

Sonasoftware®

Sonasoftware Corp.

State of Incorporation: California

1735 North First Street, Suite 110

San Jose, California 95112

(408) 708-4000

www.sonasoftware.com

SIC Code: 7372

Annual Report

For the Year Ended December 31, 2019

(the "Reporting Period")

The number of shares outstanding of our Common Stock is 259,119,544 as of Dec. 31, 2019. The number of shares outstanding of our Common Stock was 181,489,129 as of Dec. 31, 2018.

The number of shares outstanding of our Preferred Stock is 3,530,804 as of Dec. 31, 2019. The number of shares outstanding of our Preferred Stock was 2,209,214 as of Dec. 31, 2018.

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

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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 110

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: **259,119,544 as of Dec 31, 2019**

Total Free Trading Shares Outstanding: **75,730,561 as of Dec. 31, 2019**

Total Number of Investors: **319 as of Dec. 31, 2019**

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: **3,530,804 as of Dec. 31, 2019**

Total Number of Investors: **80 as of Dec. 31, 2019**

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:

Sonasoft 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) The Company merged with Cornerstone Tech. Inc and entered into a definitive agreement on April 27, 2018, after which Sonasoft filed an "Agreement to Merge" with the state of California with an effective date of January 19, 2019. According to the final terms and conditions of the merger agreement, the Company issued 242,896 shares of Preferred Stock and 14,460,000 shares of Common Stock to Frank D. Velasquez and 18,000 shares of Preferred stock and 450,000 shares of Common Stock to James F. Plutchak, both existing shareholders of Cornerstone Tech Inc. The Company also took over a related party loan of \$325,000 as part of the purchase consideration. To satisfy this liability, the Company issued 8,000,000 shares of common stock for \$200,000 or \$.025 per share and paid the balance in cash.
- b) The Company signed a Letter of intent with Hotify Inc. a Delaware Corporation located at 700 Aldo Avenue, Santa Clara, CA 95054 on Jan 26, 2019. This LOI and all previous agreements were superseded when the Company signed a definitive agreement and plan of merger on March 12, 2019, as well as two subsequent amendments. As closing consideration under the Merger Agreement, the Company issued (i) Thirty Million (30,000,000) shares of common stock of the Company and (ii) Six Hundred Eighty Thousand (680,000) shares of preferred stock of the Company. The Company agreed to assume the liabilities of Hotify Inc. not to exceed \$300,000.

- c) The Company signed a definitive agreement with E-Connect Software Inc. and Optimaize, Inc., companies incorporated in California, on April 26, 2019, the terms and conditions being:
- 100% acquisition of E-Connect stock in lieu of 2,400,000 shares of Sonasoft Corporation common stock and 96,000 shares of preferred stock. Fifty percent of the shares were issued upon closing, the balance to be issued over the following eight quarters on a pro-rata basis.
 - 100% acquisition of Optimaize Inc. stock in lieu of 3,600,000 shares of Sonasoft Corporation common stock and 64,000 shares of preferred stock. 1,300,000 share of common stock and 32,000 shares of preferred stock were issued upon closing, with the balance to be issued over the following eight quarters on a pro-rata basis.
 - After an 18-month holding period the preferred stock will be allowed to convert to common at a conversion rate of 1:110.
- d) Between January 1, 2019 and December 31, 2019, the Company issued 77,630,415 common shares, and 3,650,000 options were exercised and converted into common stock shares. Between options exercised and shares issued for cash, 22,240,035 shares of common stock were issued in return for payment of \$1,960,021. An additional 47,410,380 shares of common stock were issued as consideration for the mergers with Cornerstone, E-Connect, Optimaize and Hotify, with a value of \$1,140,808. 1,650,000 shares of common stock valued at \$135,000 were issued for services rendered to the Company, while 12,000,000 shares of common stock were issued in payment for the \$300,000 in outstanding principal on the note held by the Board Chairman of Sonasoft Corp., Dr. Romesh K. Japra. 12,880,000 shares of common stock valued at \$1,288,000 were subscribed but not yet issued as of Dec. 31, 2019.
- e) The Company issued a total of 1,321,590 shares of Series A Preferred stock between January 1, 2019 and December 31, 2019. Of this total, 56,700 preferred shares were issued based on conversion of common stock into preferred, with a value of \$141,750. 1,020,890 shares of Preferred stock were issued as compensation for the mergers with Cornerstone (260,896), Hotify (679,994), E-Connect (48,000), and Optimaize (32,000) for a total value of \$2,767,795. 244,000 shares of Preferred stock were issued for cash compensation of \$1,985,000.
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 77,630,415 Common stock shares (42.8% increase over Dec. 31, 2018 total) and an increase of 1,321,590 Series A Preferred stock shares (59.8% increase over Dec. 31, 2018 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-Connectt Inc. - data engineering services provider, 100% owned by Sonasoft Corp. Included in the financial statements in this disclosure statement.

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

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 provides software solutions in email archiving and 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 \$200k in FY 2018 and \$500k in FY 2019. 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 38, full time employees 38.

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 NuGene 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. Sonasoftware also augments its AI offering via the provision of data analytics and engineering support services through another subsidiary, E-Connect Inc., as well as a third-party

ecosystem of data engineering services suppliers and partners.

Our Product Offerings

Sonasoftware NuGene AI - Our flagship product is Sonasoftware NuGene 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. NuGene 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.

Sonasoftware SonaVault. - Our robust eDiscovery solution, now augmented by the Nugene AI platform, enables customers to perform archiving and eDiscovery tasks with increased speed, proficiency and information relevance due to AI-empowered capabilities.

The Nature of Products or Services Offered:

1. Principal products or services, and their markets:

AI platform, Data archiving software and Professional Service, 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 products are NuGene AI and SonaVault. All products are listed on our website at Sonasoftware.com.

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

The primary competition for our NuGene 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.

E-Connect competes with other outsourced data engineering businesses, which cover a broad spectrum from small boutique firms to large outsourcing firms like Robert Half and UpWork. Our strong ties to an ecosystem of highly skilled developers in India allow us to provide high quality service at a demonstrably low cost.

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 and E-Connect, 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, NuGene, developed by our Hotify subsidiary, acquired in 2019.

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, and E-Connect Inc., a provider of data analytics, data science and data engineering support services. Sonasoftware also partners with a large ecosystem of third-party services suppliers to support our push into the AI marketplace.

NuGene AI

NuGene Overview

NuGene 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, NuGene 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. NuGene 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 NuGene AI bot takes between 4-6 weeks whereas a typical AI project takes anywhere from 6 to 9 months.

NuGene's Business Model

The Sonasoftware NuGene 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 NuGene 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.

NuGene's Sales and Marketing Strategy

Direct Sales

NuGene 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.

Partner Programs

Sonasoft is offering three different Partner Programs to leverage its product offering, product availability and sales operations.

- Partner Reseller Program
- OEM Partnership Program
- Technology Partner Program

The programs are designed for ISVs, SaaS applications, and data platform providers that are looking to build AI-capabilities into their products. The Technology Partner Program is focused on integrating Sonasoft with products that enable our customers to have a cohesive and seamless data lifecycle experience.

Third-Party Services

Third Party Services Overview

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 NuGene 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 2, 2020, with a two-year extension option, at a cost of \$9,600 per month. The lease was extended for two-years starting February 1, 2020 and finishing on January 31, 2022 at a cost of \$9,785.30 per month from February 1, 2020 to January 31, 2021, and \$10,104.82 per month from February 1, 2021 to January 31, 2022.

