASU 2018-7, the Company determined that the fair value of the awards made to independent contractors

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

would be measured based on the fair value of the equity instrument as it is more reliably measurable than the fair value of the consideration received. The Company used the grant date as the performance commencement date, and the measurement date was the date the services were completed, which was the vesting date. As a result, the Company recorded stock-based compensation for these awards over the vesting period on a straight-line basis with periodic adjustments during the vesting period for changes in the fair value of the awards. If there are any modifications or cancellations of the underlying unvested share-based awards, the Company may be required to accelerate, increase or cancel any remaining unrecognized or previously recorded stock-based compensation expense.

Fair Value of Financial Instruments

Fair value is 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. The Company classifies assets and liabilities recorded at fair value under the fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. The fair value measurements are classified under the following hierarchy:

- Level 1-Observable inputs that reflect quoted market prices (unadjusted) for identical assets and liabilities in active markets.
- Level 2-Observable inputs, other than quoted market prices, that are either directly or indirectly observable in the marketplace for identical or similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities; and
- Level 3-Unobservable inputs that are supported by little or no market activity that is significant to the fair value of assets or liabilities.

The estimated fair values of certain financial instruments, including cash, accounts receivable, accounts payable, accrued expense, accrued compensation, royalty liabilities and other current liabilities approximates their carrying values because of the short-term nature of these instruments and for the use of implicit interest rates. The notes payable approximate the fair value of such instruments based upon management's best estimate of interest rates that would be available to the Company for similar financial arrangements.

Long-Lived Assets

Long-lived assets and certain identifiable intangible assets related to those assets are periodically reviewed for impairment whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recoverable. If the non-discounted future cash flows of the enterprise are less than their carrying amount, their carrying amounts are reduced to fair value and an impairment loss is recognized. The Company did not record any impairment losses during the fiscal year ended December 31, 2020, or the fiscal year ended December 31, 2019.

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cost of Sales

Cost of sales includes all the direct costs pertaining to services provided to customers. Cost of sales includes cost of hardware, consulting fees to provide cloud archiving services and any other related direct expenses.

The Company receives bills from its vendors in advance for certain services to be received subsequent to the payment made in advance and recognizes such cost as prepaid expenses. The Prepaid expenses are amortized when the services are received.

Recent Accounting Pronouncements Adopted

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02 and subsequent amendments, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. We adopted the new standard on January 1, 2019.

The standard requires a modified retrospective transition approach and we have elected to apply the new standard as of the effective date of January 1, 2019, and as such financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019. We elected the ‘package of practical expedients’, which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. As of December 31, 2019 the Company only had one operating lease classified as short term under the available short-term lease practical expedient which allows those leases with terms shorter than 12 months to be recorded without recognizing the ROU asset and lease liability on the balance sheet. The Company’s one lease relates to its recently acquired Cornerstone Tech Inc. entity. The Company determined it would exercise its renewal option on its operating lease on December 31, 2019 for an extended term of 24 months commencing on 2/1/2020 and ending on 1/31/2022 with lease payments of \$9,785 per month. This lease was transferred to a smaller suite in September of 2020, with a lease payment of \$3,642 per month. As a result of the decision to exercise the option for a long-term extension on December 31, 2019 the Company recorded an ROU asset of \$39,963 and lease liability associated with this lease in December 2020 of \$45,315, and an ROU asset of \$235,049 and lease liability associated with this lease in December 2019 of \$235,049.

In January 2017, the FASB issued ASU 2017-04, "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment", or ASU 2017-04, which addresses concerns over the cost and complexity of the two-step goodwill impairment test by removing the second step of the test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. ASU 2017-04 will be effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. During 2019, the Company adopted the guidance contained in ASU No. 2017-04 which removes the step 2 requirement to perform a hypothetical purchase price allocation to measure goodwill impairment.

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Goodwill impairment is the amount by which the Company's single reporting unit carrying value exceeds its fair value, not to exceed the recorded amount of goodwill. To estimate the fair value of the Company's equity, the Company used a market approach based on the guideline.

In January 2017, the FASB issued ASU 2017-04, "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment", or ASU 2017-04, which addresses concerns over the cost and complexity of the two-step goodwill impairment test by removing the second step of the test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. ASU 2017-04 will be effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. During 2019, the Company adopted the guidance contained in ASU No. 2017-04 which removes the step 2 requirement to perform a hypothetical purchase price allocation to measure goodwill impairment. Goodwill impairment is the amount by which the Company's single reporting unit carrying value exceeds its fair value, not to exceed the recorded amount of goodwill. To estimate the fair value of the Company's equity, the Company used both a market approach based on the guideline companies' method ("Market Comparable Approach"), and an income approach based on a discounted cash flow analysis.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement" which eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of its disclosure framework project. The guidance is effective for all entities in fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, and early adoption is permitted. The Company determined that the adoption of this standard as of January 1, 2020 would not have a material impact on its financial statements.

Recent Accounting Pronouncements Yet to be Adopted

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", or ASU 2016-13, which introduces a new impairment model for financial instruments that is based on expected credit losses rather than incurred credit losses. The new impairment model applies to most financial assets, including trade accounts receivable. The amendments in ASU 2016-13 are effective for interim and annual reporting periods beginning after December 15, 2019 with early adoption permitted for annual periods beginning after December 15, 2018. In May and April 2019, the FASB issued ASU No. 2019-05 and ASU No. 2019-04, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses" which further clarifies the ASU 2016-13. In November 2019, the FASB issued ASU No. 2019-10 "Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)" which delayed, for smaller reporting companies, the mandatory effective date for interim and annual reporting periods beginning after December 15, 2022. The Company is currently in the process of evaluating the impact of adoption on its consolidated financial statements.

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (ASU 2019-12), which simplifies the accounting for income taxes. This guidance will be effective for entities for the fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, on a prospective basis, with early adoption permitted. The Company will adopt the new standard effective December 1, 2021, and does not expect the adoption of this guidance to have a material impact on our consolidated financial statements

The Company has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its consolidated financial statements.

Comparative Figures

Certain comparative amounts have been reclassified to conform with the current year presentation.

NOTE 4 – GOODWILL AND INTANGIBLE ASSETS

Goodwill is the excess of purchase price over the fair value of identified net assets of businesses acquired. Intangible assets with indefinite useful lives are measured at their respective fair values as of the acquisition date. The Company does not amortize goodwill and intangible assets with indefinite useful lives. The Company reviews goodwill and indefinite-lived intangible assets at least annually for possible impairment. Goodwill and indefinite-lived intangible assets are reviewed for possible impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit or the indefinite-lived intangible assets below their carrying values.

The changes in the carrying amount of goodwill are as follows:

Balance as of 12/31/2019 - \$2,938,771

Balance as of 12/31/2020 - \$2,938,771

The company did not recognize any impairment of goodwill in 2020.

Sonasoftware acquired intangible assets through its acquisition of Cornerstone, Hotify, E-Connect and Optimaize subsidiaries in 2019. These assets that were valued via third party valuation analysis at the time of acquisition and subsequently amortized or disposed of via divestment. These intangible assets included non-compete agreements applying to key executives, domain names acquired from the subsidiaries, the customer relationships of the various entities, and proprietary software acquired in the transactions. Sonasoftware has also lodged provisional patents to protect its intellectual property.

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Impact of Additions to Intangible Assets - 2019

	Cornerstone	Hotify	SSFT	Total
Non-Compete	\$ -	\$ 17,000	\$ -	\$ 17,000
Domain Names	6,000	1,000	-	7,000
Customer Relations	1,511,000	-	-	1,511,000
Software	98,000	1,482,000	-	1,580,000
Patents	-	-	2,638	2,638
	<u>\$ 1,615,000</u>	<u>\$ 1,500,00</u>	<u>\$ 2,638</u>	<u>\$ 3,117,638</u>

Impact of Disposals of Intangible Assets - 2019

	Cornerstone	Hotify	SSFT	Total
Non-Compete	\$ -	\$ -	\$ -	\$ -
Domain Names	-	-	-	-
Customer Relations	-	-	-	-
Software	-	-	-	-
Patents	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Impact of Amortization of Intangible Assets - 2019

	Cornerstone	Hotify	SSFT	Total
Non-Compete	\$ -	\$ 6,021	\$ -	\$ 6,021
Domain Names	-	-	-	-
Customer Relations	140,971	-	-	140,971
Software	13,415	104,975	-	118,390
Patents	-	-	-	-
	<u>\$ 154,386</u>	<u>\$ 110,996</u>	<u>\$ -</u>	<u>\$ 265,382</u>

Net Intangible Asset Value - December 31, 2019

	Cornerstone	Hotify	SSFT	Total
Non-Compete	\$ -	\$ 10,979	\$ -	\$ 10,979
Domain Names	6,000	1,000	-	7,000
Customer Relations	1,370,029	-	-	1,370,029
Software	84,585	1,377,025	-	1,461,610
Patents	-	-	2,638	2,638
	<u>\$ 1,460,614</u>	<u>\$ 1,389,004</u>	<u>\$ 2,638</u>	<u>\$ 2,852,256</u>

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Impact of Additions to Intangible Assets - 2020

	Cornerstone	Hotify	SSFT	Total
Non-Compete	\$ -	\$ -	\$ -	\$ -
Domain Names	-	-	-	-
Customer Relations	-	-	-	-
Software	-	-	-	-
Patents	-	-	-	-
	\$ -	\$ -	\$ -	\$ -

Impact of Disposals of Intangible Assets - 2020

	Cornerstone	Hotify	SSFT	Total
Non-Compete	\$ -	\$ -	\$ -	\$ -
Domain Names	-	-	-	-
Customer Relations	-	-	-	-
Software	-	-	-	-
Patents	-	-	-	-
	\$ -	\$ -	\$ -	\$ -

Impact of Amortization of Intangible Assets – 2020

	Cornerstone	Hotify	SSFT	Total
Non-Compete	\$ -	\$ 8,500	\$ -	\$ 8,500
Domain Names	-	-	-	-
Customer Relations	151,100	-	-	151,100
Software	14,000	148,200	-	162,200
Patents	-	-	-	-
	\$ 165,100	\$ 156,700	\$ -	\$ 321,800

Net Intangible Asset Value – December 31, 2020

	Cornerstone	Hotify	SSFT	Total
Non-Compete	\$ -	\$ 2,479	\$ -	\$ 2,479
Domain Names	6,000	1,000	-	7,000
Customer Relations	1,218,929	-	-	1,218,929
Software	70,584	1,228,826	-	1,299,410
Patents	-	-	2,638	2,638
	\$ 1,295,513	\$ 1,232,305	2,638	\$ 2,530,456

Basis for Amortization of Intangible Assets (Months)

	Cornerstone	Hotify	E-Connect	Optimaize	Sonasoft
Non-Compete	NA	24	24	NA	NA
Domain Names	NA	NA	NA	NA	NA
Customer Relations	120	NA	60	NA	NA
Software	84	120	NA	84	NA
Patents	NA	NA	NA	NA	NA

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company recognized amortization expense of approximately \$321,800 and \$265,382 for the years ended December 31, 2020, and 2019, respectively.

