



Sonasoft Corp.

State of Incorporation: California

1735 North First Street, Suite 110

San Jose, California 95112

(408) 708-4000, www.sonasoft.com

SIC Code: 7372

Quarterly Report

For the Year Ended June 30, 2019

(the "Reporting Period")

The number of shares outstanding of our Common Stock is 206,699,564 as of June 30, 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 2,774,310 as of June 30, 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.sonasoft.com

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 OTCQB website.

Part A: General Company Information:

SONASOFT CORPORATION.

(Exact name of issuer as specified in its charter)

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**

I.R.S. Employer Identification Number: **51-0439372**

PART B: SHARE STRUCTURE

TRADE SYMBOL: SSFT

EXACT TITLE AND CLASS OF SECURITIES OUTSTANDING: COMMON STOCK

CUSIP: 835413 10 5

PAR OR STATED VALUE: NO PAR VALUE (THE "COMMON STOCK")

TOTAL COMMON SHARES AUTHORIZED: 700,000,000

TOTAL SHARES OUTSTANDING 206,699,564 JUNE 30, 2019

TOTAL FREE TRADING SHARES OUTSTANDING

72,717,680, JUNE 30, 2019

TOTAL NUMBER OF INVESTORS: 290, JUNE 30, 2019

EXACT TITLE AND 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 2,774,310, JUNE 30, 2019

TOTAL FREE TRADING PREFERRED SHARES 13,700, JUNE 30, 2019

TOTAL NUMBER OF INVESTORS: 62, JUNE 30, 2019

Common Stock: Voting right one per share, at present dividend and preemptions rights are not applicable.

Additional class of securities (if necessary): 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 Shares.

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:

- a) Common stock holders are eligible to convert shares of common stock in ratio of 100 common stock shares will get one share of Preferred stock.
- b) Lock up Period: After conversion into Preferred shares, the shareholder cannot convert them into shares of common stock for eighteen months from issuance date unless one of the following conditions is met:
 - 1) Sale of Sonasoft and its subsidiaries to another public and private company and there is change of control.
 - 2) Secondary offering: Sonasoft raise funds from public market using Investment Banker and under writer.
 - 3) Upon conversion of preferred shares into common stock shares, the preferred stockholder will be entitled to additional 10% of common stock shares as Bonus shares.
 - 4) Conversion Ratio: The Preferred shareholder will receive the same number of common stock shares; the ratio will be one share of Preferred stock equals to 110 shares of common stock.

Name & Address of the Transfer Agent

Name: Corporate Stock Transfer, Inc.
Address 1: 3200 Cherry Creek Drive, South, Suite 430
Address 2: Denver, CO 80209
Phone: (303) 282-4800
Fax: (303)282-5800
Email: Karen Naughton knaughton@corporatestock.com

BUSINESS INFORMATION

The nature of Issuer's Business

1. the form of organization of the issuer

Sonasoftware was incorporated as 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;

No

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

NO, long term Note payable of \$300,000 from Chairman, Director and Investor, issued 12m shares of Common stock and settled the debt, after exercise of warrants granted at the time of loan.

7. any change of control;

NO

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

Rule 144 shares of Common stock sold to Investors, less than 10% of outstanding stock.

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

Not Applicable

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

Not Applicable

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 detail 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
AND (recent acquisition) NAIC Code: 541512; Computer
Integrated 7373**

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

Not Development stage Company, Revenue generating products and operations

3. whether the issuer has at any time been a "shell company";

The Company has never been a Shell Company, it is 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;

Not Applicable; after acquisition of AI companies, Sonasoft operates Cornerstone Tech Inc., Hotify Inc, E-connect Software Inc.

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 high tech industry.

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 and services that preserve, manage, and create competitive advantages from data. The Company's two main software solutions are 1) NuGene, an artificial intelligence (AI) platform for cognitive analysis and 2) SonaVault enterprise information archiving and eDiscovery functionality to over 40 different data sources including email, social media, chat applications, collaboration tools, file sharing platforms, Office 365, etc. The Company also provide professional services for data engineering and data management services. The Company has three technical software development including CTO working on

improvement of existing software and its applications. The expenses incurred pertaining technical professionals are classified as operating expenses. The Company does not transfer any costs to customers directly or indirectly.

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

Not Applicable

8. the number of total employees and number of full-time employees.

Total number of employees seventy-eight (78), full time (W2 and 1099) employees. Most of our employees work out of California, we have software development center in Bangalore, India

(a) 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.

Based in Silicon Valley since 2003 Sonasoft is a public company (SSFT) providing solutions that preserve, manage, and create competitive advantages from data. Data is the most valuable, but often the most under-leveraged corporate asset in the digital economy. Sonasoft helps enterprises transform their relationship with data from burdensome cost-center overflowing to an efficient, well-managed corporate resource that grows in value as it grows in size. Sonasoft helps companies realize sizeable returns on their data-asset investments.

A pioneer of the data management industry, Sonasoft has continually expanded and evolved, taking advantage of developments in data technologies and data science to bring new value to its customers. For almost two decades Sonasoft has helped hundreds of companies preserve and manage their data assets and sustain business continuity through its proprietary SonaVault and SonaSQL archiving, backup, recovery, migration, replication and eDiscovery software and services. Most recently, it has incorporated a world-class enterprise artificial intelligence (AI) platform into its offer set to provide unprecedented opportunities for enterprises of all sizes to gain sizeable returns on investment from their data assets.

Sonasoft's, NuGene enterprise artificial intelligence (AI) platform, is among the most technologically capable in the market today. NuGene is Sonasoft intellectual property (IP).

Unlike other AI platforms, NuGene has the ability to go beyond correlation of data points to identify causal relationships among them, delivering higher quality, higher confidence predictions and recommendations. Deployable in only a few weeks, the NuGene platform helps customers discover risks and explore mitigation options, forecast future scenarios, model future actions, make better-informed decisions, and automate key business processes. Among its wide range of supported use cases is SonaVault's next-generation eDiscovery solution, incorporating AI-based smart searching to deliver market-leading automated intelligent response capabilities that increase customer satisfaction while reducing operational expenses.

Sonasoftware Professional Services enable companies to find and realize the maximum value that resides in their data. Our deep experience and expert guidance are available in conjunction with or independent from Sonasoftware solutions. They include artificial intelligence and machine learning data science consulting, data visualization development, data analytics consulting, cloud migration services, master data management consulting and implementation services and business integration and data warehousing consulting and implementation services.

The Company's professional services, software, cloud, and artificial intelligence platform capabilities harness data to enable small, medium, and large enterprises to achieve regulatory compliance, maintain business continuity, increase operational efficiency, accelerate and improve decision-making, and automate critical processes quickly and cost-effectively.

Sonasoftware solutions are available for small, medium, and large enterprises, and sold through its direct sales team as well as a growing network of distribution partners.

The Nature of Products or Services Offered:

- A. principal products or services, and their markets;

Products:

- 1) Artificial Intelligence Platform (NuGene)
- 2) Enterprise Information Archiving & eDiscovery Software Solutions (SonaVault)
- 3) Backup and Recovery Software Solution for Microsoft SQL Server (SonaSQL)
- 4) Resale of third-party software and/or hardware as component parts of larger solutions involving Sonasoftware products or as specified through a

Sonasoftware professional services engagement

Services:

- 1) Artificial Intelligence (AI) Services including data analytics and advisory
- 2) Business Intelligence (BI) and data warehousing, which include:
Looker/Tableau/OBI Apps/BICS/BO/Qlik
- 3) Data Visualization
- 4) Data archiving
- 5) eDiscovery services
- 6) Data migrations and data export
- 7) Cloud migrations

Markets:

All of these products are sold to Small and Midsize Enterprises, Large Enterprises, and 3'd party developers. Our principal geographic market is the United States, with secondary markets in Asia and Europe.

B. distribution methods of the products or services;

- 1) Direct sales to large enterprises
- 2) Online/E-Commerce to small and medium enterprises (SME)
- 3) Third-party resellers and solutions integrators

C. status of any publicly announced new product or service;

The Company announced on April 25, 2019 that its acquisition of Hotify, Inc. was completed and obtained all its related interests, assets, and intellectual property, which included NuGene, an AI platform. The Company is currently selling this solution.