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 3.00% of Company's Common Stock and 44,891 or 1.27% of Company's Preferred shares.
Dr. Romesh K. Japra	Director, Chairman of the Board & Control Person holding 31,448,000 shares or approximately 12.1 % of Company's Common Stock, and 992,417 or 28.11% of Company's Preferred shares.
Ankur Garg	Chief of Artificial Intelligence holding 7,358,143 or 2.84% of Company's Common stock and 313,897 or 8.89% of Company's Preferred shares.
Vikas Agrawal	Chief Innovation Officer, holding 1,000,000 or 0.39% of common stock and 40,000 or 1.13% of company's Preferred Shares
Subhash Sachdeva	CFO, holding 5,100,000 or 1.97% of Company's Common stock and 20,800 or 0.59% of Company's Preferred shares.
Nand "Andy Khanna	Director and Control Person, holding 3,350,000 shares, or approximately 1.29% of Company's Common Stock, and 206,800 or 5.86% of Company's Preferred shares.
Frank Velasquez	Director and Control Person, holding 3,273,900 shares or approximately 1.26% of Company's Common Stock, and 242,896 or 6.88% of Company's Preferred shares.
Jim Gilmer	Secretary holding 2,225,000 or 0.86% of Common stock.

Subsequent Events:

Mr. Frank Velasquez resigned from the Board of Directors in January 2020.

Mr. Sachdeva ceased to be CFO on February 2, 2020.

Mr. Rob Baumert became CFO on February 3, 2020.

Board Members and executives hired or elected during or subsequent to the period (Board election ratified on June 17, 2020. New CFO hired Feb. 3, 2020).

Name	Affiliation
Mike Khanna	CEO, President and Director, holding 7,777,300 or 3.00% of Company's Common Stock and 44,891 or 1.27% of Company's Preferred shares.
Ankur Garg	Chief of Artificial Intelligence and Director, holding 7,358,143 or 2.84% of Company's Common stock and 313,897 or 8.89% of Company's Preferred shares.
Paul Clauson	Director
Kris Murthy	Director
Bruce Serpa	Director
Rob Baumert	CFO, as of February 3, 2020

As of December 31, 2019, stock options grants held by officers and directors are provided below:

Dr. Romesh Japra - Chairman	25,266,528
Andy Khanna - Director	16,880,000
Mike Khanna - CEO	12,360,000
Jim Gilmer - Secretary	1,300,000
Subhash Sachdeva - CFO	7,490,000
Frank D. Velasquez - Director	1,000,000

The stock options were given at different times and vest over a period of 2 years from date of grant.

Directors and Executive Officers:

Name: Mike Khanna, CEO & President

Office Street Address: 1750 North First Street, Suite 110, 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 February 3, 2020

Office Street Address: 1750 North First Street, Suite 110, 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

Office Street Address: 1750 North First Street, Suite 110, San Jose, California 95112

Also a Director of the Company Yes No

Ankur Dinesh Garg is the creator and chief architect of Sonasoft's AI platform, NuGene, spearheading all AI initiatives, business strategy and business development. 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: Jim Gilmer, Secretary

Office Street Address: 1750 North First Street, Suite 110, San Jose, California 95112

Also a Director of the Company Yes No

Part Time Engagement - 10-20 Hours per week

Mr. Gilmer has contributed to the creative application of technology to solve business problems throughout his professional experience. Jim was a co-founder, and through 2009, served as acting CFO of G2Planet, Inc., an innovative provider of technology solutions. Prior to that Jim led Navigation Technologies Corporation in pioneering the use of digital map data in mobile and web-based applications. These efforts sparked the smart phone and internet road navigation products that are in popular use today. In 25 years with IBM, Jim held a variety of sales and marketing management positions in the US and Asia. There his efforts contributed to the sales and implementation of a first of its kind Geographic Information System, early Data Base Systems, the first IBM minicomputers and the initial Personal Computer roll out. Jim holds a master's degree in Mathematics from the University of Illinois and an Executive MBA from the University of San Francisco. In 2009 Jim retired from an active role at G2Planet but remains serving on the G2Planet board of directors. Jim became an advisor to Sonasoft in 2010 and assumed the role of Corporate Secretary to Sonasoft in July 2012.

Name: Dr. Romesh K. Japra, M.D., F.A.C.C. - Chairman of the Board

Office Street Address: 1750 North First Street, Suite 110, San Jose, California 95112

Dr. Japra has enjoyed a distinguished career in the field of medicine for over three decades. Currently he is the President of Cardiology Associates, Fremont, CA. He has also held various positions including Chief of Staff, Chief of Medicine, President and Secretary at various hospitals and organizations across the U.S. He has been active in the high-tech industry and has funded many startup companies. Dr. Japra has been an active member of the community in the Bay Area in general and the Indian American Community in particular. He has organized and contributed to numerous charity organizations and events across the globe. Dr. Japra has received numerous awards and honors during his illustrious career including the Presidential Meritorious Award, Pride of India Gold Medal, Best Immigrant Award, Physician's Recognition Award and many others. He is also active in the publishing industry and at present is the Publisher & CEO India Post Weekly, India Post TV and India Web Post. Dr. Japra is Fellow of the American College of Cardiology and graduated from the All India Institute of Medical Sciences, New Delhi, India. Dr Japra joined the Sonasoft board in September 2003 and has served as Chairman since that time. Dr. Japra has been a practicing doctor of cardiology since 1979.

Name: Nand (Andy) Khanna - Director

Office Street Address: 1750 North First Street, Suite 110, San Jose, California 95112

Andy Khanna brings to Sonasoft over 30 years of senior management experience in the high-tech sector with a background in sales. Andy started his high-tech career at NCR Corporation and Control Data, where he was recognized for his sales achievements. In his first nine months at Control Data, Andy was presented the Bill Norris Shark Club Award for regional sales. In the early 80's, Andy built a company,

Univation, from scratch and took the company public. At Univation, he was the CEO, President, and Chair. Following Univation, Andy became President of Datus, Inc., a startup division of Daewoo, where he built, managed, and lead a team of engineering, marketing, sales and operations professionals. It is there that Andy invented the Route Finder PNA, the first handheld portable car navigation system (GPS). It was the first third-party consumer device to utilize Microsoft Windows CE OS. Bill Gates introduced the Route Finder PNA at the Consumer Electronics Show in Las Vegas in January 1998. Inspired by his experience working with the Microsoft team, Andy decided to focus his next start up on software solutions based around Microsoft Business Software. In 2003, Andy founded Sonasoft with products for backup, recovery, and replication of Microsoft SQL Server and Microsoft Exchange Server, later evolving into email archiving solutions for Microsoft Exchange Server. Andy holds a BS in Business and Marketing from the University of San Francisco and an MBA from Golden Gate University.

Name: Frank Velasquez, Director (resigned as Director in January 2020)

Office Street Address: 1750 North First Street, Suite 110, San Jose, California 95112

Executive Compensation

Compensation of Officers and Directors

Year ended December 31, 2019

	Annual Base Salary
Mike Khanna – CEO & Director	\$150,000
Subhash Sachdeva – CFO to February 2, 2020	\$144,000
Vikas Agrawal - CIO	\$250,000
Ankur Garg – CAIO & Director	\$258,000
Dr. Romesh Japra - Chairman	\$ -
Frank Velasquez – Former CEO & Director	\$175,000
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 2019. An interest liability of \$68,109 remained outstanding as of December 31, 2019.

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 2019 were less than \$15,000.

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 Corp.