Based on the carrying value of definite-lived intangible assets as of December 31, 2020, we estimate our amortization expense for the next five years will be as follows:

Year Ended December 31,	Amortization Expense
2021	315,779
2022	313,300
2023	313,300
2024	313,300
2025	313,300
Thereafter	958,837
	<u>2,527,816</u>

On June 26th, the Company finalized an agreement to divest its subsidiaries E-Connect Inc. and Optimaize Inc. to Vikas Agrawal and Judhajit Senmazumdar for a combination of Sonasoft shares and cash. They assumed all assets and liabilities of E-Connect Inc. and Optimaize Inc. as of the closing balance on March 31, 2020, in return for the surrender of 32,000 preferred shares of Sonasoft common stock, 2,000,000 shares of Sonasoft common stock, and payment of \$110,000 in cash.

NOTE 5 - PPP LOANS

The Company applied for, and received, funds under the Paycheck Protection Program (the “PPP Loan”) covered in these financial statements in the amount of \$429,500. The Company received the loan proceeds on or around May 15, 2020. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Company having initially qualified for the loan and qualifying for the forgiveness of such loan based on its future adherence to the forgiveness criteria.

The PPP Loan has a two-year term and bears interest at a rate of 1% per annum. Monthly principal and interest payments are deferred for 12 months after the date of disbursement. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties.

The promissory note executed by the Company in connection with the PPP Loan contains events of default and other provisions customary for a loan of this type. The PPP Loan is being used to retain the Company’s employees and allow them to be able to continue to provide essential services for the customers of the Company. Proceeds of the PPP Loan may also be used for other purposes permitted under applicable terms of the PPP. The current and non-current balances on the PPP note payable as of December 31, 2020, are as follows:

Current - \$250,542

Non-current - \$178,958

Total - \$429,500

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – RIGHT OF USE LEASE ASSETS

We have non-cancelable operating leases for our office facility that expire in 2022. On July 1, 2020, the Company renegotiated the office lease to transfer from our existing offices in Suite 110 to a smaller office in Suite 103. As a result, our monthly rent expense was reduced to \$3,642 as of December 1, 2020.

Lease right-of-use assets represent the right to use an underlying asset pursuant to the lease for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Lease right-of-use assets and lease liabilities are recognized at the commencement of an arrangement where it is determined at inception that a lease exists. These assets and liabilities are initially recognized based on the present value of lease payments over the lease term calculated using our estimated incremental borrowing rate generally applicable to the location of the lease right-of-use asset, unless an implicit rate is readily determinable. We combine lease and certain non-lease components in determining the lease payments subject to the initial present value calculation. Lease right-of-use assets include upfront lease payments and exclude lease incentives, if applicable. When lease terms include an option to extend the lease, we have not assumed the options will be exercised.

Lease expense for operating leases generally consist of both fixed and variable components. Expense related to fixed lease payments are recognized on a straight-line basis over the lease term. Variable lease payments are generally expensed as incurred, where applicable, and include agreed-upon changes in rent, certain non-lease components, such as maintenance and other services provided by the lessor, and other charges included in the lease. Leases with an initial term of twelve months or less are not recorded on the balance sheet. We recognized total lease expense of approximately \$119,486 and \$132,868 for the years ended December 31, 2020, and 2019, respectively, primarily related to operating lease costs paid to lessors from operating cash flows. We entered into our operating lease in January 2019.

Future minimum lease payments under operating leases that have initial noncancelable lease terms in excess of one year at December 31, 2020 were as follows:

Year Ended December 31,	Total
2021	\$ 43,704
2022	3,642
Less: Imputed interest	(2,031)
Operating lease liabilities	<u>45,315</u>
Operating lease liability – current	41,911
Operating lease liability - non-current	\$ 3,404

The following summarizes other supplemental information about the Company’s operating lease as of December 31, 2020:

Weighted average discount rate	6.75%
Weighted average remaining lease term (years)	1.01

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – DEFERRED REVENUE

Changes in deferred revenue were as follows:

	December 31, 2020	December 31, 2019
Balance, beginning of period	\$ 2,562,851	\$ 140,972
Deferral of revenue	5,415,945	4,447,798
Recognition of deferred revenue	(4,276,281)	(2,025,919)
Balance, end of period	<u>\$ 3,702,515</u>	<u>\$ 2,562,851</u>
Current	\$ 1,675,386	\$ 1,963,707
Non-current	2,027,129	599,144
	<u>\$ 3,702,515</u>	<u>\$ 2,562,851</u>

NOTE 8 – OPERATING EXPENSES

	2020	2019
Compensation Expenses	\$ 3,536,996	\$ 3,430,550
Marketing Expenses	468,871	583,228
Professional Fees	605,974	422,786
General & Administrative Expenses	301,155	460,623
Amortization	321,800	265,382
Royalties	564,692	190,871
Stock Based Compensation	1,143,919	792,313
License & Permits	525,000	-
R&D Expense	520,932	191,946
Total Operating Expense	<u>\$ 7,989,339</u>	<u>\$ 6,337,699</u>

NOTE 9 – ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company has a policy of providing an allowance for doubtful accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. The Company's bad debt allowance policy is to provide for 10% of the accounts receivable balance at the period end or the accumulation of specific uncollectible receivables, whichever is higher. Account balances deemed to be uncollectible are charged to bad debt expense and included in the allowance after all means of collection have been exhausted and

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

the potential for recovery is considered remote. As of December 31, 2020, and 2019, the allowance for doubtful accounts amounted to \$1,012 and \$51,549 respectively. The Company recorded a bad debt expense write-back of \$35,964 and \$45,752 during the years ended December 31, 2020, and 2019, respectively.

Accounts Receivable (Net)

	<u>2020</u>	<u>2019</u>
Accounts Receivable	\$ 919,096	\$ 1,251,056
Allowance for Doubtful Debt	(1,012)	(51,549)
Total Net Accounts Receivable	\$ 918,084	\$ 1,199,507

NOTE 10 – SEGMENTATION INFORMATION

The Company's segment information reflects the way the Chief Operating Decision Maker uses internal reporting to evaluate business performance, allocate resources and manage operations.

The Company has two reportable segments: Managed Services, which is comprised primarily of providing hardware, software, and information technology advisory services to customers and Artificial Intelligence Software Services (“AI Services”) which is comprised primarily of the creation, deployment and support of proprietary Artificial Intelligence Software.

The Company has centralized headquarters functions that provides support services to the segments, however each segment is responsible for the sales, delivery and analysis of its business unit. As a result, costs and intercompany charges associated with the headquarters function are fully allocated to the segments based on a percent of Net sales. The centralized headquarters function provides services in areas such as accounting, information technology, marketing, legal and coworker services. Headquarters function costs that are not allocated to the segments are included under the heading of "Headquarters" in the tables below.

The Company allocates resources to and evaluates performance of its segments based on Net sales, Operating income and Non-GAAP Operating income. However, the Company has concluded that Operating income is the more useful measure in terms of discussion of operating results, as it is a US GAAP measure.

Segment information for Total assets and capital expenditures is not presented, as such information is not used in measuring segment performance or allocating resources between segments.

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Selected Segment Financial Information

Information about the Company's segments for the years ended December 31, 2020 and 2019.

	<u>Managed Services</u>	<u>AI Services</u>	<u>Total</u>
2020:			
Net Sales	\$ 8,155,271	\$ 780,000	\$ 8,935,271
Operating loss	\$ (1,582,244)	\$ (4,821,735)	\$ (6,403,979)
2019:			
Net Sales	\$ 10,299,238	\$ 52,160	\$ 10,351,398
Operating loss	\$ (2,299,766)	\$ (2,072,271)	\$ (4,372,037)

Revenue by Major Product and Services:

For the year ended December 31, 2020:	<u>Managed Services</u>	<u>AI Services</u>	<u>Total</u>
Hardware	\$ 2,090,830	\$	\$2,090,830
Software	2,307,013	780,000	3,087,013
Services	3,672,461		3,672,461
Other	84,967		84,967
Total sales	\$ 8,155,271	\$ 780,000	\$8,935,271
For the year ended December 31, 2019:			
Hardware	\$ 3,826,764	\$	\$ 3,826,764
Software	2,020,756	52,160	2,072,916
Services	4,437,242		4,437,242
Other	14,476		14,476
Total sales	\$ 10,299,238	\$ 52,160	\$10,351,398

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Revenue by Timing of Revenue Recognition:

For the year ended December 31, 2020:	Managed Services	AI Services	Total
Transferred at a point in time where Sonasoft is principal	\$ 8,155,271	\$ 780,000	\$8,935,271
Transferred at a point in time where Sonasoft is agent	-	-	-
Transferred over time where Sonasoft is principal	-	-	-
Total sales	\$ 8,155,271	\$ 780,000	\$8,935,271

For the year ended December 31, 2019:			
Transferred at a point in time where Sonasoft is principal	\$ 10,299,238	\$ 52,160	\$10,351,398
Transferred at a point in time where Sonasoft is agent	-	-	-
Transferred over time where Sonasoft is principal	-	-	-
Total sales	\$ 10,299,238	\$ 52,160	\$10,351,398

NOTE 11 – DISCONTINUED OPERATIONS

The following tables represent the key items relating to the discontinued operations as presented in the consolidated balance sheets, statements of operations and cash flows.

	December 31, 2020	March 31, 2020		December 31, 2019	
		E-Connect	Optimaize	E-Connect	Optimaize
Net Assets from Discontinued Operations					
Cash	\$ -	\$ 328,201	\$ -	\$ 411,791	\$ -
Intangible Assets	-	209,921	168,891	224,495	175,230
Accounts Receivable	-	163,722	-	262,844	-
Accounts Payable	-	(352,155)	-	(403,281)	-
Other Liabilities	-	(7,594)	-	(17,339)	-
Net Assets	\$ -	\$ 342,095	\$ 168,891	\$ 478,510	\$ 175,230

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Statements of Operations of Discontinued Business

	2020				2019			
	Sonavault	E-Connect	Optimaize	Total	Sonavault	E-Connect	Optimaize	Total
Revenue	\$ 304,474	\$ 287,913	\$ -	\$ 592,387	\$ 505,681	\$ 2,034,479	\$ -	\$ 2,540,160
Cost of Goods Sold	189,609	218,975	-	408,584	198,976	1,295,381	-	1,494,357
Gross Profit	114,865	68,938	-	183,803	306,705	739,098	-	1,045,803
Expenses	444,991	142,099	6,175	593,265	769,440	466,041	7,929	1,243,410
Stock Compensation	-	380,928	253,952	634,880	-	-	-	-
Operating Expenses	444,991	523,027	260,127	1,228,145	769,440	466,041	7,929	1,243,410
Loss from operations	(330,126)	(454,089)	(260,127)	(1,044,342)	(462,735)	273,057	(7,929)	(197,607)
Business Sale	140,948	(112,862)	(84,787)	(56,701)	-	-	-	-
Bargain Purchase Gain	-	-	-	-	-	332,720	-	332,720
Interest	-	-	-	-	(6,522)	-	-	(6,522)
Other Expenses	-	-	-	-	(10,704)	-	-	(10,704)
Net loss from Discontinued Operations	\$ (189,178)	\$ (566,951)	\$ (344,914)	\$ (1,101,043)	\$ (479,961)	\$ 605,777	\$ (7,929)	\$ 117,887

A breakdown of the cashflows from discontinued operations is shown in the following table:

Cash Flows from Discontinued Operations	2020	2019
Cash Flows from Operating Activities		
Amortization of Intangibles	\$ 21,112	\$ 34,008
Cash provided by (used for) the change in:		
Accounts Receivable	163,722	(262,814)
Accounts Payable	(352,155)	403,281
Accrued Liabilities	(7,594)	17,339
Cash Flows from Investing Activities		
Cashflows from Discontinued Operations	(846,496)	314,000
Supplemental Disclosures		
Cash Paid for:		
Interest	\$ 35,664	\$ -
Income Taxes	\$ 1,661	\$ -

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Sale of E-Connect, Inc.