On August 1, 2019, the Company announced that it finalized the acquisition of E-Connect Software, Inc. along with its related interests, assets, and intellectual property. The Company is already selling its artificial intelligence

(AI) and data analytics services.

The Company has released a major upgrade to its Enterprise Information Archiving and eDiscovery Software Solution, SonaVault, which is being delivered to customers now. SonaVault has expanded its capabilities beyond email and attachments and can now archive and prepare for eDiscovery of over 40 data sources including social media, e.g. Facebook, Twitter, file share applications, chats, Microsoft Team, Microsoft SharePoint, Microsoft Office 365, and much more.

The Company also announced a partnership with Exterro that allows SonaVault to be integrated with Exterro's eDiscovery capabilities. This integration is completed and available to the Company's customers now.

On May 22, 2019, the Company announced that it has started to revitalize its backup and recovery enterprise software solution to Microsoft SQL Server and is using this solution as part of its internal tools. This product is still in development and the re-release date of this solution has yet to be determined.

On September 25, 2018, the Company announced the completion of the acquisition of Cornerstone Technologies and all its related interests, assets, and intellectual property. The Company continues to sell and deliver these solutions.

D. competitive business conditions, the issuer's competitive position in the industry, and methods of competition;

The competitive business conditions for the products and services Sonasoft provides vary by product or service. The Company's archiving, backup, and migration products and their associated professional services are in relatively well-established markets with a large number of competitors. Sonasoft's competitive position in these product areas is favorable, driven by a strong reputation as an established provider of these solutions. This reputation, the Company's distribution network, and the strength of the Company's sales and marketing efforts are the basis of Sonasoft's competitive advantage in these markets. Sonasoft's eDiscovery solution has benefitted from the Company's strong competitive position for the archiving solutions upon which they are based, and will be further strengthened through the integration of Sonasoft's NuGene AI platform capabilities. NuGene Artificial Intelligence platform is in a rapidly evolving, fragmented, and highly competitive market that consists of relatively small software companies and software as a service (SaaS)

companies such as H2O.AI, and DATAROBOT, as well as large software companies, SaaS providers, and cloud platform vendors such as IBM, SAP, and Amazon Web Services. In this case, the superiority of the NuGene platform as judged by both enterprise customers highly familiar with AI, as well as the third-party developer community, is the basis of the Company's competitive advantage. Additional competitive advantages the Company believes it has included its ability to build and deploy AI solutions significantly faster and at less cost than both its large and small competitors. The Company's ability to offer both an AI solutions platform, as well as a full slate of AI-related professional services, is another key competitive advantage, particularly versus smaller software companies.

E. sources and availability of raw materials and the names of principal suppliers

The Company also entered into original equipment manufacturer (OEM) agreements with Excel Micro. These agreements allowed the Company to sell related product and services on a monthly subscription basis to its customers. Current offerings include cloud-based email archiving and eDiscovery services and email protection and email continuity that protects organizations from ransomware, phishing attacks, spam, and other threats.

F. dependence on one or a few major customers;

The Company has 100's of customers and is not dependent on a few large accounts. The Company has a healthy mix of SME and SLED established customers that continue to use the Company's products and services, as well as a continuous pipeline of prospective new customers.

G. patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration; and

The Company has patent applications pending for two aspects of our functionality that are unique. These are:

- Web Enabled Exchange Server Standby Solution Using Mailbox Level Replication

- Exchange Server Standby Solution Using Mailbox Level Replication with Crossed Replication between two Exchange Servers
- Collaboration Mapper (trademark)

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

Not Applicable.

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

As per section (A) above.

The Company's core product offerings include our AI cloud-based platform, NuGene, and the Company's Enterprise Information Archive & eDiscovery platform, SonaVault.

At the beginning of 2019, Sonasoft pivoted from "legacy data archiving" software solution provider to an "AI-first strategy." This transformation was a logical progression to the Company's handling of data. The Company first safeguarded data through archiving, backup, and recovery solutions. It then made data discoverable and met regulatory compliance. With the Company's AI-first strategy, the Company made data intelligent through new insights and efficiencies by predicting the future and behavior of those interacting with the data.

Specifically, NuGene is an AI platform that enables businesses to access and leverage the most relevant information based on a large data lake. The intelligence derived from NuGene allows corporations to cut costs, predict behavior and outcomes, and offer relevant services to its own customers.

SonaVault is a data archiving platform that enables over 40 data sources to be collected, stored and protected in a central repository. These data sources include email, instant messaging, social media, voice data, etc.

The Company's software products are licensed to our customers for their use. The products may be individually customized for some clients, but customers may request assistance to install the product on their servers rather than

through Sonasoft's cloud-based platform. Sonasoft charges a one-time fee for this installation service. The Company also offers maintenance contract services for an annual fee for each of our products.

The Company has a multi-pronged marketing strategy with initiatives including selling upgrades of AI-enhanced versions of its SonaVault solutions to its existing customer base, selling new, AI based products to both existing and new customers, and selling the enabling capabilities of the NuGene AI Platform to independent software vendors and large enterprises to integrate AI into their own software applications. The Company is a Certified Microsoft Gold Partner and direct Microsoft Cloud Service Provider. The Company also participates in the Nvidia "Inception Program" for AI.

The company has completed the integration and merging of the sales departments for all acquired entities into a single Sonasoft sales organization. As a result, proprietary software, engineering services and third-party products are primarily sold under one sales department. To support this sales department, the Company has initiated a range of lead generation marketing initiatives for all its products and services.

(b) Describe *how* these products or services are to be produced or rendered and how and when the Company intends to carry out its activities. If the Company plans to offer a new product(s), state the present stage of development, including whether or not a working prototype(s) is in existence. Indicate if completion of development of the product would require a material amount of the resources of the Company and the estimated amount. If the Company is or is expected to be dependent upon one or a limited number of suppliers for essential raw materials, energy or other items, describe. Describe any major existing supply contracts.

Sonasoft products are developed by software engineers, that are located in San Jose, CA, and Bangalore, India. As an information technology company, we are continuously developing new products or enhancing existing products. The Company's consulting services are delivered through on-site personnel and remotely via telephone and internet communications, and its cloud-based services are delivered remotely from various locations around the world.

The status of Sonasoft's major product development initiatives are listed below. None will require a material amount of Company resources to complete.

- In development: Smart Search for SonaVault. Prototype exists
- In development: AURA for Customer Support & Case Deflection. Prototype Exists
- Prototype exists: NuGene self-service platform.

Customer Support Plans

Standard support is available M-F from 7:00 A.M. to 5:00 P.M. PST.

Optional premium support levels are available up to 24/7/365.

The Nature and Extent of the Issuer's Facilities

The Company has entered into a lease agreement for an office building, the lease period ends on February 28, 2013. The company is currently on a month to month basis. Starting February 2015, the monthly rent is \$3,100 per month expense is included in the operating expenses on the income statement.

The Company executed a lease agreement to rent office space with starting date on August 1, 2016 thru July 31, 2019 at monthly rental amount of \$3,300 per month. The facility rent will increase to \$3,500 per month from August 1, 2017 and \$3,700 per month from August 1, 2018. The Company has also had option to renew the lease for five years after the expiry of current lease term on July 31, 2018. The Company has moved out of the facility as of July 31, 2019 and did not exercise the option to renew the lease.

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. The renewal took place on 1/2/2019 through 1/2/2020 with a 2-year option for renewal at a rate of \$9600.