Consolidated Financial Statements

For the Year Ended

December 31, 2019 and 2018

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, 2019, and 2018

	2019	2018
CURRENT ASSETS		
Cash	\$ 3,131,767	\$ 1,024,293
Accounts receivable, net	1,462,321	173,728
Prepaid expenses	2,113,823	-
Other current assets	189,182	31,763
TOTAL CURRENT ASSETS	6,897,093	1,229,784
NON-CURRENT ASSETS		
Intangible Assets	3,252,478	2,638
Goodwill	2,938,275	-
Right of use lease assets	235,049	-
Furniture, fixtures and equipment (net)	35,423	-
Due to related party	-	704,000
TOTAL NON-CURRENT ASSETS	6,461,225	706,638
TOTAL ASSETS	\$ 13,358,318	\$ 1,936,422
LIABILITIES AND STOCKHOLDERS' EQUITY/(DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 1,821,242	\$ 187,617
Accrued expenses and accrued liabilities	1,662,723	524,941
Accrued compensation	1,847,732	1,923,232
Deferred revenue - current portion	2,550,117	104,763
Right of use lease liabilities – current portion	114,471	-
Bank credit line	505,047	-
Royalty liabilities	923,920	733,049
TOTAL CURRENT LIABILITIES	9,425,252	3,473,602
NON-CURRENT LIABILITIES		
Note payable - Related party- long term	68,109	358,109
Right of use lease liabilities – long term portion	120,578	-
Deferred revenue - long term portion	12,734	36,209
TOTAL NON-CURRENT LIABILITIES	\$ 201,421	\$ 394,318
TOTAL LIABILITIES	\$ 9,626,673	\$ 3,867,920
Commitments and contingencies	-	-
STOCKHOLDERS' EQUITY		
Preferred Stock, no par, 10,000,000 shares authorized, 3,530,804 & 2,209,214 issued and outstanding 12/31/19 & 12/31/18	10,437,579	5,543,035
Common Stock, no par, 700,000,000 shares authorized, 259,119,544 & 181,489,129 shares issued & outstanding, 12/31/19 & 12/31/18	15,854,925	10,380,533
Accumulated Deficit	(22,559,156)	(17,855,066)
Accumulated Other Comprehensive loss	(1,703)	-
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	\$ 3,731,645	\$ (1,931,498)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY/(DEFICIT)	\$ 13,358,318	\$ 1,936,422

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

SONASOFT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31, 2019 and 2018

	2019	2018
OPERATIONS		
Revenue	\$ 13,328,025	\$ 978,892
Cost of goods sold	10,316,560	171,547
Gross profit	3,011,465	807,345
OPERATING EXPENSES	7,581,110	2,356,252
LOSS FROM OPERATIONS	(4,569,645)	(1,548,907)
OTHER INCOME (EXPENSE)		
Settlement of contingent liability	447,738	-
Bargain purchase gain	332,720	-
Provision for legal settlement	(860,000)	-
Interest and other income (expense)	(54,903)	66,327
NET (LOSS)	\$ (4,704,090)	\$ (1,482,580)
OTHER COMPREHENSIVE LOSS		
Foreign Currency translation loss	(1,703)	-
TOTAL COMPREHENSIVE LOSS	(1,703)	-
COMPREHENSIVE NET LOSS	\$ (4,705,793)	\$ (1,482,580)
Gain (Loss) per share	\$ (0.022)	\$ (0.005)
Weighted average common shares outstanding	218,454,163	271,532,360

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

SONASOFT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ (4,704,090)	\$ (1,482,580)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	320,120	-
Loss (Gain) on disposal of property, plant and equipment	(2,172)	-
Gain on extinguishment of liabilities	(447,738)	-
Bargain purchase gain	(332,720)	-
Bad debt expense	4,990	62,662
Share based compensation - options	792,313	872,651
Stock issued for post completion compensation	314,134	-
Interest converted to note payable	10,000	-
Share based compensation - services	135,000	66,651
Other non-cash	(3,966)	-
Cash provided by (used for) the change in:		
Accounts receivable	(523,583)	(172,542)
Other current assets	295,581	(28,063)
Prepaid Expenses	(2,113,823)	-
Accounts payable (net)	(193,399)	(65,423)
Deferred Revenue	2,014,879	35,128
Accrued compensation	(75,500)	108,000
Accrued liabilities	584,535	26,679
Royalty Payable	190,871	-
NET CASH USED IN OPERATING ACTIVITIES	\$ (3,734,568)	\$ (576,837)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase)in restricted cash		
Due to related party	(22,000)	(704,000)
Purchase of property and equipment	(17,654)	-
Net payment for acquisition of Cornerstone Inc.	(148,372)	-
Net proceeds from acquisition of Hotify Inc.	68,000	-
Net proceeds from acquisition of E-Connectt Inc.	314,000	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ 193,974	\$ (704,000)

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

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolver	505,047	
Proceeds from issuance of preferred stock	1,985,000	1,000,000
Proceeds from issuance of common stock	1,960,021	640,000
Payments on debt	(90,000)	230,000
Stock subscription	1,288,000	20,000
	<hr/>	<hr/>
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 5,648,068	\$ 1,890,000
	<hr/>	<hr/>
NET CHANGE IN CASH	2,107,474	609,163
Cash -beginning of year	1,024,293	415,130
Cash-end of year	\$ 3,131,767	\$ 1,024,293
	<hr/>	<hr/>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 45,456	\$ 35,664
Income taxes paid		1,661
	<hr/>	<hr/>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
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	135,000	7,651
Issuance of Preferred Stock for Accounts Payable	-	59,000
Issuance of Preferred & Common Stock for Post Completion Compensation	314,134	-
Conversion of N/P to common shares	300,000	-
Operating lease acquired for lease liability	234,693	-
Total Non- Cash Transactions	\$ 4,761,455	\$ 66,651
	<hr/>	<hr/>

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

SONASOFT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the year ended Dec. 31, 2019 and 2018

COMMON STOCK	Number of Shares	Amount	Accumulated Deficit	Stockholders' Equity
Balance - 12/31/17	326,144,499	\$ 13,124,266	\$ (16,372,486)	\$ (3,248,220)
Issuance of common stock for cash	25,600,000	640,000	-	640,000
Stock options issued	-	872,651	-	872,651
Conversion of Common stock into Preferred stock	(178,561,400)	(4,464,035)	-	(4,464,035)
Issuance of common stock for services	306,030	7,651	-	7,651
Issuance of common stock for loan	8,000,000	200,000	-	200,000
Net loss	-	-	(1,482,580)	(1,482,580)
Balance - 12/31/18	181,489,129	\$ 10,380,533	\$ (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 to preferred	(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 stock post acquisition	2,207,423	55,186	-	55,186
Subscription	-	1,288,000	-	1,288,000
Foreign Currency Translation Loss	-	-	(1,703)	(1,703)
Net loss	-	-	(4,704,090)	(4,704,090)
Balance - 12/31/19	259,119,544	\$ 15,854,925	\$ (22,560,859)	\$ (6,705,934)
PREFERRED STOCK				
Balance - 12/31/17	-	\$ -	-	\$ -
Issuance of common stock for cash	400,000	1,000,000	-	1,000,000
Conversion of Common Stock for Preferred	1,785,614	4,464,035	-	4,464,035
Stock subscription	-	20,000	-	20,000
Issuance of common stock for services	10,000	25,000	-	25,000
Issuance of Preferred stock for payables	13,600	34,000	-	34,000
Net Loss year ended Dec.31,2018	-	-	-	-
Balance- 12/31/18	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 to preferred	56,700	141,750	-	141,750
Issuance of stock post completion comp.	94,163	258,948	-	258,948
Issuance of preferred stock for acquisition	926,727	2,508,846	-	2,508,846
Net loss	-	-	-	-
Balance - 12/31/19	3,530,804	\$ 10,437,579	-	\$ 10,437,579

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. The financial results of all the entities are included in the consolidated financial statements of 2019, post acquisition dates. Comparative figures are not consolidated as the company did not have any subsidiaries as of December 31, 2018.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and going concern

The financial statements are prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"). As reflected in the accompanying consolidated financial statements, the Company has a net loss and net cash used in operations of \$4,704,090 and \$3,734,568 respectively, for the year ended December 31, 2019. Additionally, the Company has a working capital deficit and accumulated deficit of approximately \$2.53 million and \$22.56 million, respectively, as of December 31, 2019. 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.

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

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

adjustments that might result from the outcome of this uncertainty.

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.

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 fair value of common stock issued, fair value of identifiable assets and liabilities in business combination and the assumptions used therein.

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, 2019 and 2018. 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, 2019, 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.