During April 2021 the Company elected to sell its wholly owned subsidiary E-Connect, Inc. (“E-Connect”) as part of a strategic shift to concentrate additional focus on certain products and services. E-Connect was sold to two Company executives who submitted their resignation of employment in conjunction with the sale. The sale was fully completed in April 2021 and the Company has no additional involvement after the sale date. As of the sale date, E-Connect had net assets of \$342,092 and received consideration by the return of 19,200 Company preferred shares valued at \$3.960 per share totaling \$76,032 and 1,200,000 common shares valued at \$0.036, per share totaling \$43,200, adjusted by the net cash amount of \$218,201. Due to the related party nature of the transaction, the share priced used in this sale, for the Company’s preferred and common shares, was consistent with the original share priced used to value the acquisition of E-Connect during 2019. The Company recorded a loss on the sale of E-Connect totaling \$112,862. In addition, the Company recorded discontinued operations losses associated with the E-Connect subsidiary up to sale date of \$454,089.

Sale of Optimaize, Inc.

During April 2020 the Company elected to sell its wholly owned subsidiary Optimaize, Inc. (“Optimaize”) as part of a strategic shift to concentrate additional focus on certain products and services. Optimaize was sold to two Company executives who submitted their resignation of employment in conjunction with the sale. The sale was fully completed in April 2020 and the Company has no additional involvement after the sale date. As of the sale date, Optimaize had net assets of \$168,691 consisting of \$168,691 in intangible assets, and received consideration totaling the return of 12,800 Company preferred shares valued at \$4.180 per share totaling \$53,504 and 800,000 common shares valued at \$0.038, per share totaling \$30,400. Due to the related party nature of the transaction, the share priced used in this sale, for the Company’s preferred and common shares, was consistent with the original share priced used to value the acquisition of Optimaize assets during 2019. The Company recorded a loss on the sale of Optimaize totaling \$84,787. In addition, the Company recorded discontinued operations losses associated with the Optimaize subsidiary up to sale date of \$260,127.

Sale of Sonavault Software Assets

During the year ended December 31, 2020, the Company elected to sell its Sonavault software product and business as part of a strategic shift to concentrate additional focus on certain products and services. Ownership of the Sonavault software assets was sold to a Company executive who submitted a resignation of employment in conjunction with the sale. The sale was fully completed during the year ended December 31, 2020, and the Company has no additional involvement after the sale date. As of the sale date all associated intangible assets were fully depreciated. The Company received consideration totaling \$140,948 in cash proceeds. The Company recorded a gain on the sale of the Sonavault software assets totaling \$140,948. In addition, the Company recorded discontinued operations losses associated with the Sonavault product up to sale date of \$330,126.

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 – ACCRUED EXPENSES AND LIABILITIES

Accrued expenses and accrued liabilities consist of the following:

	December 31 <u>2020</u>	December 31 <u>2019</u>
Credit card	\$ 20,572	\$ 27,086
Accrued vacation	110,432	166,988
Accrued legal expenses (see note 19)	835,000	1,166,563
Accrued commissions	11,261	86,942
Customer Prepaid	48,404	169,283
Others	<u>229,238</u>	<u>28,523</u>
	\$ 1,254,907	\$ 1,645,385

NOTE 13 - ACCRUED COMPENSATION

	December 31 <u>2020</u>	December 31 <u>2019</u>
Andy Khanna	\$ 1,284,441	\$ 1,284,441
VP Business Development	277,419	221,989
Chief Financial Officer	119,680	-
Chief Financial Officer-Ex	88,000	88,000
VP Product Development	-	126,324
Chief Executive Officer	<u>267,119</u>	<u>126,978</u>
	\$ 2,036,659	\$ 1,847,732

NOTE 14 – ROYALTY AGREEMENTS

During 2003, the Company entered into royalty agreements with certain investors whereby these investors were entitled to up to 5% of gross sales revenue in exchange of their royalty investment, until such time as the investor received a Royalty Premium of \$1,500,000 in aggregate (including initial \$500,000 investment). The Royalty Premium shall be paid in installments within 10 days from the end of each calendar quarter. Such Royalty Premium was payable only if management of the Company could reasonably determine that the Company is profitable. The royalty arrangement pertains to the Company's back- up and recovery solution, developed for SQL server and exchange in 2003. The Company discontinued selling this product in 2010 and the Company did not replace this product with any other product line. Due to the discontinuation of the product line, the Company stopped the accrual of royalty liabilities in 2010. In the last quarter of 2019, the company amended the agreement to include all revenues of Sonasoft Corporation, including the Cornerstone, Hotify, and E-Connect subsidiaries. As of December 31, 2020, and December 31, 2019, the balance of liabilities associated with the royalty agreement were \$1,488,612 and \$923,920, respectively. This royalty premium shall only be paid when management of Sonasoft reasonably determines that the company is profitable.

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - NOTES PAYABLE – RELATED PARTY

On January 23, 2017, the Company issued a promissory note in the amount of \$300,000 to Dr. Romesh Japra, Chairman of Sonasoft. The note bore interest at 10% per annum. The outstanding principal amount and interest due as of December 31, 2020, and December 31, 2019, was \$68,109 and \$68,109 respectively. The principal amount of the note payable was settled by issuance of 12M shares of common stock @ \$0.025 cents per share. As of December 31, 2020, the remaining interest due is \$68,109.

On August 25, 2020, the Company issued a promissory note in the amount of \$20,000 to Sally Khanna, mother of CEO Mike Khanna. The note bore interest at 3.5% per annum. The outstanding principal amount and interest due as of December 31, 2020, was \$20,246.

NOTE 16 – CONVERTIBLE NOTES PAYABLE

During the year ended December 31, 2020, the Company issued a series of convertible promissory notes to various investors with total proceeds of \$1,005,000. The convertible promissory notes bear interest at 8% per annum, with principal amount of \$440,000 maturing on September 1, 2021, and the remainder maturing on December 31, 2022. The convertible promissory notes do not require any interest or principal payments until the maturity date. On or after the maturity date, the convertible promissory notes, including accrued interest, are redeemable or convertible to preferred stock on demand at the election of the investor. Additionally, on or after the maturity date, if an individual investor does not elect redemption or conversion, and an election is made by investors holding more than 50% interest in the series, the majority interest investors can elect to redeem or convert the convertible promissory notes to preferred shares, for the remaining investors. The preferred shares will have the identical rights, privileges, preferences and restrictions as the shares of preferred stock issued in a qualified financing as defined in the agreement, including liquidation preference of 1.5x.

The conversion price on or after the maturity date is calculated using a “CAP Price” formula, which is defined as the quotient obtained by dividing (A) \$100,000,000 by (B) the total number of shares of the Company’s outstanding shares immediately prior to the initial closing of the Qualified Financing, as applicable or upon the investor(s) demand for conversion.

The convertible promissory notes also have an automatic conversion clause defined as a qualified financing as defined in the agreement occurring on or prior to the date of maturity, then the outstanding principal amount of this convertible promissory note and all accrued and unpaid interest shall automatically convert into shares of preferred stock. The automatic conversion will be transacted at a conversion price defined as the price per share equal to the lesser of (i) 80% of the price per share by the other purchasers of the Preferred Stock sold in a qualified financing as defined in the agreement and (ii) the Cap Price as discussed above.

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The outstanding principal amount and accrued unpaid interest as of December 31, 2020, was \$1,005,000 and \$16,685, respectively. During the year ended December 31, 2020, the Company recorded \$16,685 in interest expense related to these convertible promissory notes.

NOTE 17 - STOCKHOLDERS' EQUITY

Common Stock Issued for Cash

During the year ended December 31, 2020, the company issued 15,580,000 shares of common stock and received payment of \$217,500 for same. Of these shares, 2,000,000 shares were purchased directly in 2020, 700,000 were issued as an exercise of stock options, and 12,880,000 had been purchased by subscription in 2019 for payment of \$1,288,000.

During the year ended December 31, 2019, the company issued 22,240,035 shares of common stock and received payment of \$1,960,021.

Common Stock Issued for Services and Compensation

During the year ended December 31, 2020, 2,766,259 shares of common stock were issued for compensation valued at \$278,831

During the year ended December 31, 2019, the company issued 3,857,423 shares of common stock for services and compensation valued at \$190,186.

As part of the acquisition of E-Connect, Sonasoft agreed to the payment of post-completion compensation to Mr. 's Agrawal and Senmazumdar in the amount of 2,300,000 shares of common stock, to be paid in eight quarterly instalments, contingent on Mr. Agrawal's continued employment with Sonasoft during that period.

As part of the acquisition of Hotify, Sonasoft and Mr. Ankur Garg agreed to a contingency that 30% of the common shares issued to Mr. Garg as part of the acquisition of Hotify would be forfeit should Mr. Garg not remain employed by Sonasoft for a 24-month period following the transaction. This contingency has been amortized as stock-based compensation over the 24-month period.

Common Stock Issued/Returned for Acquisitions/Divestitures

During the year ended December 31, 2020, no shares of common stock were issued for acquisitions, and 2,000,000 shares of common stock valued at \$73,600 were returned to treasury as part of the divestiture of E-Connect and Optimaize.

During the year ended December 31, 2019, the company issued 45,202,957 shares of common stock for acquisitions valued at \$1,085,622.

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Common Stock Issued as Payment for Loans

During the year ended December 31, 2020, no shares of common stock were issued as payment for loans outstanding

During the year ended December 31, 2019, the company issued 12,000,000 shares of common stock valued at \$300,000 as payment of the outstanding principal on a loan to Dr. Romesh Japra.

Preferred Stock Issued for Cash

During the year ended December 31, 2020, no shares of preferred stock were issued for cash.

During the year ended December 31, 2019, the company issued 244,000 shares of preferred stock and received payment of \$1,985,000.

Preferred Stock Issued for Services and Compensation

As part of the acquisition of E-Connect, Sonasoft agreed to the payment of post-completion compensation to Mr. Agrawal and Mr. Senmazumdar in the amount of 32,000 shares of preferred stock, to be paid in eight quarterly instalments, contingent on Mr. Agrawal's continued employment with Sonasoft during those periods.