MANAGEMENT STRUCTURE AND FINANCIAL INFORMATION

A. Name of Officers, Directors and Control Persons.

Name	Affiliation(1)
Frank D. Velasquez	CEO, holding 2.16% of Company's Common stock and also holds 242,896 or 8.76% Preferred shares.
Mike Khanna	President, holding 7,777,300 or 3.76 % of Company's Common Stock and also holds 44,891 or 1.62% of Preferred shares
Neil Kumar Khanna	Vice President of Client Services, holding 2,100,000 or 1.02% of Common Stock and 65,250 or 2.35% of Preferred Shares
Bilal Ahmed	CTO & VP Engineering holding 4,387,000 or 2.42% of Common stock
Subhash Sachdeva	CFO, holding 5,100,000 or 2.6% of Company's Common stock and also holds 20,800 or .82% of Preferred Shares
Eugene Alfaro	VP of Sales, holding 4,500,000 or 2.29% of Company's common stock.
Vikas Agarwal	Chief Innovation officer, holding 600,000 shares of common stock 0.29%and holding 24,000 or 0.87. of shares of Preferred stock
Jim Gilmer	Secretary holding 2,225,000 or 1.23% of Common stock
Dr. Romesh K. Japra	Director, Chairman of the Board & Control Person (holding 31,448,000 shares of Common Stock 15.21 % and 992,417 or 35.77 % of Preferred shares)
Nand "Andy" Khanna	Director, Vice Chairman & Control Person (holding 3,350,000 shares, or approximately 1.62 % of Company's Common Stock, also holds 206,800 or 7.45 % of Company's Preferred stock.
Romi Randhawa	Director, holding Preferred shares 183,307, or approximately 6.61 % of Company's Preferred Stock.
Garrett Rajkovich	Control Person (holding shares 79,262, or approximately 2.86 % of Company's Preferred Stock)

Joseph Rapp & Ana Rapp JT Ten	Control Person (holding 100,000 shares, or approximately 3.60% of Company's Preferred Stock)
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- (1) For the determination of control persons, calculations are done based on 206,699,564 shares of the Company's Common Stock issued and outstanding as of June 30, 2019, and 2,774,310 shares of Company's Preferred stock issued and outstanding as of June 30, 2019.
- (2) As of August 26, 2019, the outstanding shares of Common stock and Preferred stock are 226,149,544 and 3,504,304 respectively. Dr Romesh Japra owns 130,734,700 shares (common and preferred converted into common), effectively owns 22.674% of total shares outstanding 576,579,944.
- (3) As of June 30, 2019, stock options held by officers and directors are provided below:
- | | |
|---|------------|
| a) Dr Romesh Japra, Director & Chairman of Sonasoft, | 9,000,000 |
| b) Andy Khanna, Vice Chairman & Director of Sonasoft, | 16,880,000 |
| c) Mike Khanna, President of Sonasoft: | 9,360,000 |
| d) Neil K Khanna, VP Operations of Sonasoft: | 9,360,000 |
| e) Bilal Ahmed, CTO of Sonasoft; | 5,500,000 |
| f) Romi Randhawa, Director of Sonasoft: | 5,000,000 |
| g) Jim Gilmer, Secretary of Sonasoft | 1,300,000 |
| h) Subhash Sachdeva, CFO of Sonasoft | 6,690,000 |
| i) Frank D. Velasquez, CEO of Sonasoft | 1,000,000 |
| j) Eugene Alfaro, VP Sales of Sonasoft | 250,000 |

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

COMPENSATION OF OFFICERS AND DIRECTORS

Quarter Ended June 30, 2019

		Salary
Frank Velasquez	CEO	\$175,000
Subhash Sachdeva	CFO	\$144,000
Bilal Ahmed	CTO	\$174,000
Neil Kumar Khanna	VP Operations	\$150,000
Mike Khanna	President	\$150,000
Eugene Alfaro	VP Sales	\$160,000
Vikas Agrawal	Chief Innovation Officer	\$250,000
Dr Romesh Japra	Director	\$ 0
Nand (Andy) Khanna	Vice Chairman & Director	\$150,000
Romi Randhawa	Director	\$ 0
Total Compensation		\$1,353,000

Legal & Disciplinary History:

In November 2006, an ex-employee, Vince 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 the 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 Plaintiff's attorney vindictively filed an alter ego case against the Company's former CEO now Vice Chairman, Andy Khanna, and named him amended 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 company as well as a

reduction to the awarded attorney's fees. In early 2017, the Company lodged a new appeal against the aforementioned motions. The Company also secured this appeal with a bond of \$300,000 collateralized by a standby letter of credit established and secured against 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.

As of now, the appeal is still pending and secured with a bond in the Sixth District Court of Appeals for the attorney's fees, cost, and interest that are claimed by the plaintiff. The case has been fully briefed pending oral arguments. The Appellate Court estimates that the opinion will be published on or around July-August of this year with the remitter (finality) to be issued sixty days after the opinion is posted. Therefore, the Company foresees that the appeal will be over on or around late October 2019.

In a related lawsuit, the Company's attorney encouraged Andy Khanna to file a malicious lawsuit against the former employee, Vince Khanna and his attorney, James A. Sarraill, for malicious prosecution. Both Vince Khanna and James A. Sarraill had dismissed Andy Khanna with prejudice in the settlement agreement and subsequent order that confirmed the settlement in September 2010. Vince Khanna and James Sarraill then named Andy Khanna as an alter ego in 2006 while using the same arguments and so-called evidence prior to the settlement agreement. The Company's legal counsel wanted to use this case as leverage in the legal matter against the Company. The trial court, however, sided on Vince Khanna and James Sarraill, as an anti-SLAPP motion and then awarded Vince Khanna, James Sarraill, and their attorneys the amount of \$171,508.08 for just one motion. Andy Khanna has appealed this judgment, and this appeal is expected to be fully briefed by the end of July 2019.

Disclosure of Family Relationship

The Company Vice Chairman & Director Andy Khanna is related to Mike Khanna, President and Neil Khanna Vice President of Operations. Mike and Neil are sons of Vice Chairman, Andy Khanna. Andy Khanna and Neil Khanna are only authorized to sign the checks and operate the bank accounts. Frank Velasquez and Jim Plutchak are related party.

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, Chairmen and investor owning more than 20% of shares of Sonasoft common stock. The note bears interest at 10% per annum. On April 19, 2019, Dr Romesh Japra exercise his right to convert 12m warrants into shares of Common

stock at \$0.025, to settle the principal amount of debt. The outstanding interest amount due as of June 30, 2019 is \$65,610.

President and VP Operations are related to Vice Chairman and Director of Sonasoft Corporation. There are related party transactions pertaining to business related expenses. The expenses were incurred in course of business, paid and disbursed in 30 days.

Disclosure of Conflicts of Interest:

Except as stated above regarding family relationship and related party transactions, there is no other conflict of interest to the best of our knowledge.

Interim: Financial Statements & Information for 2019 & 2018

SONASOFT CORPOATION STATEMENTS OF OPERATIONS , For three months from Jan 1 thru June 30 , 2019 & 2018

	Q2, 2019	6Mo. 2019 Jan1 to June 30	Q2 , 2018	6Mo. 2018 Jan1 to June 30
	\$			
Revenue	4,329,164	\$ 6,282,905	\$ 218,276	\$ 437,794
Cost of Goods Sold	(3,427,011)	(4,814,295)	(33,462)	(97,263)
Gross Profit	902,153	1,468,611	184,814	340,531
Selling & Marketing Expenses	(471,806)	(876,098)	(82,992)	(184,504)
General and administrative	(736,380)	(1,153,541)	(103,966)	(273,276)
Operation & Technical Services	(347,183)	(613,416)	(51,900)	(103,800)
R&D and Engineering	(213,155)	(286,029)	(54,740)	(111,479)
Total operating expenses	(1,768,524)	(2,929,084)	(293,598)	(673,059)
Operating Loss	(866,371)	(1,460,473)	(108,784)	(332,528)
Interest expense	13,750	25,026	8,865	18079
Other Income	0	0	76	272
Other Expense	0	0	0	0
Loss before income taxes	(880,121)	(1,485,499)	(117,573)	(350,335)
Income taxes	-	-	-	-
Net Loss	(880,121)	(1,485,499)	(117,573)	(350,335)
Loss per share – Basic and Diluted	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average shares outstanding – Basic and Diluted	207,897,709	205,290,778	310,326,471	303,835,035

General & Administration includes legal and other transactions expenses \$237,000 to close Hotify transaction, our attorney legal fees \$ 103,357 and audit fees of \$68,363 thru June 30, 2019.