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 114,322,703, and 97,892,693 potentially dilutive securities outstanding, on December 31, 2019 and December 31, 2018, 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.

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

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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,

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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 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

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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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, 2019 and 2018:

Major Products and Services

	<u>2019</u>	<u>2018</u>
Hardware	\$ 3,826,764	\$ 5,800
Software	2,182,177	213,576
Services	7,244,721	736,766
Other	14,476	22,750
Total Net Sales	<u>\$13,268,138</u>	<u>\$ 978,892</u>

Timing of Revenue Recognition

	<u>2019</u>	<u>2018</u>
Transferred at a point in time where Sonasoft is Principal	\$13,268,138	\$ 978,892
Transferred at a point in time where Sonasoft is Agent	<u>\$13,268,138</u>	<u>\$ 978,892</u>
Total Net Sales	<u>\$13,268,138</u>	<u>\$ 978,892</u>

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.

Operating Expenses

	<u>2019</u>	<u>2018</u>
Compensation Expenses	\$ 3,850,574	\$ 908,672
Marketing Expenses	616,468	59,082
Professional Fees	422,786	257,602
General & Administrative Expenses	603,862	185,379
Amortization	299,391	-
Royalties	190,872	-
Stock Based Compensation	1,106,447	872,651
R&D Expense	490,710	72,866
Total Operating Expenses	<u>\$ 7,581,110</u>	<u>\$ 2,356,252</u>

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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 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

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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 note 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, 2019 and the fiscal year ended December 31, 2018.

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.

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

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uncollectible are charged to bad debt expense and included in the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of December 31, 2019, and 2018, the allowance for doubtful accounts amounted to \$51,549 and \$69,756 respectively. The Company recorded bad debt expense of \$4,990 and \$62,662 during the years ended December 31, 2019 and 2018, respectively.

Recent Accounting Pronouncements

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 January 1, 2019 and December 31, 2019 the standard did not have a material effect on our balance sheet as 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 and was under a renewal for the non-cancelable portion of its operating lease from 1/2/2019 through 1/2/2020 at a rate of \$9,600 per month. During 2019 this lease was recorded using the short-term lease practical expedient as lease expense in the statement of operations. 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 in the first 12 months and \$10,105 per month for the final 12 months of the operating lease extension. As a result of decision to exercise the option for a long-term extension on December 31, 2019 the Company recorded an ROU asset and lease liability associated with this lease in December 2020 of \$235,409.

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

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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.

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.

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 unaudited condensed consolidated financial statements.

Segments

Operating segments are defined as components of an enterprise engaging in business activities for which discrete financial information is available and regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company

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operates and manages its business as one operating segment and all of the Company's revenues are currently generated in the United States.

Comparative Figures

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

NOTE 3 - ACQUISITIONS

Cornerstone

On January 19, 2019, the Company acquired all of the issued and outstanding common stock of Cornerstone Tech, Inc., dba Cornerstone Technologies, Inc. ("Cornerstone"). Upon closing of the acquisition, each share of Cornerstone stock issued and outstanding was transferred to the Company in exchange for aggregate consideration of: (i) 14,910,400 shares of the Company's common stock; (ii) 260,896 shares of the Company's preferred stock; and (iii) the assumption and payoff of outstanding debt Cornerstone totaling \$816,235 (together the "Cornerstone Merger Consideration"). The common stock and preferred stock issued as consideration was valued at \$0.02 and \$2.20 per share, respectively, resulting in aggregate Cornerstone Merger Consideration of \$1,688,414.

Cornerstone, based in San Jose, California, is an engineering services and product resale company that primarily guides and enables business professionals and technologists to discover, manage, migrate data and compute workloads. Cornerstone focuses on turnkey solutions and services delivery for data archiving and data migration services. Cornerstone provides solutions to a wide range of industries including Healthcare, Education, Finance and Technology.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the date of the acquisition (*in thousands*):

Total consideration to selling shareholders	\$	1,688
Assets acquired and liabilities assumed:	\$	-
Net working capital	\$	(1,179)
Fixed assets	\$	25
Intangible assets subject to amortization	\$	1,614
Net assets	\$	460
Goodwill	\$	1,228

The Company believes the amount of goodwill resulting from the acquisition is primarily attributable to expected synergies from assembled workforce and increased offerings to customers. The Company did not recognize goodwill for tax purposes.

During the year ended December 31, 2019, Cornerstone contributed approximately \$10.6M to total

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revenue and approximately \$2.0M to gross profit of the Company, respectively.

Disclosure of pro-forma revenues and earnings attributable to the acquisition is excluded because it is impracticable to obtain complete historical financial records for Cornerstone.

To determine the estimated fair value of intangible assets acquired, the Company engaged a third-party valuation specialist to assist management. The fair value measurements of the intangible assets were based on significant unobservable inputs and thus represent a level 3 measurement as defined in ASC 820.

The acquired intangible asset categories, fair value and amortization periods, were as follows (*in thousands*):

	Amortization Period	Fair Value
Software	7 Years	\$ 98
Domain name	NA	5
Customer contracts/relationships	10 Years	1,511
		\$ 1,614

The business combination accounting is provisionally complete for all assets and liabilities acquired on the acquisition date.

Hotify

On April 12, 2019, the Company acquired all of the issued and outstanding common stock of Hotify, Inc. (“Hotify”). Upon closing of the acquisition, each share of Hotify stock issued and outstanding was transferred to the Company in exchange for aggregate consideration of: (i) 27,792,557 shares of the Company’s common stock; (ii) 585,831 shares of the Company’s preferred stock; (iii) the assumption and payoff off outstanding debt Hotify of approximately \$289,000, including approximately \$187,000 of Hotify’s transaction-related expenses bourn by the Company, and (iv) the fair value of contingent consideration of approximately \$448,000. The common stock and preferred stock issued as consideration was valued at \$0.025 and \$2.75 per share, respectively.

The merger agreement was based on a per share common stock value of \$.33529 for each share of the Company’s common stock. If during the two-year period following the closing date, the Company’s traded common stock price fails to exceed \$.33529 per share, the Company shall issue an amount additional shares of the Company’s common stock to the sellers equal to (i) the quotient obtained by dividing \$28,500,000 by the highest closing stock price of the Company’s common stock during the two-year period, minus (ii) 85,000,000 shares of the Company’s common stock. The contingent obligation to issue additional shares of the Company’s common stock represents contingent consideration, the fair value of which was estimated to be \$447,738 as of the closing date. The initial fair value of the contingent consideration was initially recognized as a liability

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and subsequently measured at fair value, with changes in fair value recognized in the statement of operations.

Hotify, based in Santa Clara, California, is an Artificial Intelligence Platform as a Service (AI PaaS) company and is the developer of NuGene, a cognitive Automation platform which can be used to develop fast and robust Intelligence Agents (Bots). These Bots can deliver variety of use cases for example, identifying churning customers in retail, machine failure risk in manufacturing, forecasting sales & demand, predicting win and loss of a salesforce opportunity and Q&A over large volume of documents. Developers can create these agents in minutes with zero coding, using automated AI engine by just defining a task (Objective) and providing right input data. These Agents can be sequenced together and with RPA bots to accomplish end-to-end intelligent process automation. They are self-learning, transparent in their logic and can be audited. Hotify has worldwide enterprise customers in multiple market segments. Hotify Inc. was founded in 2018.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the date of the acquisition (*in thousands*):

Total consideration to selling shareholders	\$	2,754
Assets acquired and liabilities assumed:	\$	289
Net working capital	\$	(171)
Fixed assets	\$	2
Intangible assets subject to amortization	\$	1,500
Net assets	\$	1,331
Goodwill	\$	1,712

The Company believes the amount of goodwill resulting from the acquisition is primarily attributable to expected synergies from assembled workforce and increased offerings to customers. The Company did not recognize goodwill for tax purposes.