As part of the acquisition of Hotify, Sonasoft and Mr. Ankur Garg agreed to a contingency that 30% of the preferred shares issued to Mr. Garg as part of the acquisition of Hotify would be forfeit should Mr. Garg not remain employed by Sonasoft for a 24-month period following the transaction. This contingency has been amortized as stock-based compensation over the 24-month period.

During the year ended December 31, 2020, 32,000 shares of preferred stock were issued for compensation valued at \$484,000

During the year ended December 31, 2019, the company issued 94,163 shares of preferred stock for compensation valued at \$258,948.

Preferred Stock Issued/Returned for Acquisitions/Divestitures

During the year ended December 31, 2020, no shares of preferred stock were issued for acquisitions, and 32,000 shares of preferred stock valued at \$129,536 were returned to Treasury as part of the divestiture of E-Connect and Optimaize.

During the year ended December 31, 2019, the company issued 926,727 shares of preferred stock for acquisitions valued at \$2,508,846.

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Preferred Stock Converted to Common Stock

During the year ended December 31, 2020, various investors who during the year ended December 31, 2018, entered a conversion agreement whereby the investors elected to convert their common shares into preferred shares at a 100 to 1 ratio, elected based on the terms of the conversion agreement to re-convert their preferred shares into common shares at a ratio of 1 to 110. As a result of this conversion 1,987,716 preferred shares were converted into 218,648,760 common shares. The conversion from preferred shares to common shares was a cashless exercise with relative equal value converted. As of December 31, 2020, 1,543,088 preferred shares remain convertible under this conversion agreement.

NOTE 18 - COMMON STOCK OPTIONS

Plan Information

In May 2009, the 2009 Incentive and Non-Statutory Stock Option Plan was approved and adopted by the Board of Directors. Under the 2009 Plan, the Company may grant stock options to its employees, officers, and other key persons employed or retained by the Company and any non-employee director, consultant, vendor or other individual having a business relationship with the Company. Options are granted at various times and usually vest over a thirty-six (36) month period, unless the vesting period is reduced by Board of Directors.

Stock Options Granted to Employees and Consultants

The Company had 9,400,822 and 114,322,703 outstanding common stock options to various professional staff, consultants and directors of the company as at December 31, 2020 and December 31, 2019, respectively. During the year ending December 31, 2020, 700,000 options were exercised for payment of \$17,500, 20,352,693 were converted into Simple Agreements for Future Equity agreements by amendment of debt conversion agreements and cancellation of the original stock option agreements, 7,192,466 options expired, 4,196,712 options were forfeited through termination, and 72,480,010 options were cancelled via mutual agreement with option holders.

During the year ending December 31, 2019, the Company issued 20,080,010 common stock options and 3,650,000 common stock options were exercised for payment of \$91,250.

NOTE 19 - COMMITMENTS AND CONTINGENCIES

Employment Agreement

In March of 2012, the Company entered into an employment agreement with its then-Chief Executive Officer, Andy Khanna, through year 2016, at an annual minimum salary of \$150,000 per year, with additional fringe benefits as determined by the Board of Directors. In the event of termination of the agreement by the Company, the Company is required to pay a severance payment equivalent to 60 months of salary at the rate, and with the benefits, in effect at the date of termination. This employment agreement was extended until December 31, 2016. As of December

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31, 2020, and December 31, 2019, accrued compensation owed to Mr. Khanna was \$1,284,441 and \$1,284,441 respectively.

Lease Agreements

Cornerstone Tech Inc. executed a lease agreement to rent office space with starting date on 1/2/2016 thru 1/2/2019. The initial per month rate was \$8900. This lease was renewed on 1/2/2019 through 1/2/2020 at a rate of \$9,600. The company further extended the lease as of 2/01/2020, through to 1/31/2022 at a cost of \$9,785.30 per month from 02/01/2020 to 01/31/02021, and \$10,104.82 per month from 02/01/2021 to 01/31/2022. In September of 2020 the company was able to transfer the lease to a smaller suite, with a subsequent reduction in the monthly lease to \$3,642.

Employment Related Lawsuit

In November 2006, an ex-employee, Vince Khanna (no relation to Nand Khanna or Mike Khanna), filed a lawsuit against the Company for wrongful termination. In April 2010, the Company entered a settlement agreement with the ex-employee for the payment of \$227,000. In February 2013, the Company made a final payment of \$85,526. In 2013, the attorney for the ex-employee filed a motion for additional attorney's fees, costs, and interests and secured a new judgment of \$193,188. Shortly after obtaining the new judgment, the Plaintiffs attorney filed an alter ego case against the Company's former CEO, Andy Khanna, to amend the judgment to include Mr. Khanna.

The Company filed an appeal and secured it with a bond of \$289,782, against the collateral of real property.

On June 30, 2016, the Court of Appeals upheld the Plaintiff's judgment against the Company but dismissed Andy Khanna as an alter ego to the Company. The Company then filed a motion to recover its fees from winning the alter ego judgement as well as a reduction to the awarded attorney's fees. In early 2017, the Company lodged a new appeal against the afore-mentioned motions. The Company also secured this appeal with a bond of \$300,000 collateralized by a standby letter of credit established and secured against a Certificate of Deposit. Ultimately, the appellate court upheld that judgment, which has since been paid off in full. The bond was subsequently released, removing the need for the collateral agreement. Subsequently, plaintiff Vince Khanna filed a motion for additional attorney's fees in the amount of \$800,000, which has not been finally ruled upon.

In a related lawsuit, Andy Khanna filed a malicious prosecution lawsuit against the former employee, Vince Khanna and his attorney, James A. Sarrail. The trial court, however, sided with Vince Khanna and James Sarrail, as an anti-SLAPP motion and then awarded Vince Khanna, James Sarrail, and their attorneys the amount of \$171,508.08.

During the year ending December 31, 2019, the Company took an additional provision in the amount of \$860,000 against potential future payments against these claims, and the balance is included in the balance sheet under accrued expenses and accrued liabilities.

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In December of 2020, the company reached a forbearance settlement with Khanna and Sarrail against the exercise of the 3rd Amended judgement. In return for said forbearance, Sonasoft will pay the plaintiffs \$600,000 plus 10% simple interest in monthly instalments through December 2022. Additionally, Sonasoft has granted the plaintiffs a \$260,000 contribution to a convertible note facility.

NOTE 20 – INCOME TAXES

The Company operates in the United States; accordingly, federal and state income taxes have been provided based upon the tax laws and rates of the U.S. The Company has incurred losses since inception and has recorded a full valuation allowance on its net deferred tax assets.

The income tax provision differs from the amount of income tax determined by applying the federal income tax rate to pre-tax income from continuing operations for the years ended December 31, 2020 and 2019, due to the following:

Description	2020	2019
	<u> </u>	<u> </u>
Tax provision at expected tax rate (2020: 21%, 2019:21%)	\$ (1,583,366)	\$ (969,270)
Impact of permanent differences	337,646	177,966
Foreign rate differential	622	-
Other Adjustments	(157,569)	-
State Income tax	4,424	-
Other	(3,763)	(36,250)
Increase to valuation allowance	<u>1,417,528</u>	<u>827,554</u>
Income tax provision	\$ <u>\$15,522</u>	\$ <u>-</u>

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2020, the Company had net operating loss (“NOL”) carryforwards for federal income tax purposes of approximately \$13.8 million, of which \$4.2 million will begin to expire in 2037 if not utilized to offset taxable income, and \$9.6 million may be carried forward indefinitely. Future changes in ownership, as defined by Section 382 of the IRC, could limit the amount of NOL carryforwards used in any one year.

In general, under Sections 382 and 383 of the IRC, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change NOLs and certain tax credits, to offset future taxable income and tax. Generally, an ownership change occurs if the aggregate stock ownership of certain stockholder’s changes by more than 50 percentage points over such stockholders’ lowest percentage of ownership during the testing period (generally three years).

At December 31, 2020, and December 31, 2019, the Company placed a valuation allowance of \$4.1 million and \$2.6 million, respectively, against the entirety of its net deferred tax asset balance, as the Company has not determined that it is more likely than not to be realized. The change in the valuation allowance was \$1.4 million for the year ended December 31, 2020.

The Company files U.S. federal, U.S. state, and foreign tax returns, and is generally no longer subject to tax examinations for fiscal years prior to 2016. The Company’s 2019 2018, and 2017 tax years may still be subject to federal and state tax examination.

NOTE 21 - RELATED PARTY TRANSACTIONS

On January 23, 2017, the Company issued a promissory note in the amount of \$300,000 to Dr. Romesh Japra, Chairman and investor owning more than 20% of shares of Sonasoft common stock. The note bore interest at 10% per annum. The principal was paid out in full via the issuance of 12,000,000 share of common stock during 2020. An interest liability of \$68,109 remained outstanding as of December 31, 2020.

On August 25, 2020, the Company issued a promissory note in the amount of \$20,000 to Sally Khanna, mother of CEO Mike Khanna. The note bore interest at 3.5% per annum. The outstanding principal amount and interest due as of December 31, 2020, was \$20,246.

During 2019 and continuing in 2020 the Company has engaged Comezzo Inc., an India based marketing company, to perform a number of marketing tasks for the business. Ankur Garg, Sonasoft’s Chief of Artificial Intelligence, holds a direct 26% ownership stake in Comezzo, with an additional indirect 10% stake. Payments to Comezzo in 2020 were less than \$15,000.

During 2019 and continuing in 2020 the Company has engaged Bay Area GTM., a Silicon Valley based marketing company, to perform a number of marketing tasks for the business. Paul Clauson, one of the company’s directors is the owner of Bay Area GTM. Payments to Comezzo in 2020 were less than \$215,000

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 - SUBSEQUENT EVENTS

Between January 1, 2021, and May 17, 2021, the Company executed the following material transactions.

1. 278,741 shares of Preferred Stock were converted to 30,661,510 shares of common stock.
2. A former employee exercised 2,550,000 non statutory options for forgiveness of \$63,750 in accrued wages.
3. Terminated employees were issued a total of 1,143,824 shares at zero cost as part of voluntary separation and release agreements approved by the board.
4. The board approved amended articles of incorporation increasing the authorized common stock to 995,000,000 shares.
5. The board approved a new Employee Equity Incentive Plan to replace the 2009 Equity Incentive Plan.
6. The board authorized the company to raise additional capital of up to \$5,000,000 through the existing convertible note facility.
7. The board authorized the company to raise up to \$750,000 in capital through the issuance of warrants at \$0.025 connected to the convertible note investments.
8. The board authorized the company to raise up to \$2,200,000 in short term bridge financing through a sale of Rule 144 Restricted Common Stock at a price of \$0.025 per share.
9. The company secured additional commitments for \$1,444,250 of contribution to the convertible note.
10. The company secured commitments for \$2,113,947 towards the bridge financing and \$750,000 towards the warrants.
11. The board authorized the granting of 62,512,500 options on restricted common stock to employees, directors and advisors of the Company at a strike price of \$0.097, and 7,935,000 options on restricted common stock to employees, directors and advisors of the Company at a strike price of \$0.1187.
12. The board authorized the granting of long-term incentive grants to executives of the Company in the form of 45,750,000 restricted stock units.
13. The company received a second PPP loan in the amount of \$446,497.50.
14. On February 19, 2021, Ankur Garg ceased to be an employee of Sonasoft and relinquished his duties as Chief of Artificial Intelligence.

MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

Revenues from ongoing operations for the year ended December 31, 2020, were \$8.94M vs. \$10.35M for the year ended December 31, 2019. Gross profit for the year ended December 31, 2020, was \$1.59M vs. \$1.97M for the year ended December 31, 2019. The primary reason for the decrease in revenue and gross profit was the impact of COVID. The managed services segment contributed \$8.16M in revenues over 12 months, while the AI segment contributed \$0.78M. Gross profit margins fell from 19.0% to 17.7% reflecting a shift in sales volume in the managed services segment in favor of lower margin software sales.

The Company had a net loss from continuing operations of \$6.46M during the year ended December 31, 2020, vs. a loss of \$4.82M for the year ended December 31, 2019. Excluding stock-based compensation expenses for employees and directors (\$1.91M), and royalty accruals of \$0.57M, operating losses increased year over year by \$0.60M from \$3.39M to \$3.99M. Net loss per share from continuing operations declined by 41% from \$0.022 to \$0.013.

The primary reason for the increased loss was the negative revenue impact of COVID-19, as well as increased investment in AI development. Given the overall dynamic in the economy in 2020, many of the customers of the managed services segment chose to defer or cancel spending to conserve capital through the downturn. This was especially the case with higher margin services offerings, as discretionary spending on system upgrades or software implementations was one of the first casualties of the pandemic. It was only Cornerstone's excellent relationships and reputation, and the diligent efforts of our sales force, that allowed the company to maintain sales levels as high as it did. Similarly, the growth of AI revenues in 2020 was not as robust as hoped for at the beginning of the year, as several of our prospective OEM partners deferred or delayed their investments in new technology and services. Nonetheless, the AI segment still managed a 15X year over year increase in revenues with total sales of \$780k in 2020.

In the face of the challenge of this once in a century event, the company responded dynamically, initiating cost reduction measures across the entire business. From Q1 of 2020 to Q4 of 2020 salary costs were reduced by 60% and overall operating expenses were reduced by 30%. These steps not only allowed us to conserve cash, but resulted in a far more efficient, nimble and focused business as we approach the inevitable recovery of 2021. Net cash used in operating activities declined by \$0.97M from \$3.73M in 2019 to \$2.76M in 2020. Despite this cost cutting, the company continued to invest heavily in its core AI product development, increasing R&D expenditures by \$329k and focusing significant effort on deepening its relationships with strategic OEM partners, in particular FIS. This focus on our core AI business has positioned the company for the release of multiple revenue-generating AI bots in 2021.

As a result of the significant investment in product development and weakened revenues, shareholder's equity declined from \$3.73M as of December 31, 2019, to -\$1.90M as of December 31, 2020. However, most, if not all of the \$0.43M liability attached to PPP loans is expected to be forgiven in 2021. Similarly, the \$1.05M in liability attached to convertible debentures is expected to convert to equity within 12 to 18 months.

Looking ahead, the business has successfully weathered the COVID-19 pandemic and is positioned to accelerate execution of its AI vision. The final cash balance of \$181k as of December 31, 2020, represents a temporary low point masking the significant fundraising success the

company achieved at the end of 2020. In addition to the \$1.05M raised in the company's convertible debt facility in 2020, Sonasoft received subsequent commitments in early 2021 for over \$4M in additional investment, as well as a second PPP loan for \$0.45M, as detailed in the subsequent events note. This capital has secured the necessary development runway for the business to execute its ambitious AI product vision in 2021. The necessary cost-cutting of 2020 has left the company streamlined and nimble, and better positioned to take advantage of its core opportunities. The company's strategic investment in AI development is expected to yield multiple revenue generating bots in 2021, positioning Sonasoft for accelerated growth through its OEM partnerships.

As discussed in Note 11, Sonasoft divested its E-Connect and Optimaize subsidiaries in Q2 of 2020. This action was taken to support a clearer focus on Sonasoft's AI-first strategy, to avoid alignment conflicts between a focus on engineering services vs. product development, and to cut fixed operating expenditures. Within this context the cost structure associated with the E-Connect and Optimaize businesses was not warranted, as the necessary engineering services could be acquired at a lower cost by other means.

PLAN OF OPERATION

1. Describe the issuer's plan of operation for the next twelve months. This description should include such matters as:

Over the next 12 months the Company plans to increase spending in both software development and sales and marketing to expand its footprint in the AI engine platform space. The primary path to market will be development partnerships with large enterprise OEMs, leveraging the SAIBRE platform to create revenue generating or cost saving opportunities for partners. The Company expects to incur significant investment in development, sales, and marketing, with an increase in staff count required to support rapid growth. The Company does not anticipate additional investment in the Cornerstone business and will operate the subsidiary for maximum efficiency and profitability in support of Sonasoft's AI activities.

2. A discussion of how long the issuer can satisfy its cash requirements and whether it will have to raise additional funds in the next twelve months:

The Company cash balance and receipts from Sales will be enough to meet cash requirements for the next 6 to 9 months. The Company reviews its cash position every quarter with the Board of Directors and will raise funds as necessary to continue activities. It is anticipated that the company will raise additional capital before the end of 2021.

3. A summary of any product research and development that the issuer will perform for the term of the plan:

The Company will continue to develop its SAIBRE AI platform in conjunction with OEM partners. It is expected that these partnerships will lead to the development of AI enabled products and services to be sold or used by the partners, leading to licensing and subscription income for Sonasoft.

4. Any expected purchase or sale of plant and significant equipment; and

Not Applicable

5. Any expected significant changes in the number of employees.

After significantly cutting headcount in 2020, it is anticipated that Sonasoft will begin expanding its team in 2021 with the addition four to six ML engineering professionals two data scientists and two sales professionals.

6. Off Balance Sheet Agreements

The Company does not have any off-Balance Sheet arrangements. All guarantees provided in the legal dispute, or in the royalty agreement have been recorded in the Balance sheet. The commitment to lease the office for a specific period is disclosed in the audit report - refer to Notes to Financial Statements. There is no other material contingent liability to the best of our knowledge.

The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to operations, business development and disclosure:

1. Investment Banker
Not Applicable
2. Promoter
Not Applicable
3. Securities Counsel:
Bruce Methven
Methven & Associates 2232 Sixth Street
Berkeley, California 94710
(510) 649-4019
(510) 649-4024
bmethven@methvenlaw.com
4. General Counsel:
Alicia Woo
Alicia Woo Legal PC
PO Box 5010
PMB #324
Rancho Santa Fe, CA, 92067-501
alicia@awoolegal.com
5. Accountant or Auditor –
TPS Thayer LLC
1600 Hwy. 6, Suite 100
Sugar Land, Texas 77478
(281) 552-8430
info@tpscpas.com
TPS Thayer LLC is a certified public accountant and PCAOB auditor. This firm has completed the audit of fiscal year ending Dec 31, 2020.
6. Public Relations Consultant
Mike Khanna, CEO & President
7. Investor Relations Consultant
Mike Khanna, CEO & President

8. Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement - the information shall include the name, address, telephone number and email address of each advisor.

Not Applicable

PART E: ISSUANCE HISTORY:

List of securities offerings and shares issued for services in the past two years

1. The nature of each offering,

Rule 144 stock issued to qualified and existing investors, holding period of one year.

2. Any jurisdictions where the offering was registered or qualified;

California and New York

3. Number of shares sold

The number of shares of Common stock sold in 2019 were 22,240,035 and from Jan 1, 2020 thru December 31, 2020 were 2,700,000.

4. The price at which the shares were offered, and the amount actually paid to the issuer:

Common stock was offered at \$.025 and \$0.10 per shares and sold at the same price

5. The trading status of the shares:

Restricted

6. Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act.

Rule 144 restricted stock not tradeable unless the legend is removed.

ISSUANCE HISTORY – COMMON SHARES THRU APRIL 24, 2021

01/28/2019	JIM PLUTCHAK	450,000	\$0.00	Issued as part of purchase consideration to acquire Cornerstone Technologies
01/28/2019	FRANK VELASQUEZ	1,460,000	\$0.00	Issued as part of purchase consideration to acquire Cornerstone Technologies
01/29/2019	FRANK VELASQUEZ	13,000,000	\$0.00	Issued as part of purchase consideration to acquire Cornerstone Technologies
01/31/2019	FRANK VELASQUEZ	400	\$0.00	Issued as part of purchase consideration to acquire Cornerstone Technologies
04/25/2019	JIM COMER	250,000	\$0.025	Issued shares in lieu of commission payable
04/25/2019	ROMESH JAPRA	12,000,000	\$0.025	Issued shares to settle the note payable of \$300,000
04/25/2019	AARON MARINUCCI	1,520,035	\$0.025	Issued shares to Ex-employee who exercised vested options
05/31/2019	VIKAS AGARWAL	600,000	\$0.00	Issued as part of purchase consideration to acquire E-connect
05/31/2019	JUDHAJIT SENMAZUMDAR	600,000	\$0.00	Issued as part of purchase consideration to acquire E-connect

07/08/19	MOHSEN AFRASIABI	191,618	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	2004 BUCKLEY ATLURU FAMILY TRUST (RAJ ATLARU)	95,831	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	YOGESH CHAUDHARY	70,959	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	ANKUR GARG	5,150,700	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	ANKUR GARG	2,207,443	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	GAGAN GUPTA	15,929	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	HARSH GUPTA	204,392	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	HEM SHARE BROKER LIMITED (MAHAVIR PRATAP SHARMA)	70,959	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	HARRY J. JAFFE	84,488	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	SUNIT KARNAWAT	34,755	\$0.00	Issued as part of purchase consideration to acquire Hotify AI

07/08/19	VIKRAM KARNAWAT	34,755	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	SUNIL KAUL	12,774	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	KAMAL KUMAR KOTHARI	70,959	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	KRIYATEC IT SYSTEMS PVT LTD (BASKARAN KESAVAN)	92,682	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	KANNAN RAMESH KUMAR	835,689	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	KARTHIK KUMAR	23,170	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	TASDEV TECHNOLOGIES LLC (MANI PRABHAKAR)	46,341	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	ZSOLT VENTURES LLC (AMIT JAIN)	255,491	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	ASHISH MANGAL	15,929	\$0.00	Issued as part of purchase consideration to acquire Hotify AI

07/08/19	ABHISHEK SURESH MEHTA	18,750	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	AKSHIT SURESH MEHTA	18,750	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	SANJAY PHOPHALIYA	70,959	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	SUBHASHINI SATISH	61,317	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	MAHAVIR PRATAP SHARMA	81,096	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	NARESH SHARMA	61,317	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	RUPESH TAMBI	70,959	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	SHERRI S YAHYAVI	70,959	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	Z NATION LAB GROWTH LLC (AMIT JAIN)	47,866	\$0.00	Issued as part of purchase consideration to acquire Hotify AI

07/09/19	AVJ INC (KUSHI JAIN)	569,693	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/09/19	HFY LLC (KUSHI JAIN)	1,839,536	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/09/19	HFY LLC (KUSHI JAIN)	4,462,152	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/09/19	SRI SHIVANANDA	47,890	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/26/19	JIM COMER	150,000	\$0.025	Investment Shares issued in lieu of service
07/26/19	HIGGERSON REVOCABLE TRUST (CLIVE HIGGERSON)	63,872	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/26/19	NJV ADVISORS INC (NUNZIO VALERIE)	500,000	\$0.10	Investment Shares issued in lieu of service
07/26/19	NORTHSTAR CAPITAL PARTNERS INC. (MIKE SWIERSZEK)	500,000	\$0.10	Investment Shares issued in lieu of service
08/08/19	VIKAS AGRAWAL	400,000	\$0.00	Issued as part of purchase consideration to acquire Optimaize Inc.