SONASOFT CORPORATION Balance Sheets June 30, 2019 and December 31, 2018		
ASSETS	2019	2018
Current assets		
Cash	\$ 1,255,382	1,024,293
Accounts receivable, net	2,671,153	173,728
Inventory	0	0
Other current assets	135,186	31,763
Total Current Assets	1,627,000	1,229,784
Investment & Intercompany Balance –	0	704,000
Other assets		
Intangible Asset	2,638	2,638
Other Assets	24,658	
Total Assets	\$ 5,716,017	1,936,422
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	\$ 3,090,377	187,617
Accrued expenses and accrued liabilities	710,036	524,941
Accrued compensation	1,892,732	1,923,232
Deferred revenue - current portion	362,224	104,763
Royalty liabilities	733,049	733,049
Customer deposits	-	0
Total Current Liabilities	6,788,418	3,473,602
Non-current liabilities		
Note payable – Related party – Long term	320,610	358,109
Deferred revenue – long term portion	24,471	36,209
Total Liabilities	7,133,499	3,867,920
Stockholders' Deficit		
Common Stock, no par, 700,000,000 shares authorized, 206,699,564 and 181,489,129 shares issued and outstanding as of June 30, 2019 and Dec. 31, 2018, respectively	10,693,309	10,380,533
Preferred Stock, no par, 10,000,000 shares authorized, 2,774,310 and 2,209,214 issued and outstanding as of June 30, 2019 and Dec 31, 2018 respectively	8,537,025	5,543,035
Accumulated deficit	(20,647,816)	(17,855,066)
Total Stockholders' Deficit	(1,417,482)	(1,931,498)
Total Liabilities and Stockholders' Deficit	\$ 5,716,017	1,936,422

SONASOFT CORPOATION
STATEMENTS OF CASH FLOW,
For Six months from Jan, 1 thru June 30, 2019 & 2018

	Q2, 2019	6 Mo. 2019 Jan 1 to June30	Q2, 2018	6 Mo. 2018 Jan1 to June 30
Cash flows from operating activities:				
Net Loss	(880,121)	(1,485,499)	(117,573)	(350,335)
Adjustments to reconcile net loss to net cash used in operations:				
Issuance of stock for services	10,000	10,000	1,401	1,401
Changes in operating assets and liabilities:				
Accounts Receivable	(1,642,668)	(1,597,514)	(1,371)	(33,429)
Deferred Compensation	0	0	25,500	57,000
Accounts Payable	1,736,389	1,588,492	(32,682)	59,798
Prepaid & Deposits	(49,715)	(28,765)		
Accrued Expenses/Salaries	(17,183)	(94,619)	834	(652)
Other Current Liabilities	485	(20,776)	(1,849)	(1,849)
Intercompany Payable	(365,506)	(1,485,782)	0	0
Deferred Revenue	(111,412)	(170,176)	(7,095)	1,025
Net cash (used) in operating activities	(1,319,731)	(3,284,639)	(132,835)	(267,041)
Cash flows from investing activities:				
Fixed Assets – Computer Equipment	0	0	0	0
Note Payable (Receivable)	(300,000)	(287,500)	7,500	15,000
Net cash used in investing activities	0	0	0	15,000

Cash flows from financing activities:

Issuance of Common stock for cash	63,021	63,021	250,000	340,000
Issuance of Preferred Stock for cash	280,000	1,720,000		
Issuance of Stock – note payable	300,000	300,000		
Issuance of stock to E-Connect Software & CST	600,000	1,625,000		
Stock Subscription				
Net cash provided by financing activities	1,243,021	3,708,021	250,000	340,000
Net change in cash	(376,710)	135,882	124,665	87,959
Cash at Beginning of Period	1,632,093	1,119,501	378,424	415,129
Cash at End of Period	1,255,383	1,255,383	503,089	503,088

Supplemental disclosure of cash flow informatic

Interest paid	13,750	25,206	8,865	18,079
Taxes paid	0	3,225	800	1,119

Supplemental disclosure of noncash investing and financing activities:

Issuance of common stock for services commission	\$ 10,000	\$ 10,000	\$1,401	\$1,401
Issuance of common stock to payoff Vendor (A/P)			0	0

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. The Company develops software that automates the disk-to-disk backup and recovery process for Microsoft Exchange, Structured Query Language ("SQL") and Windows Servers with integrated data protection, instant messaging and e-mail archiving and disaster recovery solutions. The Company has acquired three entities all the acquisition legally were completed in Q1 (Cornerstone Technologies in Jan 2019), Hotify Inc in April 2019 and E-Connect Software, Inc in May, 2019. The financial results of all the entities are included in Q2, 2019.

Cornerstone Technologies revenue for six months included in Sonasoft Corp.
Hotify Inc. financial results for three months starting April 2019 and one-month revenue
of
E-Connect Software, Inc. is included in Sonasoft Consolidated financial statements.

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 financial statements, the Company has a net loss and net cash used in operations of approximately \$587,217 and \$865,275 respectively, for the quarter ending June 30, 2019. Additionally, the Company has a working capital deficit and accumulated deficit of approximately \$2.36 million and \$16.72 million, respectively, as of June 30, 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 obtainment 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 adjustments that might result from the outcome of this uncertainty.

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.

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 June 30, 2019 and December 31, 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. At June 30, 2019, the Company had reached bank balances exceeding the FDIC insurance limit on interest bearing accounts but these are established financial institutions. To reduce its risk associated with the failure of such financial institutions, the Company evaluates at least annually the rating of the financial institutions in which it holds deposits.

Basic and diluted net loss per share

Basic net loss per share is computed by dividing the net loss by the weighted average number of common shares during the period. Diluted net loss per share is computed using the weighted average number of common shares and potentially dilutive securities outstanding during the period. At June 30, 2019, the Company has 82,090,000 potentially dilutive securities outstanding, respectively, related to outstanding stock options. The option balance include 2m stock options issued to OEM account executive.

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 require the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred asset will not be realized.

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

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

The Company has adopted ASC 740-10-25, "Definition of Settlement", which provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits and provides that a

tax position can be effectively settled upon the completion and examination by a taxing authority without being legally extinguished. For tax positions considered effectively settled, an entity would recognize the full amount of tax benefit, even if the tax position is not considered more likely than not to be sustained based solely on the basis of its technical merits and the statute of limitations remains open. The federal and state income tax returns of the Company are subject to examination by the IRS and state taxing authorities, generally for three years after they are filed. The Company currently has no federal or state tax examinations nor has it had any federal or state examinations since its inception. The Company's 2017, 2016, and 2015 tax years may still be subject to federal and state tax examination.

Revenue Recognition

Revenue is recognized when earned in accordance with applicable accounting standard ASC 985- 606 "Accounting for Software Revenue Recognition". Revenue from software arrangements with end users is recognized upon final delivery of the software; provided the collection is probable and no significant obligations remain. Revenue is recognized following ASC 985-606, all the elements of bundle software sold (including installation and maintenance) will be allocated based on the residual method. Bundled software packages include the actual software, software installation, and maintenance contracts. The customer is able to purchase maintenance contracts based on a one-year, two-year, or three-year terms. Maintenance contracts are sold as a service; therefore, the Company calculates the vendor-specific objective evidence ("VSOE") for maintenance contracts to be a fixed percentage of the list price based on the term of the maintenance contract purchased. The maintenance contract revenue is recognized over the term of the maintenance contract. Amount billed in excess of revenue earned on the maintenance contract will be classified as deferred revenue. The software installation price is a fixed amount based on the number of mailboxes sold, and the residual amount after deducting installation charges and the maintenance contract will be allocated to the software product sale.

Allocation of revenue among various elements:

The Company sells software as a bundle product including installation, maintenance and product license. The Company allocates the revenue as follows:

- Installation revenue is a fixed amount based on the number of mailboxes sold.
- Fixed price maintenance contract is a set amount calculated as 20% of list price for a one-year contract.
- Fixed price maintenance contract is a set amount calculated as 17.5% of list price for a two-year contract.