During the year ended December 31, 2019, Hotify contributed approximately \$52k to total revenue and approximately \$52k to gross profit of the Company, respectively.

Disclosure of pro-forma revenues and earnings attributable to the acquisition is excluded because it is impracticable to obtain complete historical financial records for Hotify.

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To determine the estimated fair value of intangible assets acquired, the Company engaged a third-party valuation specialist to assist management. The fair value measurements of the intangible assets were based on significant unobservable inputs and thus represent a level 3 measurement as defined in ASC 820. The acquired intangible asset categories, fair value and amortization periods, are shown in the following table (*in thousands*):

	Amortization Period	Fair Value
Software	10 Years	\$ 1,482
Domain name	N.A.	1
Non-compete	2 Years	17
		\$ 1,500

The business combination accounting is provisionally complete for all assets and liabilities acquired on the acquisition date.

E-Connect

On May 31, 2019, the Company acquired all of the issued and outstanding common stock of E-Connect Software, Inc. (“E-Connect”). Upon closing of the acquisition, each share of E-Connect stock issued and outstanding was transferred to the Company in exchange for aggregate consideration of: (i) 1,200,000 shares of the Company’s common stock; and (ii) 48,000 shares of the Company’s preferred stock (together the “E-Connect Merger Consideration”). The common stock and preferred stock issued as consideration was valued at \$0.036 and \$3.96 per share, respectively, resulting in aggregate E-Connect Merger Consideration of \$233,280.

E-Connect, based in Fremont, California, is an IT Consultancy firm specializing in data engineering. It focuses on strategy, business transformation and technology. E-Connect provides expertise services in advanced analytics and AI, data engineering, process automation, data management, big data analytics and data warehouse modernization. E-Connect only has one employee who manages all the operations and acquires consultants on contracts for the execution of projects. Through this acquisition Sonasoft intends to get access to its customer base and intends to offer its existing software products such as NuGene AI, E-mail archiving software etc.

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The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the date of the acquisition (*in thousands*):

Total consideration to selling shareholders	\$ 233
Assets acquired and liabilities assumed:	-
Net working capital	\$ 307
Intangible assets subject to amortization	\$ 259
Net assets	\$ 566
Bargain purchase gain	\$ 333

During the year ended December 31, 2019, E-Connect contributed approximately \$2.4 to total revenue and approximately \$0.7 to gross profit of the Company, respectively.

Disclosure of pro-forma revenues and earnings attributable to the acquisition is excluded because it is impracticable to obtain complete historical financial records for E-Connect.

To determine the estimated fair value of intangible assets acquired, the Company engaged a third-party valuation specialist to assist management. The fair value measurements of the intangible assets were based on significant unobservable inputs and thus represent a level 3 measurement as defined in ASC 820. The acquired intangible asset categories, fair value and amortization periods, were as follows (*in thousands*):

	Amortization Period	Fair Value
Non-compete	2 Years	\$ 23
Domain name	N.A.	\$ 2
Customer contracts/relationships	5 Years	\$ 234
		\$ 259

The business combination accounting is provisionally complete for all assets and liabilities acquired on the acquisition date.

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Optimaize

The Company acquired certain intellectual property and software in an asset acquisition with Optimaize, Inc. The purchase was made by issuing i) 1,300,000 shares of common stock valued at \$0.038 and ii) 32,000 shares of preferred stock at \$4.18 for a total purchase price of \$183,160. The estimated useful life of this intangible asset is 7 to 10 years.

The Company recognized intangible assets of \$ 183,160 from the acquisitions during the year and charged amortization of \$7,929 for the year ended December 31, 2019.

NOTE 4 – ACCRUED EXPENSES AND LIABILITIES

Accrued expenses and accrued liabilities consist of the following:

	December 31 2019	December 31 2019
Credit card	\$ 27,086	\$ 34,809
Accrued vacation	166,988	166,988
Accrued legal expenses (see note 10)	1,166,563	313,643
Accrued commissions	86,942	-
Customer Prepaid	169,283	-
Others	45,861	9,501
	<u>\$ 1,662,723</u>	<u>\$ 524,941</u>

NOTE 5 - ACCRUED COMPENSATION

	December 31 2019	December 31 2018
Vice Chairman	\$ 1,284,441	\$ 1,309,941
VP Product Development	126,324	156,324
VP Business Development	221,989	226,989
Chief Financial Officer	88,000	88,000
Chief Executive Officer	126,978	141,978
	<u>\$ 1,847,732</u>	<u>\$ 1,923,232</u>

Management decided not to accrue any outstanding compensation due from January 1, 2016 onwards except for Andy Khanna, former CEO and Vice-Chairman.

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NOTE 6 – 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 Dec. 31, 2019, and Dec. 31, 2018, the balance of liabilities associated with the royalty agreement were \$923,920 and \$733,049, respectively. This royalty premium shall only be paid when management of Sonasoft reasonably determines that the company is profitable.

NOTE 7 - NOTES PAYABLE

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, 2019 and December 31, 2018 was \$68,109 and \$358,109 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 Dec. 31, 2019, the remaining interest due is \$68,109.

NOTE 8 - STOCKHOLDERS' EQUITY

Common Stock Issued for Acquisitions

During the year ended December 31, 2019, the Company issued an aggregate of 47,410,380 shares of common stock for gross value of \$1,140,808 whereby:

- 14,910,400 shares of common stock were issued to shareholders of Cornerstone Technologies Inc. at a value of \$0.02 per common share.
- 1,200,000 shares of common stock were issued to shareholders of E-connect at a value of \$0.036 per common share.
- 1,300,000 shares of these common stock issued to Optimaize at a value of \$0.038 per common share.
- 29,999,980 shares of these common stock issued to Hotify Inc. for fair market value of \$0.025 per common share.

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Preferred Stock Issued for Acquisitions

During the year ended December 31, 2019, the Company issued an aggregate of 1,020,890 shares of preferred stock for gross value of \$2,767,794 whereby:

- 260,896 shares of preferred stock were issued to shareholders of Cornerstone Technologies Inc. at a value of \$2.20 per preferred share.
- 48,000 shares of preferred stock were issued to shareholders of E-connect Inc. at a value of \$3.96 per preferred share.
- 32,000 shares of preferred stock were issued to shareholders of Optimize Inc. at a value of \$4.18 per preferred share.
- 679,994 shares of preferred stock were issued to shareholders of Hotify Inc. at a value of \$2.75 per preferred share.

Common Stock Issued for Cash

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

During the year ended December 31, 2018, the company issued 25,600,000 shares of common stock and received cash payment of \$640,000 for same.

Preferred Stock 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 for same.

During the year ended December 31, 2018, the company issued 400,000 shares of preferred stock and received cash payment of \$1,000,000 for same.

Common Stock Issued for Services

During the year ended December 31, 2019, the company issued 1,650,000 shares of common stock for services valued at \$135,000.

During the year ended December 31, 2018, the company issued 306,030 shares of common stock for services valued at \$7,651.

As part of the acquisition of E-Connectt, 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.

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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.

Preferred Stock Issued for Services

As part of the acquisition of E-Connectt, 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 that period.

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.

Common Stock Issued for Loan Conversion

During the year ended December 31, 2019, the company issued 12,000,000 shares of common stock for conversion of a note payable to the Chairman of the Board, valued at \$300,000.

During the year ended December 31, 2018, the company issued 8,000,000 shares of common stock for conversion of a notes payable, valued at \$200,000.

Common Stock Converted to Preferred Stock

During the year ended December 31, 2019, the company converted 5,670,000 shares of common stock into 56,700 shares of preferred stock, valued at \$141,750.

During the year ended December 31, 2019, the company converted 178,561,400 shares of common stock into 1,785,614 shares of preferred stock, valued at \$4,464,035.