08/08/19	APARNA DASGUPTA	500,000	\$0.00	Issued as part of purchase consideration to acquire Optimaize Inc.
08/08/19	JUDHAJIT SENMAZUMDAR	400,000	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	SIDDHARTH AGRAWAL	870,294	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	2004 BUCKLEY ATLURU FAMILY TRUST (RAJ ATLARU)	1,175,340	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	YOGESH CHAUDHARY	870,294	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	GAGAN GUPTA	195,372	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	HEM SHARE BROKER LIMITED (MAHAVIR PRATAP SHARMA)	870,294	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	SUNIT KARNAWAT	426,266	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	VIKRAM KARNAWAT	426,266	\$0.00	Issued as part of purchase consideration to acquire Hotify AI

08/26/19	KRYATEC IT SYSTEMS PVT LTD (BASKARAN KESAVAN)	1,136,710	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	KAMAL KUMAR KOTHARI	870,294	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	KARTHIK KUMAR	284,178	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	TASDEV TECHNOLOGIES LLC (MANI PRABHAKAR)	568,355	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	ASHISH MANGAL	195,372	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	ABHISHEK SURESH MEHTA	229,970	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	AKSHIT SURESH MEHTA	229,970	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	SANJAY PHOPHALIYA	870,294	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	KANNAN RAMESH KUMAR	457,224	\$0.00	Issued as part of purchase consideration to acquire Hotify AI

08/26/19	SUBHASHINI SATISH	284,178	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	MAHAVIR PRATAP SHARMA	994,621	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	SRI SHIVANANDA	587,358	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	RUPESH TAMBHI	870,294	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	Z NATION LAB GROWTH LLC (AMIT JAIN)	587,056	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
11/12/19	MIKE CAMPBELL	250,000	\$0.10	Investment Shares issued in lieu of service
11/12/19	HAL R FADEN	1,000,000	\$0.025	Employee stock Option exercise
11/12/19	JAMES GOGUEN	600,000	\$0.10	Investment, Shares issued in lieu of cash
11/12/19	MAXWELL FAMILY LIVING TRUST (DAVID MAXWELL)	350,000	\$0.10	Investment, Shares issued in lieu of cash

11/12/19	RHP FAMILY PARTNERSHIP LTD (RON PARK)	4,000,000	\$0.10	Investment, Shares issued in lieu of cash
12/05/19	3MC LTD (CRAIG SICO)	5,000,000	\$0.10	Investment, Shares issued in lieu of cash
12/05/19	FLOOD FAMILY PARTNERSHIP LP (JOHN FLOOD)	2,500,000	\$0.10	Investment, Shares issued in lieu of cash
12/05/19	ROBERT A MARTIN & JACQUELINE A MARTIN FAMILY TR 2018	1,000,000	\$0.10	Investment, Shares issued in lieu of cash
12/05/19	ROBERT A MARTIN JR	2,000,000	\$0.10	Investment, Shares issued in lieu of cash
12/05/19	RODNEY J MARTIN & MICHELE MOREHEAD 2008 INTER VIVOS TRUST	2,000,000	\$0.10	Investment, Shares issued in lieu of cash
12/24/19	ASHUR HOLDINGS LP (JOE MALICK)	1,270,000	\$0.10	Investment, Shares issued in lieu of cash
1/14/20	MAXWELL FAMILY LIVING TRUST (DAVID MAXWELL)	50,000	\$0.10	Investment, Shares issued in lieu of cash

1/14/20	ANTONIO ESPARZA	2,000,000	\$0.10	Investment, Shares issued in lieu of cash
1/14/20	BARBARA GUERRA	2,000,000	\$0.10	Investment, Shares issued in lieu of cash
1/14/20	QUTUB LIMITED (DR SHAH ISLAM)	1,000,000	\$0.10	Investment, Shares issued in lieu of cash
1/14/20	VIKAS AGRAWAL	275,000	\$0.00	Issued as post-completion consideration for acquisition of E-Connect and Optimazie
1/14/20	JUDHAJIT SENMAZUMDAR	275,000	\$0.00	Issued as post-completion consideration for acquisition of E-Connect and Optimazie
1/22/20	HAL FADEN	500,00	\$0.025	Exercise of Options in lieu of cash
1/27/20	LIBERTY TRUST – JOSEPH MALICK IRA	230,000	\$0.10	Investment, Shares issued in lieu of cash
1/27/20	GEORGIA B. DUETTRA EXEMPT TRUST	1,000,000	\$0.10	Investment, Shares issued in lieu of cash
1/27/20	SYDNEY DUETTRA	500,000	\$0.10	Investment, Shares issued in lieu of cash

1/27/20	HANNAH DUETTRA	500,000	\$0.10	Investment, Shares issued in lieu of cash
1/27/20	GERALD L BAXTER	500,000	\$0.10	Investment, Shares issued in lieu of cash
1/27/20	JOE BRANTON DAY	100,000	\$0.10	Investment, Shares issued in lieu of cash
1/27/20	RUSSETT MGMT. LTD (RUSSELL TRANBARGER)	1,000,000	\$0.10	Investment, Shares issued in lieu of cash
1/27/20	DEH FAMILY PARTNERSHIP LTD. (DAVID HARRIS)	4,000,000	\$0.10	Investment, Shares issued in lieu of cash
3/11/20	BRANDON E MUNOZ	2,000,000	\$0.10	Investment, Shares issued in lieu of cash
3/19/20	HAL FADEN	5,500,000	\$0.00	Conversion of Preferred to Common
5/11/20	VIKAS AGRAWAL	125,000	\$0.00	Issued as part of Purchase Consideration for E-Connect and Optimaize
5/11/20	JUDHAJIT SENMAZUMDAR	125,000	\$0.00	Issued as part of Purchase Consideration for E-Connect and Optimaize

5/11/20	VIKAS AGRAWAL	200,000	\$0.00	Consideration for Voluntary Separation and Release
5/11/20	JUDHAJIT SENMAZUMDAR	200,000	\$0.00	Consideration for Voluntary Separation and Release
6/19/20	VIKAS AGRAWAL	-325,000	\$0.00	Surrender of common shares
6/19/20	JUDHAJIT SENMAZUMDAR	-325,000	\$0.00	Surrender of Common Shares
6/19/20	VIKAS AGRAWAL	-675,000	\$0.00	Surrender of common shares
6/22/20	KENNETH FISHMAN	8,478,580	\$0.00	Conversion of preferred shares to common
6/23/20	RODNEY J MARTIN & MICHELE MOREHEAD	2,200,000	\$0.00	Conversion of preferred shares to common
6/23/20	RODNEY J MARTIN & MICHELE MOREHEAD	8,800,000	\$0.00	Conversion of preferred shares to common
7/2/20	ROMESH JAPRA	16,266,528	\$0.00	Exercise of SAFE Agreement

7/8/20	R JAPRA & S JAPRA TTEE	15,280,870	\$0.00	Conversion of preferred shares to common
7/13/20	JOSEPH RAPP &	11,000,000	\$0.00	Conversion of preferred shares to common
7/14/20	NEIL KHANNA	7,177,500	\$0.00	Conversion of preferred shares to common
7/14/20	HANS VAN RIETSCHOTE	696,300	\$0.00	Conversion of preferred shares to common
7/15/20	ROMESH JAPRA	90,585,000	\$0.00	Conversion of preferred shares to common
7/21/20	MAKARAND RAJAVASIREDDY	171,930	\$0.00	Conversion of preferred shares to common
7/21/20	KHANNA TRUST DECEMBER 3, 1998 (NAND KHANNA)	22,748,000	\$0.00	Conversion of preferred shares to common
7/23/20	HANS VAN RIETSCHOTE	200,000	\$0.025	Exercise of Stock Options for Cash
8/6/20	JIM F PLUTCHAK	1,980,000	\$0.00	Conversion of preferred shares to common

8/14/20	BILAL AHMED	223,490	\$0.12	Shares issued in lieu of accrued wages
8/26/20	JUDHAJIT SENMAZUMDAR	-675,000	\$0.00	Surrender of common stock as part of E-Connect divestment
8/28/20	ALEX LANDA	100,000	\$0.00	Shares issued as signing bonus
9/2/20	RANDALL RAJKOVICH	2,717,000	\$0.00	Conversion of preferred shares to common
9/18/20	FRANK D VELASQUEZ	2,002,000	\$0.00	Conversion of preferred shares to common
10/1/20	BILAL AHMED	303,109	\$0.0815	Shares issued in lieu of accrued wages
10/2/2020	ROHITH SAJJA	610,500	\$0.00	Conversion of preferred shares to common
10/2/2020	ROHITH SAJJA & PRAVEENA RAMINENI	18,370	\$0.00	Conversion of preferred shares to common
10/6/20	AARON MARINUCCI	350,000	\$0.00	Shares issued as consideration for Voluntary Separation and Release Agreement

10/28/20	ALEX LANDA	100,000	\$0.00	Shares issued as consideration for Voluntary Separation and Release Agreement
11/16/20	AUDREY G MARTIN TRUST	1,650,000	\$0.00	Conversion of preferred shares to common
11/16/20	ROBERT MARTIN JR	550,000	\$0.00	Conversion of preferred shares to common
11/16/20	ROBERT A MARTIN TRUST	1,650,000	\$0.00	Conversion of preferred shares to common
11/19/20	ROMESH JAPRA	3,300,000	\$0.00	Conversion of preferred shares to common
11/20/20	WASEEM FAHMY	50,000	\$0.00	Shares issued as consideration for Voluntary Separation and Release Agreement
12/2/20	JULIE J MARTIN TRUST	1,650,000	\$0.00	Conversion of preferred shares to common
12/2/20	LINDSEY L MARTIN TRUST	1,650,000	\$0.00	Conversion of preferred shares to common
12/2/20	RODNEY JOE MARTIN & MICHELE MOREHEAD TRUST	1,100,000	\$0.00	Conversion of preferred shares to common