- Fixed price maintenance contract is a set amount calculated as 15% of list price for a three-year contract.
- Software revenue is calculated as the residual amount after deducting the installation and maintenance contract revenue.

The one-year fixed price maintenance contracts revenue is recognized over 12-month period from the starting month to 12-month period. The two-year maintenance contracts revenue will be recognized on monthly basis and spread over a period of 24 months. The three-year maintenance contract revenue will be recognized over a period of 36 months.

As of June 30, 2019, the Company has included deferred revenue of \$362,224 in current liabilities and \$24,471 as long-term liability as it pertains to contracts over 12 months.

As of December 31, 2018, the Company has included deferred revenue of \$104,763 in current liabilities and \$36,209 as long-term liability as it pertains to contracts over 12 months.

Customer may cancel the software products and the maintenance service anytime. The Company is not required to refund any fees or remaining deferred revenue balances after cancellation by customer.

We have updated our revenue recognition policy to comply with ASC 985-606 standard and there was no impact of the adoption.

We are in compliance with the ASC 606 in recognizing revenue for our service business:

- 1) Discussion with Prospective client to obtain engineering service business, for example data migration to Microsoft 365. A SOW (statement of work) will provide all the details of engagement and fixed price, identification and finalization of purchase order.
- 2) SOW provides details of tasks and functions to be performed for the client. PO received from client has SOW as attachment.
- 3) As SOW provides all the tasks and obligations towards client at fixed price which is allocated according to milestones and completion of tasks
- 4) We use percentage of completion and/or actual hours spent to complete a specific task as basis to allocate the fixed price stated in SOW. We bill the customers based on actual hours spent by software professional on the job.

- 5) The revenue will be recognized after customer acceptance that task is completed. The recognize revenue will be amount allocated in step 4 for specific task.
- 6) Managed services purchase orders have fixed price, we allocate the price over the fixed period, for example revenue recognized for Jan 2019 will be 1/12 of agreed upon price for the year 2019, if PO is to provide service for 2019.

At Sonasoft, customer acceptance in writing or via email or customer's acceptance is important step in revenue recognition process.

Advertising Costs

Advertising costs are expensed as incurred and include the costs of public relations activities. These costs are included in selling, general and administrative expenses and totaled \$1,085,178 and \$653, 937 for the quarter ended June 30, 2019 and fiscal year ended December 31, 2018.

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 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, deferred revenues, 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 quarter ended June 30, 2019 and 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.

Accounts Receivable and Allowance for doubtful accounts

The Company has a policy of providing on 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 10% of the accounts receivable balance at the period end or accumulation of specific uncollectible receivable whichever is higher. Account balances deemed to be uncollectible are charged to bad debt expense and included in the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of June 30, 2019, and December 31, 2018, the allowance for doubtful accounts amounted to \$145,779 and \$69,757 respectively. The Company recorded bad debt expense of \$ 0 and \$69,452 during the years ended June 30, 2019 and December 31, 2018 respectively.

Recent Accounting Pronouncements

Accounting Standards Codification Topic 842, also known as ASC 842 and as ASU 2016-02, is the new lease accounting standard published by the Financial Accounting Standards Board (FASB). The purpose of the new standard to close a major accounting loophole in ASC 840 to disclose the off-balance sheet operating leases. ASC 842 requires Lessee to disclose the nature of leases, information about leases that have not yet commenced, related party transactions and maturity analysis for lease obligations. The Company has operating rental lease for the office started from June 1, 2016 and will end on July 31, 2019. The lease rental is \$3700 per month as of Jan 1, 2019. The total amount for the period of use will be \$29,600 (from Jan 1, 2019 thru July 31, 2019). The Company also owes \$29,600 as of Jan 1, 2019 to obtain the right use asset for this operation lease to us the facility. As of July 31, the Company has vacated this office and moved to Cornerstone Tech's facility.

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. The renewal took place on 1/2/2019 through 1/2/2020 with a 2-year option for renewal at a rate of \$9600.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption. The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its financial condition, results of operations, cash flows or disclosures.

NOTE 3 – ACCRUED EXPENSES AND ACCRUED LIABILITIES

Accrued expenses and accrued liabilities consist of the following:

	June 30, 2019	December 31, 2018
	\$	\$
Credit card	37,937	34,809
Accrued vacations	166,988	166,988
Accrued disputed attorney fees (see Legal case)	292,382	313,643
Other	212,729	9,501
	\$	\$
Total	710,036	524,941

NOTE 4 – ACCRUED COMPENSATION

The accrued compensation in the accompanying balance sheet represents unpaid salaries due to key management. The details of compensation outstanding as of June 30, 2019 and December 31, 2018 are provided below:

	06/30/2019	12/31/2018
	\$	\$
Andy Khanna, Vice Chairman	1,281,441	1,306,941
Bilal Ahmed, CTO	156,324	156,324
Neil Kumar VP Operations	221,989	226,989
Subhash Sachdeva CFO	88,000	88,000
Mike Khanna , President	144,478	144,478
	\$	\$
Total	1,892,232	1,923,232

The Management decided not to accrue any outstanding compensation due from Jan 1, 2016 onwards except for Andy Khanna, CEO now Vice Chiarmen of the Company.

NOTE 5 – NOTES PAYABLE

On January 23, 2017, the Company issued a promissory note in the amount of \$300,000 to Dr. Romesh Japra, Chairmen of Sonasoft. The note bears interest at 10% per annum. The outstanding principal amount and interest due as of June 30, 2019 and December

31, 2018 is \$65,610 and \$358,110 respectively. The principal amount of note payable was settled by issuance of 12m shares of common stock @ \$0.025 cents per share.

NOTE 6 – STOCKHOLDERS' DEFICIT

Common Stock

On January 10, 2018, the Board of Directors of the Company approved to increase the authorized number of shares of common stock, no par-value, from 400,000,000 shares to 700,000,000.

Common Stock Issued for Cash

During the year ended December 31, 2018, the Company sold an aggregate of 25,600,000 shares of common stock for gross proceeds of \$640,000 or \$.025 per share whereby 8,000,000 shares of these common stock were sold and issued to individual, who is Director and Chairman of Board of Directors as well as owns over 10% of the Company.

During the year ended Dec 31, 2019, the Company sold shares to employees who exercised vested stock options of 2,520,035, the exercise price of \$0.025 cents per share and collected cash of \$63,021.

Common Stock Issued for Services

During the year ended December 31, 2018, the Company issued an aggregate of 306,030 shares of common stock for services rendered or against commission payable to Sales Executive. The Company also issued 8,000,000 shares of common stock to individual as part of purchase consideration in merger of Cornerstone Tech Inc, to satisfy loan amount of \$200,000 (\$.025 per share) due and payable to related party.

During the quarter ending June 30, 2019, the Company issue 14,910,400 as part of purchase consideration to principal stockholders in acquisition of Cornerstone Technologies.

The Company also issued 1,200,000 shares of common stock to E-Connect Software principal shareholders as partial payment of purchase consideration. The Company also agree to issue 400,000 shares of common stock to ex-employee who exercised its stock option, the amount of \$10,000 to purchase stock was settled against the commission

owed by the company out of which the Company issued 250,000 shares of common stock

Preferred Stock

On January 10, 2018, the Board of Directors of the Company approved the authorized number of shares 10,000,000 of preferred stock, no par-value.

Preferred Stock Issued for Cash

During the year ended December 31, 2018, the Company sold an aggregate of 400,000 shares of preferred stock for gross proceeds of \$1,000,000 or \$2.50 per share whereby 290,000 shares of these preferred stock were sold and issued to individual, who is Director and Chairman of the Board of Directors owns over 10% of the Company for \$925,000 or \$2.50 per shares.

The Company also received \$20,000 from investor to purchase preferred stock in Q4, 2018, but the stock was issued in Q1, 2019. The Company also issued 50,000 preferred shares to Investors for \$ 125,000 or \$2.50 per share of which 30,000 shares were purchased by Dr Romesh Japra, Chairman & Director of Sonasoft.