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NOTE 9 - COMMON STOCK OPTIONS

Plan Information

In February 2003, the 2003 Incentive and Non-Statutory Stock Option Plan was approved and adopted by the Board of Directors. The 2003 Plan became effective upon the approval of the holders of the Company's stock at the Company's annual stockholders meeting held on September 4, 2003. Under the 2003 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 114,322,703 and 97,892,693 outstanding common stock options to various professional staff, consultants and directors of the company as at December 31, 2019 and December 31, 2018 respectively.

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.

During the year ending December 31, 2018, the Company issued 17,090,000 common stock options. No common stock options were exercised in FY 2018.

The issuances and current option holdings of board members and senior executives as of December 31, 2019 is shown in the table on the following page:

	# of Options Granted	# of Un-Exercised Options
Andy Khanna - Vice Chairman	16,880,000	16,880,000
Dr Romesh Japra - Chairman	25,266,528	25,266,528
Frank Velasquez - Former Director	1,000,000	1,000,000
Jim Gilmer - Company Secretary	1,300,000	1,300,000
Mike Khanna - CEO	12,360,000	12,360,000
Subhash Sachdeva - CFO	7,490,000	7,490,000
Grand Total	64,296,528	64,296,528

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - 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 31, 2019, and December 31, 2018, accrued compensation owed to Mr. Khanna was \$1,284,441 and \$1,306,941 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 01/31/2021, and \$10,104.82 per month from 02/01/2021 to 01/31/2022.

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. 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

SONASOFT CORPORATION
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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. Andy Khanna is currently challenging that decision in the California Supreme Court. It is unknown at this point when that court will rule.

During the year ending Dec. 31, 2019, the Company has taken 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

NOTE 11 – 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, 2019 and 2018, due to the following:

Description	2019	2018
	<hr/>	<hr/>
Tax provision at expected tax rate (2019: 21%, 2018:21%)	\$ (969,270)	\$ (273,300)
Impact of permanent differences	177,966	184,722
Other	(36,250)	-
Increase to valuation allowance	827,554	85,578
	<hr/>	<hr/>
Income tax provision	<u>\$ -</u>	<u>\$ -</u>

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Significant components of our deferred tax assets and liabilities are as follows:

Deferred Tax Assets	<u>2019</u>	<u>2018</u>
Net operating losses	\$ 1,665,814	\$ 1,065,664
Allowance for bad debt	25,435	14,648
Contingent legal accrual	<u>1,166,562</u>	<u>289,782</u>
Total deferred tax assets	2,857,811	1,370,094
Valuation allowance	<u>(2,857,811)</u>	<u>(1,370,094)</u>
Total net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2019, the Company had net operating loss (“NOL”) carryforwards for federal income tax purposes of approximately \$7.9 million, of which \$4.6 million will begin to expire in 2037 if not utilized to offset taxable income, and \$3.3 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, 2019 and 2018, the Company placed a valuation allowance of \$1.9 million and \$1.0 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 \$0.8 million for the year ended December 31, 2019.

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 2015. The Company’s 2018, 2017, and 2016 tax years may still be subject to federal and state tax examination.

SONASOFT CORPORATION
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NOTE 12 - SUBSEQUENT EVENTS

Between January 1, 2020 and June 30, 2019, the Company executed the following material transactions.

1. The Company issued 14,880,000 shares of common stock for cash at a price of \$0.10 per share for which it received \$1,488,000 in cash.
2. The Company issued 1,200,000 shares of common stock and 32,000 shares of preferred stock to Mr. Vikas Agrawal and Judhajit Senmazumdar as part of the post-completion compensation for the acquisitions of E-Connectt Inc. and Optimaize Inc.
3. On June 26th, the Company finalized an agreement to divest its subsidiaries E-Connectt 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-Connectt 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 forfeit any right to un-issued stock associated with the agreed post-completion compensation linked to the 2019 mergers of E-Connectt Inc. and Optimaize Inc. amounting to an additional 48,000 preferred shares and 3,200,000 common shares forfeited.
4. Employees and directors of Sonasoft exercised vested options for the issuance of 16,766,528 shares of common stock. Of this amount 16,266,528 shares were issued to the Chairman of the Board, Dr. Romesh Japra, for fully vested options granted in 2014 in lieu of note interest payable. The remaining 500,000 options were exercised by employees at a strike price of \$0.025 for cash proceeds of \$12,500.
5. The Board of the Company approved the issue of 11,875,000 options on common stock to employees and associates of the company at a strike price of \$0.10.
6. Employees of the company converted 50,000 shares of preferred stock in return for 5,500,000 shares of common stock.
7. Board Director Frank Velasquez resigned from the board in January of 2020.
8. 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.
9. Mr. Subhash Sachdeva stepped down from the CFO position on February 2, 2020. Mr. Robert Baumert took over the CFO position as of February 3, 2020.
10. 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.
11. In May of 2020, Sonasoft was granted a PPP loan in the amount of \$429,500.
12. In 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

Revenues for the year ended December 31, 2019 were \$13.3M vs. \$1.0M for the year ended December 31, 2018. Gross profit for the year ended December 31, 2019 was \$3.0M vs. \$0.8M for the year ended December 31, 2018. The primary reason for the increase in revenue and gross profit was the acquisitions of Cornerstone Tech. Inc, Hotify Inc. and E-Connect Inc. over the course of 2019. Cornerstone contributed approximately \$10.6M in revenues over 12 months, while E-Connect contributed approximately \$2.2M over 7 months. Hotify Inc. was still in the pre-revenue stage in 2019, with very minimal licensing revenues. Revenues from the legacy Sonavault software suite declined to approximately \$0.5M over 12 months. Gross profit margins fell from the 80% level enjoyed by Sonasoft's SAAS products to the 22.6% aggregate of the hardware, software and services sales of the newly consolidated entity.

The Company had operating losses of \$4.6M during the year ended December 31, 2019, vs. a loss of \$1.5M for the year ended December 31, 2018. Excluding stock-based compensation expenses for employees and directors (\$1.11M), and royalty accruals of \$191k, the year over year increase in operating losses was \$1.72M.

The primary reason for the increased loss is the increase in operational expenses related to the acquisitions of Cornerstone, Hotify, E-Connect and Optimaize. Activities related to the processing of the acquisitions yielded a \$0.2M increase in professional fee expenses, primarily for legal and accounting services. Marketing expenses increased by \$0.55M year-over-year due to heavy investment to promote the Company's AI-first strategy and product. Product development costs increased by \$0.4M due to the added expense of the Hotify development team. Total payroll expense increased by \$2.9M with the absorption of staff from all of the acquired entities. However, efficiencies were gained over the course of the year as greater integration of the merged entities was achieved, with quarterly payroll expense declining by 10% over the course of the year.

A secondary reason for the increased loss was the declining sales of the Company's Email archiving and e-discovery software due to increasing competition in the space, leading to a 40% reduction in both net-new subscriptions and renewals.

Despite the limited revenue contributions of the NuGene AI platform for the year, the company has been extremely pleased with results in this area of the business, as the technology has gained significant traction with successful proof of concept demonstrations for several large OEM partners. These early green shoots are anticipated to drive rapid growth in AI based revenues from both POC's and production licensing agreements in 2020, as the company solidifies its AI-first orientation. Opportunities in the energy and financial sectors are particularly promising.

Sales for the Cornerstone business have been relatively stable, though margins have come under increasing pressure as the hardware and software reseller markets continue to commoditize. Cornerstone's excellent relationships and reputation have allowed it to maintain sales levels despite highly competitive market conditions. Sonasoft's strategy for the Cornerstone business is to leverage the customer network and presence it provides to drive AI sales, pivoting Cornerstone resources towards the expanding AI sector. Similarly, Sonasoft's data science and data analytics support capabilities act as a complement to our AI efforts, expanding the service offering we can

deliver to customers.

As a result of the merger activity, Sonasoft's balance sheet strengthened considerably, with shareholder's equity growing from (\$1.93 M) as of December 31, 2018 to \$3.73M as of December 31, 2019. Cash balance as of December 31, 2019 was \$3.13M versus \$1.02M as of December 31, 2018.