12/18/20	BILAL AHMED	439,660	\$0.063	Shares issued in lieu of accrued wages
1/5/21	SUBHASH SACHDEVA	2,550,000	\$0.025	Exercise of stock options in lieu of accrued wages
1/5/21	JONATHAN COOK	150,000	\$0.00	Shares issued as consideration for Voluntary Separation and Release Agreement
1/5/21	EUGENE ALFARO	300,000	\$0.00	Shares issued as consideration for Voluntary Separation and Release Agreement
1/5/21	DONNA LEV	100,000	\$0.00	Shares issued as consideration for Voluntary Separation and Release Agreement
1/31/21	FRANK VELASQUEZ	24,716,560	\$0.00	Conversion of preferred shares to common
2/1/21	BILAL AHMED	206,398	\$0.1513	Shares issued in lieu of accrued wages
2/5/21	KAYLA TEIXIERA	50,000	\$0.00	Shares issued as consideration for Voluntary Separation and Release Agreement
2/17/21	G & K D ENTERPRISES LLC (GLEN DANIEL)	1,320,000	\$0.00	Conversion of Preferred Shares to Common Shares

2/17/21	GLEN W DANIEL	1,650,000	\$0.00	Conversion of Preferred Shares to Common Shares
2/17/21	DANIEL FAMILY FOUNDATION (GLEN DANIEL)	550,000	\$0.00	Conversion of Preferred Shares to Common Shares
2/23/21	MIKE KHANNA	1,363,010	\$0.00	Conversion of Preferred Shares to Common Shares
2/23/21	MIKE KHANNA	3,575,000	\$0.00	Conversion of Preferred Shares to Common Shares
2/25/21	VIKAS AGRAWAL	1,760,000	\$0.00	Conversion of Preferred Shares to Common Shares
2/25/21	VIKAS AGRAWAL	2,640,000	\$0.00	Conversion of Preferred Shares to Common Shares
2/31/21	VIKRAM CHAND	312,500	\$0.00	Conversion of Preferred Shares to Common Shares
3/3/21	JUDHAJIT SENMAZUMDAR	4,400,000	\$0.00	Conversion of Preferred Shares to Common Shares
4/16/21	BILAL AHMED	337,426	\$0.12	Shares issued in lieu of accrued wages

4/22/21	AVJ INC (KUSHI JAIN)	2,673,330	\$0.00	Conversion of Preferred Shares to Common Shares
4/23/21	ZSOLT VENTURES LLC (AMIT JAIN)	1,198,890	\$0.00	Conversion of Preferred Shares to Common Shares
4/23/21	HFY LLC (KUSHI JAIN)	8,632,140	\$0.00	Conversion of Preferred Shares to Common Shares

ISSUANCE HISTORY - PREFERRED SHARES THRU APRIL 24, 2021				
01/25/2019	G&KD ENTERPRISES LLC (GLEN DANIEL)	12,000	\$2.50	Issuance of Preferred shares in lieu of cash
01/25/2019	RUSSETT MANAGEMENT LTD (RUSSELL TRANBARGER)	8,000	\$2.50	Issuance of Preferred shares in lieu of cash
01/28/2019	JIM F PLUTCHAK	18,000	\$0.00	Issued as part of purchase consideration to acquire Cornerstone Technologies
01/28/2019	FRANK D VELASQUEZ	242,896	\$0.00	Issued as part of purchase consideration to acquire Cornerstone Technologies
03/20/2019	ROMESH JAPRA	30,000	\$2.50	Issuance of Preferred shares in lieu of cash
03/20/2019	GT PROPERTY & INVESTMENT GROUP LLC (GARY TICE)	8,000	\$2.50	Issuance of Preferred shares in lieu of cash
04/02/2019	INTRAPORT UK (VINO KHANNA)	41,000	\$2.50	Conversion of Common shares to Preferred shares
04/03/2019	AJIT PAL & SURINDA SANDHU JTEN	500	\$2.50	Conversion of Common shares to Preferred shares
04/04/2019	AJIT PAL & SURINDA SANDHU JTEN	500	\$2.50	Conversion of Common shares to Preferred shares
04/23/2019	DANIEL FAMILY FOUNDATION (GLEN DANIEL)	5,000	\$10.00	Issuance of Preferred shares in lieu of cash
04/23/2019	GLEN W. DANIEL	15,000	\$10.00	Issuance of Preferred shares in lieu of cash
04/23/2019	JOE B. DAY JR.	8,000	\$10.00	Issuance of Preferred shares in lieu of cash

04/23/2019	EQUITY TRUST COMPANY FBO LUKE WILBURN IRA	5,000	\$10.00	Issuance of Preferred shares in lieu of cash
04/23/2019	L. HARTMAN LLOYD EX. TRUST	5,000	\$10.00	Issuance of Preferred shares in lieu of cash
04/23/2019	LIBERTY TRUST COMPANY LTD CUST FBO JOSEPH MALICK	5,000	\$10.00	Issuance of Preferred shares in lieu of cash
04/23/2019	LIBERTY TRUST COMPANY LTD CUST FBO JOSEPH MALICK	5,000	\$10.00	Issuance of Preferred shares in lieu of cash
04/23/2019	LIBERTY TRUST COMPANY LTD CUST FBO R. TRANBARGER IRA	10,000	\$10.00	Issuance of Preferred shares in lieu of cash
04/23/2019	LIBERTY TRUST COMPANY LTD CUST FBO JOHN F. WILLIAMSON IRA	10,000	\$10.00	Issuance of Preferred shares in lieu of cash

04/23/2019	ASHUR HOLDINGS LP (JOSEPH MALICK)	15,000	\$10.00	Issuance of Preferred shares in lieu of cash
04/23/2019	ROBERT MARTIN JR	5,000	\$10.00	Issuance of Preferred shares in lieu of cash
04/23/2019	RODNEY JOE MARTIN & MICHELLE MOREHEAD 2008 INTER VIVOS TRUST	10,000	\$10.00	Issuance of Preferred shares in lieu of cash
04/23/2019	RHP FAMILY PARTNERSHIP LTD (RON PARK)	20,000	\$10.00	Issuance of Preferred shares in lieu of cash
04/23/2019	RUSSET MGMT LTD. (RUSSELL TRANBARGER)	18,500	\$10.00	Issuance of Preferred shares in lieu of cash
04/23/2019	JOHN F. WILLIAMSON JR & DONNA WILLIAMSON JTWROS	5,000	\$10.00	Issuance of Preferred shares in lieu of cash
04/23/2019	MICHELLE VEHORN	13,200	\$10.00	Conversion of Common shares to Preferred shares
04/23/2019	VIKAS AGRAWAL	24,000	\$0.00	Issued as part of purchase consideration to acquire E-connect
04/23/2019	JUDHAJIT SENMAZUMDAR	24,000	\$0.00	Issued as part of purchase consideration to acquire E-connect
08/08/2019	VIKAS AGRAWAL	16,000	\$0.00	Issued as part of purchase consideration to acquire OptiMaize Inc.

08/08/2019	JUDHAJIT SENMAZUMDAR	16,000	\$0.00	Issued as part of purchase consideration to acquire OptiMaize Inc
07/26/2019	JIM GOGUEN	3,000	\$10.00	Issuance of Preferred shares in lieu of cash
07/31/2019	MLPF & S CUSTODIAN FBO GEORGIA B DUETTRA	15,000	\$10.00	Issuance of Preferred shares in lieu of cash
09/24/2019	ROBERT MURPHY	1,500	\$10.00	Issuance of Preferred shares in lieu of cash
09/24/2019	TICE TRAVEL INC (GARY TICE)	5,000	\$10.00	Issuance of Preferred shares in lieu of cash
July 8, 2019 thru September 30, 2019	SHAREHOLDERS OF HOTIFY AI LIST ATTACHED	679,994	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
10/18/19	RHP FAMILY PARTNERSHIP LTD. (RON PARK)	20,000	\$10.00	Issuance of Preferred shares in lieu of cash
1/14/20	VIKAS AGRAWAL	11,000	\$0.00	Post-Completion Consideration
1/14/20	JUDHAJIT SENMAZUMDAR	11,000	\$0.00	Post-Completion Consideration
3/19/20	HAL FADEN	-50,000	\$0.00	Conversion of preferred shares to common
5/8/20	VIKAS AGRAWAL	5,000	\$0.00	Post-Completion Consideration

5/8/20	JUDHAJIT SEMAZUMDAR	5,000	\$0.00	Issued as post-completion consideration for acquisition of E- Connect and Optimaize
6/19/20	VIKAS AGRAWAL	-16,000	\$0.00	Surrender of shares
6/19/20	JUDHAJIT SEMAZUMDAR	-5,000	\$0.00	Surrender of Shares
6/22/20	KENNETH FISHMAN	-77,078	\$0.00	Conversion of preferred shares to common
6/23/20	RODNEY J MARTIN & MICHELE MOREHEAD	-100,000	\$0.00	Conversion of preferred shares to common
7/8/20	R JAPRA & S JAPRA TTEE	-138,917	\$0.00	Conversion of preferred shares to common
7/13/20	JOSEPH RAPP &	-1,000	\$0.00	Conversion of preferred shares to common
7/14/20	NEIL KHANNA	-65,250	\$0.00	Conversion of preferred shares to common
7/14/20	HANS VAN RIETSCHOTE	-6,330	\$0.00	Conversion of preferred shares to common
7/15/20	ROMESH JAPRA	-823,500	\$0.00	Conversion of preferred shares to common

7/21/20	MAKARAND RAJAVASIREDDY	-1,563	\$0.00	Conversion of preferred shares to common
7/21/20	KHANNA TRUST DECEMBER 3, 1998 (NAND KHANNA)	-206,800	\$0.00	Conversion of preferred shares to common
7/30/20	SUBHASH SACHDEVA	-20,800	\$0.00	Conversion of preferred shares to common
8/6/20	JIM F PLUTCHAK	-18,000	\$0.00	Conversion of preferred shares to common
8/26/20	JUDHAJIT SENMAZUMDAR	-11,000	\$0.00	Surrender of preferred shares as part of divestment of E-Connect
9/2/20	RANDALL RAJKOVICH	-24,700	\$0.00	Conversion of preferred shares to common
9/18/20	FRANK D VELASQUEZ	-18,200	\$0.00	Conversion of preferred shares to common
10/2/2020	ROHITH SAJJA	-5,550	\$0.00	Conversion of preferred shares to common
10/2/2020	ROHITH SAJJA & PRAVEENA RAMINENI	-167	\$0.00	Conversion of preferred shares to common
11/16/20	AUDREY G MARTIN TRUST	-15,000	\$0.00	Conversion of preferred shares to common