In Q2, 2019, the company issued 141,500 shares of Preferred stock @ 10.00 per share under the terms and conditions as provided in Certificate of determination filed with State of California.

Preferred Stock Issued for Services

During the year ended December 31, 2018, the Company issued an aggregate of 23,600 shares (\$2.50 per share) of preferred stock for legal services rendered and past due payable to our Attorney.

The Company issued 260,896 preferred shares to principal shareholders in acquisition of Cornerstone Technologies as part of purchase consideration of which 242,896 preferred shares were issued to Frank D Velasquez, CEO of Sonasoft.

The Company issued 48,000 preferred shares and 1.2m shares of common stock to principal shareholders of E-Connect Software, Inc. as part of purchase consideration in acquisition of all the assets and liabilities of E-Connect Software, Inc.

NOTE 7 – 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 June 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

During the year ending Dec 31, 2018, the Company issued 17,090,000 options to various professional staff, consultants and directors of the company. The Company issued 3,880,000 options to a Director and CEO now Vice Chairman in 2018 in lieu of past due salary of \$97,000 for the year 2016. The Company also issued 3,000,000 options to Board Member, one Million options to each Director for services rendered as Board Member. The list of stock optionee, number of options grant and issuance date is attached.

The Company BOD approved 7m stock options for management in Q1, 2019 of which 2m stock options were granted for Andy Khanna, Vice Chairman and Director.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Employment Agreement

In March 2012, the Company has entered into an employment agreement with its Chief Executive Officer now Vice Chairman 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 12 months of salary at the rate, and with the benefits, in effect at the date of termination. These employment agreements were extended until December 31, 2016. As of June 30, 2019 and

December 31, 2018, accrued compensation owed to the CEO of the Company was 1,281,441 and \$1,306,941 respectively. The Company did not accrue salary for any professionals working at Sonasoft since Jan 1, 2016, the management decided to discontinue the accrual of compensation as the Company is not profitable.

During 2018, all the professional staff including the CEO now Vice Chairman is working as Consultants and Sonasoft issues 1099 at year end for compensation paid to each team member.

Royalty Agreements

During year 2003, the Company entered into royalty agreements with certain investors whereby these investors in exchange of their royalty investment were entitled up to 5% of the gross sales until such time as the investor received 5 times the amount of the royalty investment (the "Royalty Premium"). 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 reasonably determines that the Company is profitable. The royalty arrangement pertains to the Company's product, Sona back-up and recovery solution, which was developed for SQL server and exchange in 2003. The Company discontinued selling this product in year 2010 and the Company did not replace this product with any other product line. The Company stopped the accrual of royalty liability in year 2010 when the product was discontinued. As of December 31, 2018, and 2017, the balance of royalty liabilities for both periods was \$733,049. that includes royalty amount of \$233,049 and investment amount of \$500,000.

SUBSEQUENT EVENTS

Between July 1, 2019 and August 14, 2019, the Company executed the following material transactions.

The Company signed the definitive agreement with OptiMaize Inc on July 10, 2019, on terms that the Company will issue 10m shares of common stock to the Sellers. Vikas Agrawal and Judhajit Senmazumdar has agreed to take 80% of shares as Preferred stock of the company as per terms and condition filed with State of California.

During July 1, 2019 through August 14, 2019 the company incurred these equity transactions:

- 1) The Company issued 18,000 shares of Preferred stock @\$0.10 cents per share to

investors for cash received in Q2, 2019, the shares were issued in July.

- 2) The Company issued 711,994 shares to close the acquisition of three companies:
 - a) Issued 679,994 shares of Preferred stock to various investors and shareholders of Hotify Inc in July 2019, as per merger agreement signed in April 2019.
 - b) Issued 32,000 shares of Preferred stock to sellers of OptiMaize Inc. in August 2019 as per merger agreement signed in July 2019
- 3) The Company also received additional \$265,000 as investments towards subscription of Preferred stock, the shares will be issued in Q3, 2019.
- 4)The company issued 16,999,980 shares of common stock to investors and shareholders of Hotify Inc. as per merger agreement signed in April 2019.
- 5)The company issued 1,300,000 shares of common stock to shareholders of OptiMaize' partial purchase consideration to acquire IP and product of OptiMaize as per agreement signed in July 2019.
- 6) The Company issued 1,000,000 Rule 144 shares of common stock to offset the consulting fee of two advisors for mgmt. services rendered.
- 7)The company issued 150,000 shares of common stock to ex-employee as settlement of the commission payable.
- 8) The Company has issued stock options to outside consultants 2,500,000 vested over two-year period, the exercise price is \$0.10 cents per share.

Subsequent events have been evaluated through August 21, 2019 as that is the date these financial statements were available for release.

BENEFICIAL SHAREHOLDERS AS OF June 30, 2019

Name	Affiliation	Percentage of Class (1)
Dr. Ramesh K. Japra 1000 Hunter Lane Fremont, CA, 94539	Director & Chairman of the Board	15.21% of Common Stock, 35.77 % of Preferred Shares
Nand “Andy” Khanna 6246 McAbee Rd San Jose, CA, 951320	Vice Chairman & Director	1.62% of Common Stock, 7.45% of Preferred Shares
Frank D Velasquez 6196 Maucuso Street San Jose, CA 95120	Chief Executive Officer	3.30% of Common stock, 8.76% of Preferred Shares
Garrett Rajkovich 6475 Camden Avenue, Suite 202, San Jose, CA 95120	Shareholder	2.86% of Preferred shares
Mike Khanna 511 Galen Drive San Jose, CA 95123	President	3.76% of Common stock, 1.62 % of Preferred shares
Harkiran “Romi” Randhawa 1037 Germano Way Pleasanton, CA 94566	Director	6.61 % of Preferred Shares
Joseph & Ana Rapp JTEN 835, Long View Ave North Woodmere, New York 11581	Shareholder	3.60% of Preferred shares

Neil Kumar Khanna Vice President of Operations 18345 Capistrano Way Morgan Hill, CA 95037	VP Operations & Officer with Check signing authority.	1.02 % of Common Stock and 2.35 % of Preferred shares
Kannan Ramesh Kumar & Sujatha Ganesan JTEN 6920 Santa Teresa Blvd.# 108 San Jose, CA 95119	Shareholder	3.60% of Preferred Shares

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:

Name: Bruce Methven
Firm: Methven & Associates
Address 1: 2232 Sixth Street
Address 2: Berkeley, California 94710
Phone: (510) 649-4019
Fax: (510) 649-4024
Email: bmethven@methvenlaw.com

General Counsel:

Name: Steve M. Defilippis
Firm: Picone & Defilippis, as the Company's counsel in connection to the legal proceedings disclosed under 8(B)
Address 1: 625 North First Streets,

Address 2: San Jose, CA 95112
Phone: (408) 292-0441
Email: Flipsmd2005@yahoo.com

4. Accountant or Auditor - the information shall clearly (i) describe if an outside accountant provides audit or review services, (ii) state the work done by the outside accountant and (iii) describe the responsibilities of the accountant and the responsibilities of management (i.e. who audits, prepares or reviews the issuer's financial statements, etc.). The information shall include the accountant's phone number and email address and a description of the accountant's licensing and qualifications to perform such duties on behalf of the issuer.

Name: Thomas M. "Mickey" O'Neal, CPA, CVA
Firm: Thayer O'Neal Company, LLC
Address 1: 101 Parklane Blvd., Suite 201
Address 2: Sugar Land, Texas 77478
Phone: (281) 552-8897
Fax: (281) 552-8431
Email: moneal@thayeroneal.com

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

- 5 Public Relations Consultant

Mike Khanna, President

6. Investor Relations Consultant

Mike Khanna, President

7. 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

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The Company had losses from operations during its last fiscal year. There are three primary causes underlying these losses and the Company has taken steps to address these causes. First, the Company's old product, SonaExchange did not receive desired market acceptance, primarily due to the limitation of the number of mailboxes that this product can handle in a single email data recovery operation. We have ceased promoting sales for SonaExchange and SonaSQL, however we restart promoting these products in 2018.