Looking ahead, the business has successfully consolidated the four merged entities into the Sonasoft business and has returned its focus to optimizing operations and execution with a primary emphasis on AI. This will lead to significant cost savings in 2020 due to synergies in administration and finance, and a focused pursuit of combined AI sales opportunities across the entities. This improvement in operational efficiency is expected to offset margin pressures in the Cornerstone business, while creating new opportunities for AI revenue growth. Continued investment in AI development and sales will result in continued net losses for 2020, but the resulting OEM partnerships are expected to result in a rapid increase in AI revenues. The net profitability benefits of these opportunities are not expected to fully materialize until 2021.

As discussed in the subsequent events section of Note 12 to the financial statements, 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. The strategy position taken was that engineering services within Sonasoft should exist as a complement and support for the AI software business, rather than as a strategic focus in and of themselves. Given this decision, 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 NuGene 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 2020.

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 NuGene 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. Sonasoft will also continue developing the core features of its SonaVault product, focusing on additional AI enablement of search functions.

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

Not Applicable

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

It is anticipated that Sonasoft will expand its team with the addition of three to five sales professionals, two to four project and product management professionals, and four to six AI engineering professionals.

6. Off Balance Sheet Agreements

The Company does not have any off the 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:

**Steve M. Defilippis
Picone & Defilippis
625 North First Streets
San Jose, CA 95112
408) 292-0441
Elipsmd2005@yahoo.com**

5. Accountant or Auditor - t

**Thayer O'Neal Company, LLC
101 Parklane Blvd., Suite 201
Sugar Land, Texas 77478
(281) 552-8430
info@thayeroneal.com**

Thayer O'Neal Company LLC is a certified public accountant and PCAOB auditor. This firm has completed the audit of fiscal year ending Dec 31, 2015, 2016 and 2017 and 2018

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 2018 were 25,600,000 and from Jan 1, 2019 thru December 31, 2019 were 22,240,035.

The number of Preferred shares sold in 2019 was 244,000. These shares were sold under terms and conditions of the Certificate of Determination filed with State of California.

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

Preferred shares were offered at \$2.50 and \$10.00 per share 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 December 31, 2019

04/19/2018	Romesh K Japra	2,000,000	\$.025	Investment, Shares issued in lieu of cash
04/19/2018	R. & J. Martin 1995 Inter Vivos Trust	2,000,000	\$.025	Investment, Shares issued in lieu of cash
04/19/2018	R. Martin & M. Morehead 2008 Inter Vivos Trust	2,000,000	\$.025	Investment, Shares issued in lieu of cash
04/19/2018	Vincent Vella	2,000,000	\$.025	Investment, Shares issued in lieu of cash
06/11/2018	GT Property & Investment GroupLLC	600,000	\$.025	Investment, Shares issued in lieu of cash
06/11/2018	Romesh K Japra	2,000,000	\$.025	Investment, Shares issued in lieu of cash
06/11/2018	John S Wagner	1,000,000	\$.025	Investment, Shares issued in lieu of cash
08/07/2018	Myma Lontoc Alfaro	8,000,000	\$.025	Investment, Shares issued in lieu of cash
08/07/2018	Jim Comer	56,030	\$.025	Investment, Shares issued in lieu of services - sales commission
08/07/2018	Julie Boruff	500,000	\$.025	Investment, Shares issued in lieu of cash
08/07/2018	Bradley R Prutt	500,000	\$.025	Investment, Shares issued in lieu of cash
10/09/2018	Mike Campbell	250,000	\$.025	Shares issued in lieu of services

10/09/2018	Romesh Japra	2,000,000	\$.025	Investment, Shares issued in lieu of cash
10/09/2018	Romesh Japra	2,000,000	\$.025	Investment, Shares issued in lieu of cash
10/09/2018	Dennis Minato & Augustina Minato JTEN	8,000,000	\$.025	Investment, Shares issued in lieu of cash
01/28/2019	Jim Plutchak	450,000	\$0.00	Issued as part of purchase consideration to acquire Cornerstone Technologies
01/28/2019	Frank D Velasquez	1,460,000	\$0.00	Issued as part of purchase consideration to acquire Cornerstone Technologies
01/29/2019	Frank D Velasquez	13,000,000	\$0.00	Issued as part of purchase consideration to acquire Cornerstone Technologies
01/31/2019	Frank D 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 Agrawal	600,000	\$0.00	Issued as part of purchase consideration to acquire E-connect
05/31/2019	Judhajt 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	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	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	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 TECHNOLOGIE S LLC	46,341	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/08/19	ZSOLT VENTURES LLC	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	47,866	\$0.00	Issued as part of purchase consideration to acquire Hotify AI

07/09/19	AVJ INC	569,693	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/09/19	HFY LLC	1,839,536	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/09/19	HFY LLC	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	63,872	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
07/26/19	NJV ADVISORS INC	500,000	\$0.10	Investment Shares issued in lieu of service
07/26/19	NORTHSTAR CAPITAL PARTNERS INC	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 SENMAZUMD AR	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	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	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	KIYATEC IT SYSTEMS PVT LTD	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 TECHNOLOGIE S LLC	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 RAMESHKUM AR	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 TAMBI	870,294	\$0.00	Issued as part of purchase consideration to acquire Hotify AI
08/26/19	Z NATION LAB GROWTH LLC	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	350,000	\$0.10	Investment, Shares issued in lieu of cash

11/12/19	RHP FAMILY PARTNERSHIP LTD	4,000,000	\$0.10	Investment, Shares issued in lieu of cash
12/05/19	3MC LTD	5,000,000	\$0.10	Investment, Shares issued in lieu of cash
12/05/19	FLOOD FAMILY PARTNERSHIP LP	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	1,2770,000	\$0.10	Investment, Shares issued in lieu of cash

ISSUANCE HISTORY - PREFERRED SHARES THRU MARCH 31,2020

07/25/2018	Ken Fishman	77,078	\$2.50	Conversion of Common shares to Preferred shares
07/25/2018	Joseph Rapp & Anne Rapp JT Ten	100,000	\$2.50	Conversion of Common shares to Preferred shares
07/25/2018	Robert A. & Jacquelin A. Martin 1995 InterVivos Trust	70,000	\$2.50	Conversion of Common shares to Preferred shares
07/25/2018	Rodney Martin & Michele Morehead 2008 Inter Vivos Trust	80,000	\$2.50	Conversion of Common shares to Preferred shares
07/26/2018	Nand (Andy) Khanna	206,800	\$2.50	Conversion of Common shares to Preferred shares
07/26/2018	Romesh Japra	533,500	\$2.50	Conversion of Common shares to Preferred shares
07/26/2018	R& S Japra TTEE, Japra Fam. Trust	138,917	\$2.50	Conversion of Common shares to Preferred shares
07/26/2018	Randhawa Family Trust	113,499	\$2.50	Conversion of Common shares to Preferred shares
07/26/2018	Harkiran Randhawa	69,808	\$2.50	Conversion of Common shares to Preferred shares
08/07/2018	Kannan Ramesh Kumar & Sujatha Ganesan JT TEN	100,000	\$2.50	Conversion of Common shares to Preferred shares
08/07/2018	Randall Rajkovich	24,700	\$2.50	Conversion of Common shares to Preferred shares