11/16/20	ROBERT MARTIN JR	-5,000	\$0.00	Conversion of preferred shares to common
11/16/20	ROBERT A MARTIN TRUST	-15,000	\$0.00	Conversion of preferred shares to common
11/19/20	ROMESH JAPRA	-30,000	\$0.00	Conversion of preferred shares to common
12/2/20	JULIE J MARTIN TRUST	-15,000	\$0.00	Conversion of preferred shares to common
12/2/20	LINDSEY L MARTIN TRUST	-15,000	\$0.00	Conversion of preferred shares to common
12/2/20	RODNEY JOE MARTIN & MICHELE MOREHEAD TRUST	-10,000	\$0.00	Conversion of preferred shares to common
12/31/20	FRANK VELASQUEZ	-224,696	\$0.00	Conversion of preferred shares to common
2/17/21	G & K D ENTERPRISES LLC (GLEN DANIEL)	-12,000	\$0.00	Conversion of Preferred Shares to Common Shares
2/17/21	GLEN W DANIEL	-15,000	\$0.00	Conversion of Preferred Shares to Common Shares
2/17/21	DANIEL FAMILY FOUNDATION (GLEN DANIEL)	-5000	\$0.00	Conversion of Preferred Shares to Common Shares

2/23/21	MIKE KHANNA	-44,891	\$0.00	Conversion of Preferred Shares to Common Shares
2/25/21	VIKAS AGRAWAL	-16,000	\$0.00	Conversion of Preferred Shares to Common Shares
2/25/21	VIKAS AGRAWAL	-24,000	\$0.00	Conversion of Preferred Shares to Common Shares
3/3/21	JUDHAJIT SEMAZUMDAR	-40,000	\$0.00	Conversion of Preferred Shares to Common Shares
4/22/21	AVJ INC (KUSHI JAIN)	-24,303	\$0.00	Conversion of Preferred Shares to Common Shares
4/23/21	ZSOLT VENTURES LLC (AMIT JAIN)	-10,899	\$0.00	Conversion of Preferred Shares to Common Shares
4/23/21	HFY LLC (KUSHI JAIN)	-78,474	\$0.00	Conversion of Preferred Shares to Common Shares

Issuance of Promissory Note:

On January 23, 2017, the Company issued a promissory note in the amount of \$300,000 to Dr. Romesh Japra, Chairman of Sonasoft. The note bore interest at 10% per annum. The outstanding principal amount and interest due as of December 31, 2020, and December 31, 2019, was \$68,109 and \$68,109 respectively. The principal amount of the note payable was settled by issuance of 12m shares of common stock @ \$0.025 cents per share. As of December 31, 2020, the remaining interest due is \$68,109.

On August 25, 2020, the Company issued a promissory note in the amount of \$20,000 to Sally Khanna, mother of CEO Mike Khanna. The note bore interest at 3.5% per annum. The outstanding principal amount and interest due as of December 31, 2020, was \$20,246.

Part F: Exhibits & Material Events in 2020

Material Contracts:

1. Any contract to which directors, officers, promoters, voting trustees, security holders named in the disclosure statement, or the Designated Advisor for Disclosure are parties other than contracts involving only the purchase or sale of current assets having a determinable market price, at such market price:

Employment agreements with officers of the Company and consulting agreements with professional consultants.

2. Any contract upon which the issuer's business is substantially dependent, including but not limited to contracts with principal customers, principal suppliers, and franchise agreements:

The Company is not dependent on any specific agreement with any customer or supplier as we have a wide variety and number of customers and/or suppliers.

3. Any contract for the purchase or sale of any property, plant or equipment for consideration exceeding 15 percent of such assets of the issuer; or

Not Applicable

4. Any material lease under which a part of the property described in the disclosure statement is held by the issuer.

Not Applicable

5. All the material agreements and contracts are attached to this report, also uploaded to OTC markets website.

- 1) Divestiture of E-Connect Inc. and Optimaize Inc.
- 2) Lease Agreement for office rental.

Articles of Incorporation and Bylaws.

Articles of Incorporation and Bye laws are attached including amended articles as of March 9, 2018.

Purchase of Securities by Issuer: Not Applicable/ None.

Material Events During 2020

- The Company issued 15,580,000 shares of common stock for cash at a price of \$0.10 per share for which it received \$217,000 in cash in 2020 (\$1,288,000 was received for subscription in 2019).
- The Company issued 1,200,000 shares of common stock and 32,000 shares of preferred stock to Mr.'s Vikas Agrawal and Judhajit Senmazumdar as part of the post-completion compensation for the acquisitions of E-Connect Inc. and Optimaize Inc.
- On June 26th, the Company finalized an agreement to divest its subsidiaries E-Connect Inc. and Optimaize Inc. to Vikas Agrawal and Judhajit Senmazumdar for a combination of Sonasoft shares and cash. Agrawal and Senmazumdar will assume all assets and liabilities of E-Connect Inc. and Optimaize Inc. as of the closing balance on Mar. 31,2020, in return for the surrender of 32,000 preferred shares of Sonasoft common stock, 2,000,000 shares of Sonasoft common stock, and \$110,000 in cash. They also forfeited any right to un-issued stock associated with the agreed post-completion compensation linkedto the 2019 mergers of E-Connect Inc. and Optimaize Inc. amounting to an additional 48,000 preferred shares and 3,200,000 common shares forfeited.
- Employees and directors of Sonasoft exercised vested options for the issuance of 700,000 shares of common stock at a strike price of \$0.025 for cash proceeds of \$17,500.
- 16,266,528 shares were issued to the former Chairman of the Board, Dr. Romesh Japra, as exercise of an existing SAFE agreement.
- Employees of the company converted 1,987,716 shares of preferred stock in return for 218,648,760 shares of common stock.
- Board Director Frank Velasquez resigned from the board in January of 2020.
- A shareholder meeting was held to elect board members on June 13, 2020. Five board members were elected. Dr. Romesh Japra declined to run for reelection and resigned from the board effective June 17, 2020. Mike Khanna and Ankur Garg were re-elected to the board. The election of new board members Paul Clauson, Bruce Serpa and Kris Murthy was ratified on June 17, 2020. Andy Khanna was not re-elected.
- Mr. Subhash Sachdeva stepped down from the CFO position on Feb. 2, 2020. Mr. Robert Baumert took over the CFO position as of Feb. 3, 2020.
- On May 15, 2020, Sonasoft announced a multi-year strategic alliance with FIS, one of the world's leading providers of financial services technology. Sonasoft will develop and implement AI applications and solutions for FIS to market to its customers.
- In May of 2020, Sonasoft was granted a PPP loan in the amount of \$429,500.
- On June 11, 2020, Sonasoft announced an agreement with Google to provide engineering support services for the development of services and products for Google Cloud Learning Systems.
- In December of 2020 the company reached a forbearance settlement in its legal dispute with Khanna and Sarraill
- In Q4 of 2020 the company raised \$1,005,000 through a convertible note facility.

SUBSEQUENT EVENTS

Between January 1, 2021, and May 17, 2021, the Company executed the following material transactions.

1. 278,741 shares of Preferred Stock were converted to 30,661,510 shares of common stock.
2. A former employee exercised 2,550,000 non statutory options for forgiveness of \$63,750 in accrued wages.
3. Terminated employees were issued a total of 1,143,824 shares at zero cost as part of voluntary separation and release agreements approved by the board.
4. The board approved amended articles of incorporation increasing the authorized common stock to 995,000,000 shares.
5. The board approved a new Employee Equity Incentive Plan to replace the 2009 Equity Incentive Plan.
6. The board authorized the company to raise additional capital of up to \$5,000,000 through the existing convertible note facility.
7. The board authorized the company to raise up to \$750,000 in capital through the issuance of warrants at \$0.025 connected to the convertible note investments.
8. The board authorized the company to raise up to \$2,200,000 in short term bridge financing through a sale of Rule 144 Restricted Common Stock at a price of \$0.025 per share.
9. The company secured additional commitments for \$1,364,250 of contribution to the convertible note.
10. The company secured commitments for \$2,113,947 towards the bridge financing and \$750,000 towards the warrants.
11. The board authorized the granting of 62,512,500 options on restricted common stock to employees, directors and advisors of the Company at a strike price of \$0.097, and 7,935,000 options on restricted common stock to employees, directors and advisors of the Company at a strike price of \$0.1187.
12. The board authorized the granting of long-term incentive grants to executives of the Company in the form of 45,750,000 restricted stock units.
13. The company received a second PPP loan in the amount of \$446,497.50.
14. On Feb. 19, 2021, Ankur Garg ceased to be an employee of Sonasoft and relinquished his duties as Chief of Artificial Intelligence.

Subsequent events have been evaluated through May 17, 2021.

LEGAL & DISCIPLINARY HISTORY

In November 2006, an ex-employee, Vince Khanna (no relation to Nand Khanna or Mike Khanna), filed a lawsuit against the Company for wrongful termination. In April 2010, the Company entered a settlement agreement with the ex-employee for the payment of \$227,000. In February 2013, the Company made a final payment of \$85,526. In 2013, the attorney for the ex-employee filed a motion for additional attorney's fees, costs, and interests and secured a new judgment of \$193,188. Shortly after obtaining the new judgment, the Plaintiffs attorney filed an alter ego case against the Company's former CEO, Andy Khanna, to amend the judgment to include Mr. Khanna.

The Company filed an appeal and secured it with a bond of \$289,782, against the collateral of real property.

On June 30, 2016, the Court of Appeals upheld the Plaintiff's judgment against the Company but dismissed Andy Khanna as an alter ego to the Company. The Company then filed a motion to recover its fees from winning the alter ego judgement as well as a reduction to the awarded attorney's fees. In early 2017, the Company lodged a new appeal against the afore-mentioned motions. The Company also secured this appeal with a bond of \$300,000 collateralized by a standby letter of credit established and secured against a Certificate of Deposit. The Company's intent of the second bond was to release the first bond since it was the same judgment and the same amount.

Ultimately, the appellate court upheld that judgment, which has since been paid off in full. Subsequently, plaintiff Vince Khanna filed a motion for additional attorney's fees in the amount of \$800,000, which has not been finally ruled upon.

In a related lawsuit, Andy Khanna filed a malicious prosecution lawsuit against the former employee, Vince Khanna and his attorney, James A. Sarrail. The trial court, however, sided with Vince Khanna and James Sarrail, as an anti-SLAPP motion and then awarded Vince Khanna, James Sarrail, and their attorneys the amount of \$171,508.08.

In FY ending December 31, 2019, the Company took an additional provision in the amount of \$860,000 against potential future payments against these claims.

In December of 2020, the company reached a forbearance settlement with Khanna and Sarrail against the exercise of the 3rd Amended judgement. In return for said forbearance, Sonasoft will pay the plaintiffs \$600,000 plus 10% simple interest in monthly instalments through December 2022. Additionally, Sonasoft has granted the plaintiffs a \$260,000 contribution to a convertible note facility.

ISSUER'S CERTIFICATE:

I, Mike Khanna certify that:

- 1) I have reviewed this Initial Disclosure statement,
- 2) Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and,
- 3) Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: May 17, 2021

Signature:

A handwritten signature in black ink, appearing to read "Mike Khanna", written over a light gray rectangular background.

Mike Khanna, CEO

Date: May 17, 2021

Signature:

A handwritten signature in black ink, appearing to read "Rob Baumert", written over a light gray rectangular background.

Rob Baumert, CFO