The Company acquired Cornerstone Technologies and closed the transaction in Jan 2019. The Company also acquired Hotify AI solutions Inc, in April 2019, E-Connect Software, Inc. in May 2019 and OptiMaize Inc in July 2019.

The Company incurred (\$453,429) as net operating loss pertaining to its subsidiary Hotify AI solutions in Q2, 2019. The company transfer funds \$144,486 to India for salaries and operating expenses for software development team in Q2, 2019. The Company had paid professional and legal fees of \$237,000 to close Hotify AI transaction.

The Company also acquired E-Connect Software, Inc., as the transaction was closed and filed with state of California in May 2019, the company recognize revenue and incorporate results for only for the month of June 2019. E-Connect Software, Inc. revenue from professional services and AI solutions for June was \$419,160 and net income of \$86,714.

Sonasoftware revenue from SonaVault email archiving product and Sona Cloud in Q2, 2018 was grew from \$219.5 K compared to consolidated revenue Sonasoftware and its subsidiaries of \$4,329K in Q2, 2019. Q2, 2019 revenue contribution from all the subsidiaries is provided below:

Sonasoftware legacy business of email archiving product and maintenance revenue
\$116.6k

Cornerstone legacy business hardware product, technical and managed services
\$3,787K

Hotify AI solutions, revenue from AI platform \$
6.4K

E-Connect Software professional services & AI solution provider for June only \$
419.2K

The Company recognize the revenue only when the product is shipped or installed, or project is complete or services performed and accepted by customer/client. The

Company expects sales to continue to grow because of these focused strategies and great feedback from our customers. The Company plans to begin developing a heavy SonaVault and Sona Cloud marketing initiative with a successful offering to Enterprise and Small & Medium size clients. The Company continue its operations by controlling its expense base, support from existing investors and its ability to raise funding.

A. Plan of Operation.

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

The Company is expanding its Sales and marketing personnel to increase the product sales, customization of product and applications for OEM customers. The Company also going to provided professional services

- i. 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 next six months. The Company reviews its cash position every quarter with Board of Directors, at that time BOD decides to raise funds for next quarter or six months.

- ii. a summary of any product research and development that the issuer will perform for the term of the plan;

The Company will update the features of its core product AI platform or SonaVault, and make any custom applications as required by customers. Software solutions are always upgraded and updated based on customer's requirements or market place competition.

- iii. any expected purchase or sale of plant and significant equipment;
- and

Not Applicable

- iv. any expected significant changes in the number of employees.

Expected to hire three to five personnel, sales and software technical professionals

ISSUANCE HISTORY:

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

- (i) The nature of each offering,

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

- (ii) Any jurisdictions where the offering was registered or qualified;

California and New York

- (iii) Number of shares sold

The number of shares of Common stock sold in Q2, 2019 were 15,970,035 of common shares (includes 1,770,035 options exercised by ex-employees), 246,200 of Preferred shares and from April 1, 2019 thru June 30, 2019. The Preferred shares issued E-Connect Software were 48,000 as purchase consideration in acquisition of E-Connect Software during Q2, 2019. The Company also converted 5,670,000 shares of common stock into preferred shares under the terms and conditions filed with State of California.

The number of Preferred shares sold in Q2, 2019 were 141,500 @10.00 per share., these shares are sold under terms and conditions as per Certificate of determination filed with State of California.

- (iv) The price at which the shares were offered, and the amount actually paid to the issuer;

Common stock offered at \$.10 cent and sold at the same price

Preferred shares offered at \$10.00 per share and sold at the same price.

- (v) The trading status of the shares;

Restricted

- (vii) 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 thru June 30, 2019

Common stock issued for cash in 2017: Sonasoft issue 17,900,000 Rule 144 shares and received \$447,500 @ \$0.025 per shares to its existing shareholders or investors.

Common stock issued for Services in 2017: Sonasoft issued 2,000,000 Rule 144 shares of common stock @ \$0.025 per share to management and marketing consultants for services provided. The Company also issued 56,030 Rule shares @ \$0.025 per share to Sales Executive in lieu of commission and 30,000 Rule shares of common stock to vendor.

Common stock issued to settle debt in 2017: The Company issued 1,000,000 Rule 144 shares @ \$0.025 per shares to Integra Micro Systems Pvt Ltd., our technical partner to settle past due debt of \$250,000 payable for technical services provided.

Common stock issued for cash in 2018: Sonasoft issue 25,600,000 Rule 144 shares and received \$640,000 @ \$0.025 per shares to its existing shareholders or investors. The Company received investment of \$50,000 in Dec 2017 from its existing investor and 2,000,000 Rule 144 shares of common stock @ \$0.025 were issued in Q1, 2018.

Common stock issued to settle debt in 2018: The Company took over the related party loan of \$325,000 as part of purchase consideration in acquisition of Cornerstone Technology, to satisfy the liability, the Company issued 8,000,000 Rule 144 shares of common stock for \$200,000 or \$0.025 per share and paid the balance outstanding in Q1, 2019.

Common stock issued for Services in 2018: Sonasoft issued 250,000 Rule 144 shares of common stock @ \$0.025 per share to management consultants and technical writer for services provided. The Company also issued 56,030 Rule shares @ \$0.025 per share to Sales Executive in lieu of commission.

Common stock issued as part of Merger of Cornerstone in Q1, 2019: The Company issued 450,000 Rule 144 shares of common stock to Jim Plutchak. The Company also issued 14,460,400 Rule 144 shares of common stock to Frank Velasquez, principal shareholder of Cornerstone Technologies Inc.

Common stock issued as part of Merger of E-Connect Software in Q2, 2019: The Company issued 600,000 Rule 144 shares of common stock to Judhaji Senmazumdar, principal shareholder of E-Connect Software. The Company also issued 600,000 Rule 144 shares of commons stock to Vikas Agrawal, principal shareholder of E-Connect Software.

Common stock issued to settle debt in Q2, 2019: The Company issued 12,000,000 Rule 144 shares of common stock to settle the debt of \$300,000 borrowed from its majority

investor Dr Romesh Japra, Chairman and Director. The Company granted him 12,000,000 warrants to be exercised at \$0.025 cents per share in Jan 2017 in lieu of funds borrowed.

Common stock issued for Services in Q2, 2019: The Company also issued 56,030 Rule shares @ \$0.025 per share to Sales Executive in lieu of commission.

Common stock issued as vested option exercised in Q2, 2019: The Company issued 2,520,035 Rule 144 shares of Common stock @0.025 per shares as the vested options exercised by Hal R. Faden (1,000,000 options) and Aaron Marinucci (1.520.035 options).

Issuance History of Preferred Stock:

Common stock converted into Preferred Shares in 2018: The Company converted 178,561,400 shares of common stock into 1,785,614 shares of Preferred stock as per terms and conditions filed with State of California.

Preferred stock issued for cash in 2018: Sonasoft issued 400,000 shares of Preferred stock as per terms and conditions filed with State of California and received \$1,000,000 @\$2.50 per share to its existing shareholders or investors. The Company chairman and investor Dr Romesh Japra purchased 290,000 shares of Preferred stock @ \$2.50 per share and invested \$725,000 in the Company.

Preferred stock issued for Services in 2018: Sonasoft issued 10,000 shares of Preferred stock @ \$2.50 to settle the past due legal expenses payable to Steve M. Defilippis. The Company also issued 13.600 shares of Preferred stock @ \$2.50 per share tp settle the past due legal expenses payable to Bruce Methven of Methven Associates.

Preferred stock issued for cash in Q1, 2019: Sonasoft issued 58,000 shares of Preferred stock as per terms and conditions filed with State of California and received \$145,000 @\$2.50 per share to its existing shareholders or investors.

Preferred stock issued as part of Merger of Cornerstone in Q1, 2019: The Company issued 18,000 shares of Preferred stock to Jim Plutchak. The Company also issued 242,896 shares of Preferred stock to Frank Velasquez, principal shareholder of Cornerstone Technologies Inc.