08/07/2018	Rohith Sajja & Praveena Ramineni	167	\$2.50	Conversion of Common shares to Preferred shares
08/07/2018	William Patrick Kelley Sr.	4,000	\$2.50	Conversion of Common shares to Preferred shares
08/07/2018	Rohit Sajja	5,550	\$2.50	Conversion of Common shares to Preferred shares
08/09/2018	Mike Khanna	44,891	\$2.50	Conversion of Common shares to Preferred shares
08/09/2018	Douglas MacKallor	5,000	\$2.50	Conversion of Common shares to Preferred shares
08/09/2018	Neil Khanna	65,250	\$2.50	Conversion of Common shares to Preferred shares
08/09/2018	Subhash Sachdeva	20,800	\$2.50	Conversion of Common shares to Preferred shares
08/09/2018	M. & J. Rajavasireddy	1,563	\$2.50	Conversion of Common shares to Preferred shares
08/09/2018	Eric Guerin	200	\$2.50	Conversion of Common shares to Preferred shares
08/09/2018	Hema Ganapathy	1,165	\$2.50	Conversion of Common shares to Preferred shares
08/09/2018	Hans Van Rietschote	6,330	\$2.50	Conversion of Common shares to Preferred shares
10/03/2018	Crossfire Ventures	20,000	\$2.50	Conversion of Common shares to Preferred shares
10/03/2018	Garrett Rajkovich	54,562	\$2.50	Conversion of Common shares to Preferred shares
10/03/2018	Rajkovich Family 2006 Irrevocable Trust	38,167	\$2.50	Conversion of Common shares to Preferred shares
10/03/2018	Ramesh Karipineni	3,667	\$2.50	Conversion of Common shares to Preferred shares
08/07/2018	Hal R Faden	50,000	\$2.50	Issuance of Preferred shares in lieu of cash
10/31/2018	Romesh Japra	120,000	\$2.50	Issuance of Preferred shares in lieu of cash

10/31/2018	R. Martin & M. Morehead Inter Vivos Trust	20,000	\$2.50	Issuance of Preferred shares in lieu of cash
11/01/2018	R & J. Martin 1995 InterVivos Trust	20,000	\$2.50	Issuance of Preferred shares In lieu of cash
12/12/2018	Steve M Defilippis	10,000	\$2.50	Issuance of Preferred shares in lieu of legal services
12/12/2018	Romesh Japra	170,000	\$2.50	Issuance of Preferred shares in lieu of cash
12/12/2018	RHP Family Partnership Ltd	10,000	\$2.50	Issuance of Preferred shares in lieu of cash
12/12/2018	Russet Management	10,000	\$2.50	Issuance of Preferred shares in lieu of cash
12/12/2018	Methven & Associates Professional Corporation	13,600	\$2.50	Issuance of Preferred shares in lieu of legal services
01/25/2019	G&KD Enterprises LLC	12,000	\$2.50	Issuance of Preferred shares in lieu of cash
01/25/2019	Russet Management Ltd	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	8,000	\$2.50	Issuance of Preferred shares in lieu of cash
04/02/2019	INTRAPORT UK	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	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 Cust 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 Mallick	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	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 & Michele Morehead 2008 Inter Vivos Trust	10,000	\$10.00	Issuance of Preferred shares in lieu of cash
04/23/2019	RHP Family Partnership LTD	20,000	\$10.00	Issuance of Preferred shares in lieu of cash
04/23/2019	Russet Management Ltd	18,500	\$10.00	Issuance of Preferred shares in lieu of cash
04/23/2019	John F Williamson Jr & Donna Sceh 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 Sen mazumdar	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	Judhajt Sen mazumdar	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	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.	20,000	\$10.00	Issuance of Preferred shares in lieu of cash

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, 2019 and December 31, 2018 was \$68,110 and \$358,110 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 Dec. 31, 2019, the remaining interest due is \$68,110.

Part F: Exhibits & Material Events in 2019

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:

Option Agreements with Officers and Directors and 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) Acquisition of Cornerstone Inc.
- 2) Acquisition of Hotify Inc.
- 3) Acquisition of E-Connect Inc.
- 4) Acquisition of Optimaize Inc.
- 5) 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 2019

- During the fiscal year starting January 1, 2019 and ending on December 31, 2019, the Company issued an aggregate of 22,240,035 shares of common stock for gross proceeds of \$1,960,001.
- The Company also issued 244,000 Series A Preferred Shares for investment of \$1,985,000. Preferred Shareholders will be entitled to the same terms and conditions as Common Stockholders who converted the existing common stock shares into Preferred stock shares in 2018. The certificate of determination filed with the state of California provides the terms and conditions pertaining to this issuance of Preferred shares.
- The Company acquired Cornerstone Tech. Inc. and entered into a definitive agreement on April 27, 2018, after which Sonasoft filed an "Agreement to Merge" with the state of California with an effective date of acquisition of January 19, 2019. According to the final terms and conditions of the merger agreement, the Company issued 242,896 shares of Preferred Stock and 14,460,000 shares of Common Stock to Frank D. Velasquez and 18,000 shares of Preferred stock and 450,000 shares of Common Stock to James F. Plutchak, both existing shareholders of Cornerstone Tech. Inc. The Company also took over a related party loan of \$325,000 as part of the purchase consideration. To satisfy this liability, the Company issued 8,000,000 shares of common stock for \$200,000 or \$.025 per share and paid the balance in cash.
- The Company signed a Letter of intent with Hotify Inc. a Delaware Corporation located at 700 Aldo Avenue, Santa Clara, CA 95054 on Jan 26, 2019. This LOI and all previous agreements were superseded when the Company signed a definitive agreement and plan of merger on March 12, 2019. As closing consideration under the Merger Agreement and two subsequent amendments, the Company issued (i) Thirty Million (30,000,000) shares of Rule 144 restricted common stock of the Company and (ii) Six Hundred Eighty Thousand (680,000) shares of preferred stock of the Company. The Company also agreed to assume the liabilities of Hotify Inc. not to exceed \$300,000.
- The Company signed a definitive agreement with E-Connect Software Inc. and Optimaize, Inc., companies incorporated in California, on April 26, 2019, the terms and conditions being:
 - 100% acquisition of E-Connect stock in lieu of 2,400,000 shares of Sonasoft Corporation common stock and 96,000 shares of preferred stock. Fifty percent of the shares were issued upon closing, the balance to be issued over the following eight quarters on a pro-rata basis.
 - 100% acquisition of Optimaize Inc. stock in lieu of 3,600,000 shares of Sonasoft Corporation common stock and 64,000 shares of preferred stock. 1,300,000 share of common stock and 32,000 shares of preferred stock were issued upon closing, with the balance to be issued as post completion compensation over the following eight quarters on a pro-rata basis, contingent on the continuing employment of Mr. Vikas Agrawal with Sonasoft.
 - After an 18-month holding period the preferred stock will be allowed to convert to common at a conversion rate of 1:110.
- The Company issued 7m stock options to its professional consultants and key management staff to close the acquisition of Hotify Inc. of which 2m stock options were issued to Andy Khanna.

SUBSEQUENT EVENTS

Between January 1, 2020 and June 30, 2020, the Company executed the following material transactions.

- The Company issued 14,880,000 shares of common stock for cash at a price of \$0.10 per share for which it received \$1,488,000 in cash.
- 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-Connectt Inc. and Optimaize Inc.
- On June 26th, the Company finalized an agreement to divest its subsidiaries E-Connectt 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-Connectt 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 forfeit any right to un-issued stock associated with the agreed post-completion compensation linked to the 2019 mergers of E-Connectt 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 16,766,528 shares of common stock. Of this amount 16,266,528 shares were issued to the Chairman of the Board, Dr. Romesh Japra, for fully vested options granted in 2014 in lieu of note interest payable. The remaining 500,000 options were exercised by employees at a strike price of \$0.025 for cash proceeds of \$12,500.
- The company issued 15,000 options on common stock to employees of the company at a strike price of \$0.10.
- Employees of the company converted 50,000 shares of preferred stock in return for 5,500,000 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.

Subsequent events have been evaluated through June 30, 2020 as that is the date these financial statements were available for release.

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. Andy Khanna is currently challenging that decision in the California Supreme Court. It is unknown at this point when that court will rule.

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

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: July 20, 2020

Signature:



Mike Khanna, CEO

Date: July 20, 2020

Signature:



Rob Baumert, CFO