Common stock converted into Preferred Shares in Q2, 2019: The Company converted 5,520,000 shares of common stock into 55,200 shares of Preferred stock as per terms and conditions filed with State of California.

Preferred stock issued for cash in Q2, 2019: Sonasoft issued 141,500 shares of Preferred stock as per terms and conditions filed with State of California and received \$1,415,000 @\$10.00 per share to various investors.

List below and describe issuance of Promissory Note:

On January 23, 2017, the Company issued a promissory note in the amount of \$300,000 to Dr. Romesh Japra, Chairmen and investor owning more than 20% of shares of Sonasoft common stock, to post cash bond of \$300,000 against legal dispute with Ex-employee. The note bears interest at 10% per annum. Romesh Japra exercised the warrants granted to purchase 12m shares of common stock at \$.025 per share in promissory note. The outstanding principal amount and interest due as of June 30, 2019 is \$ 65,610.

MATERIAL EVENTS DURING 2018 & thru June 30, 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 officer's and Directors and employments 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 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

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

- 1) Lease Agreement for office rental.
- 2) All the agreements pertaining to Merger Transactions are uploaded to OTC markets.

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 2018 & thru June 30, 2019

During fiscal year starting January 1, 2018 ending on December 31, 2018, the Company issued an aggregate of 25,600,000 shares of common stock for gross proceeds of \$640,000 or \$0.025 per share. The Company also issued 2,000,000 to existing shareholder who invested \$50,000 on December 22, 2017; the shares were issued in Feb 2018. The Company also issued 56,030 shares to independent salesperson in lieu of commission due \$1,400.76.

The Company also issued 400,000 Series A Preferred share for investment of \$1,000,000 at \$2.50 per share. The Preferred shareholder will be entitled to same terms and conditions as Common stockholders who convert the existing common stock shares into Preferred stock shares. The certificate of determination filed with state provides the terms and conditions pertaining to issuance of Preferred shares.

During the fiscal year ended December 31, 2018, the company incurred these equity transactions:

- A Chairman & Director of the Company purchased 8,000,000 shares of common stock for \$200,000, later converted 4,000,000 shares of Common stock into Preferred stock.
- The Company's Chairman and Director purchased 290,000 shares of Preferred stock at \$2.50 per share under the terms and conditions
- The Company issued stock options 5,000,000 to various professional and outside consultants vested over a period of two years.
- The Company issued stock options 3,000,000 to Directors for continued services provided, the exercise price is \$0.025 (Two and Half cent) and the vesting period is 24 months.

The Company filed with State of California on March 9, 2018 to amend Articles of Incorporation to include:

The Corporation is authorized to issue two classes of stock to be designated as Common stock and Preferred stock. The corporation is authorized to increase the number of shares of Common stock from four hundred million (400,000,000) shares of Common stock to Seven hundred million (700,000,000) shares of Common stock and a new class of stock, Ten million (10,000,000) shares of Series a 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:

- a) Common stockholders are eligible to convert shares of common stock in ratio of 100 common stock shares will get one share of Preferred stock.
- b) them into shares of common stock for eighteen months from issuance date unless one of the following conditions is met:
 - 1) Sale of Sonasoft and its subsidiaries to another public and private company and there is change of control.
 - 2) Secondary offering: Sonasoft raise funds from public market using Investment Banker and under writer.
 - 3) Upon conversion of preferred shares into common stock shares, the preferred stockholder will be entitled to additional 10% of common stock shares as Bonus shares.

- 4) Conversion Ratio: The Preferred shareholder will receive the same number of common stock shares; the ratio will be one share of Preferred stock equals to 110 shares of common stock.

As of December 31, 2018, Sonasoft common stockholders converted 178, 561,400 approximately of common stock shares into preferred stock.

During January 1, thru June 30, 2019, the Company raised \$1,415,000 from various investors who have purchased the restricted shares of Preferred stock @10.00 per share.

During January 1 thru June 30, 2019, the Company executed the following M& A transactions considered to be material events:

- 1) The Company acquired Cornerstone Tech, Inc and entered into definitive agreement on April 27, 2018, after that Sonasoft filed the "Agreement to Merge" with state of California effective date acquisition January 15, 2019. According to final terms and conditions of merger agreement, the Company issued 242,896 shares of Preferred stock and 14,460,000 shares of Common stock to Frank D. Velasquez. The Company also issued 18,000 shares of Preferred stock and 450,000 shares of Common stock to James F Plutchak related party to CEO of Cornerstone Technologies , existing shareholder of Cornerstone Tech Inc. The Company also took over the related party loan of \$325,000 as part of purchase consideration, to satisfy the liability, the Company issued 8,000,000 shares of common stock for \$200,000 or \$.025 per share and paid the balance in 1 issued in Q1, 2019. The financial results of Cornerstone for first half of 2019 included in the financial statements of the Company.
- 2) The Company closed the acquisition transaction of Hotify Inc in April 2019. The Company invested funds in Hotify Inc \$ 679,555 thru July 16, 2019 since the acquisition. During Q2, 2019, the Company transfer funds to \$144.5K to India for software development team and paid out \$237K as transaction expenses (professional & legal fees). In addition, the company incurred \$63,150 in operating expenses in US and India.

The Company has issued as the closing consideration under the Merger Agreement (i) 16,999,980 shares of common stock of the Company and (ii) 679,994 shares of preferred stock of the Company.

The Company has also signed the amendment to Merger agreement in July 2019, accordingly the Company will issue 13,000,000 shares of common stock under Rule 144 in lieu of \$1.3m payment to Hotify Investors as per Merger agreement. The Company

has issued 13m shares of Common stock to Hotify investors in August 2019 as part of purchase consideration.

- 3) The Company signed Letter of Intent and later definitive agreement with E-Connect Software Inc. and OptiMaize, Inc., companies incorporated in California, the terms and conditions are:
 - a) Acquisition of E-Connect Software (100%) stock in lieu of 12m shares of Sonasoft Corporation common stock, out of which 6m shares will be issued after closing, the balance will be issued in eight quarters on prorated basis. The Company issued 1.2m shares of common stock and 48,000 shares of Preferred stock to complete the acquisition of E-Connect Software, Inc. We have included the financial results for June 2019 in our consolidated financial statements.
 - b) OptiMaize, a software development project started by Vikas Agarwal and Judhajit, Senmazumdar, along with two Data Scientists, the product is at prototype stage and ready for deployment. Sonasoft Corp. agrees to grant 8m shares of common stock out of which 4m will be given at closing. The Company has signed the definitive agreement in July 2019 and agreed to grant 10m shares instead of 8m shares. The Company issued 1.3m shares of common stock and 32,000 shares of Preferred stock to principal shareholders of OptiMaize to close this transaction.
 - c) Vikas and Judhajit has owns 66.67% of shareholding in two private limited companies, agreed to grant option to buy or assign ownership in these two companies in exchange for 4m shares of common stock of Sonasoft. Corp, closing of this transaction could take 6 to 8 months. The Company will close this transaction before the end of 2019.
 - d) Seller agrees to take 80% of shares as Series A Preferred stock and the balance 20% shares of Common stock, this term will be applicable to all the shares issued by Sonasoft Corp. The Seller will get an additional 10 % of common shares at the time of conversion preferred shares into common.

ISSUER'S CERTIFICATE:

I, Frank D. Velasquez 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.

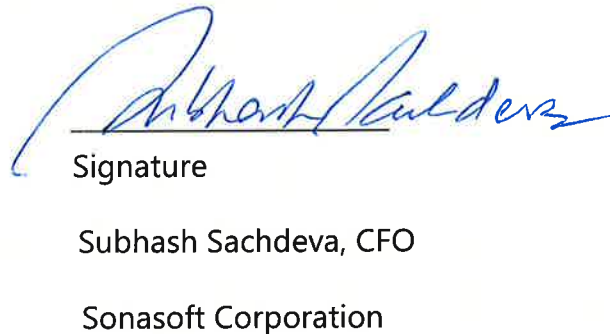
Date:



Signature

Frank D. Velasquez, CEO

Sonasoftware Corporation



Signature

Subhash Sachdeva, CFO

Sonasoftware Corporation