

Sonasoftware®

Sonasoftware Corporation

State of Incorporation: California

1735 North First Street, Suite 103

San Jose, California 95112

(408) 708-4000

www.sonasoftware.com

SIC Code: 7372

Annual Report

For the Year Ended December 31, 2021 (the "Reporting Period")

The number of shares outstanding of our Common Stock is 640,032,242 as of December 31, 2021. The number of shares outstanding of our Common Stock was 510,381,091 as of December 31, 2020.

The number of shares outstanding of our Preferred Stock is 1,260,347 as of December 31, 2021. The number of shares outstanding of our Preferred Stock was 1,543,088 as of December 31, 2020.

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

Yes: No:

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

Yes: No

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

Yes: No:

For more information:

www.OTCmarkets.com Ticker: SSFT

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

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Disclosure Regarding Forward-looking Statements

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

Available Information

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

Part A: General Company Information:

SONASOFT CORPORATION

1735 North First Street, Suite 103 San

Jose, CA, 95112

408-708-4000

INCORPORATION DATE: December 18, 2002

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

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

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

Part B: Share Structure

Trade Symbol: **SSFT**

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

CUSIP: **835413105**

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

Total Common Shares Authorized: **995,000,000 as of Dec. 31, 2021**

Total Shares Outstanding: **640,032,242 as of Dec 31, 2021**

Total Free Trading Shares Outstanding: **347,292,324 as of December 31, 2021**

Total Number of Investors: **240 as of December 31, 2021**

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

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

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

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

Total Shares Outstanding: **1,260,347 as of December 31, 2021**

Total Number of Investors: **41 as of December 31, 2021**

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

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

Preferred Stock: Conversion Rights of Common Stock into Preferred Stock

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

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

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

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

Name & Address of the Transfer Agent

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

Part C: Business Information

The Nature of Issuer's Business

1. The form of organization of the issuer:

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

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

December 18, 2002

3. The issuer's fiscal year end date:

Fiscal year ending is December 31

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

Not Applicable

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

- a) Between January 1, 2021, and December 31, 2021, the company issued 91,485,960 shares of common stock and received payment of \$2,677,724 for same. Of these shares, 87,885,960 shares were purchased directly in 2021, 3,350,000 were issued as an exercise of stock options and 250,000 had been purchased by subscription in 2020 for \$6,250. 2,685,824 shares were issued as compensation and 1,653,472 shares were issued in satisfaction of a Simple Agreement for Future Equity (SAFE). 2,724,384 shares were issued in lieu of \$68,110 of unpaid loan interest.
- b) Between January 1, 2021, and December 31, 2021, 282,741 shares of Series A preferred stock were converted into 31,101,510 shares of common stock.

c) Between January 1, 2021, and December 31, 2021, Sonasoft raised \$1,640,000 through a convertible note facility.

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

NO

7. Any change of control:

NO

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

There was an increase of 129,651,151 Common stock shares (25% increase over December 31, 2020 total).

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

NO

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

NO

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

Legal Dispute with Ex-employee, a detailed description is provided in Legal History Section.

Business of Issuer

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

Software Product and Solution provider SIC Code: 7372

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

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

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

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

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

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

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

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

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

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

The Company primary objective is the commercial development of an Artificial Intelligence ecosystem. The Company employs a small but growing team of development engineers engaged in the development and improvement of these products. Spend on this activity was approximately \$500,000 in FY 2020 and \$1,000,000 in FY 2021. The costs incurred for this development are classified as Operating expenses. Less than 5% of these costs were borne directly by customers.

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

Not Applicable

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

Total number of employees 18, full time employees 16.

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

Sonasoftware's primary objective is to develop SAIBRE, an artificial intelligence ("AI") ecosystem designed to help companies create novel AI applications. SAIBRE allows companies to process all of their structured and unstructured data, including external data, using data engineering tools, and then train AI models to deliver real business value from that data. The resulting AI application (or bot) is then able to be deployed and monitored using the SAIBRE ecosystem. SAIBRE enables users to analyze, predict, and prescribe business actions based on forecasting, classification, anomaly detection and knowledge discovery.

Our mission is to make AI as easy to use as any cloud product, delivering zero-effort creation, deployment and monitoring. Our customers leverage AI for various verticals, including financial technology, security and compliance, insurance, applications management and business analytics. The resulting AI bots are able to deliver value by providing actionable insights and smart predictions. This enables organizations to drive better business decisions, identify and develop new products and revenue sources, reduce operational costs, mitigate risks and increase efficiency.

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

Our Product Offerings

***Sonasoftware SAIBRE:* Our flagship product is SAIBRE (Sonasoftware Artificial Intelligence Bot Runtime Ecosystem), a real-time AI ecosystem that provides the end-to-end tools to create, deploy and monitor AI bots. SAIBRE consists of four parts. The data exploration tool lets you ingest, explore and engineer data to create AI datasets. The AI platform allows you to choose and train a suitable ML model and validate its performance in an AI bot. The**

runtime engine helps you deploy the working AI bot to a production system. Finally, the smart monitoring system provides ongoing intelligent monitoring of the AI bot, alerting you to problems with data or model drift.

SAIBRE is differentiated from classic AI platforms by its ability to assist with data exploration, the one-click deployment to production and its AI-enhanced smart monitoring.

The Nature of Products or Services Offered:

1. Principal products or services, and their markets:

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

2. Distribution methods of the products or services:

Direct Sales to SME, ERP and OEM customers

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

Our primary product is SAIBRE AI.

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

The primary competition for our SAIBRE AI ecosystem comes from other AI technology companies such as H2O, DataRobot and C3. These businesses generally take a broad-brush marketing-centric approach to competition, with significant investment in search-engine marketing and online ad spend, focused primarily on the data scientist community. By contrast, Sonasoft is pursuing larger strategic partnerships with enterprise OEMs to establish a strong reputational foothold in the growing AI sector, focusing on delivering end-to-end turnkey AI projects supported by SAIBRE. This allows companies to relieve their AI debt without the need to recruit large teams of data scientists, AI engineers and MLOps engineers. Additionally, we offer business models that allow partners with very large datasets to monetize their data using AI.

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

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

Not Applicable.

7. Dependence on one or a few major customers:

The Company is not dependent on one customer. Through Cornerstone the business has customer relations with dozens of clients globally.

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

Patent applications pending

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

Not Applicable.

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

Sonasoftware Corp.

Sonasoftware Overview

Sonasoftware's primary objective is to provide innovative artificial intelligence ("AI") software solutions supported by our AI ecosystem, SAIBRE.

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

SAIBRE AI

SAIBRE Overview

SAIBRE is a unified AI ecosystem that streamlines and simplifies the process of creating AI products. It helps enterprises to create, deploy and maintain AI applications that can solve a multitude of business problems. Unlike other AI platforms, SAIBRE is a complete ecosystem handling the four key elements of any successful AI project. These are data discovery and exploration, ML model selection and training, solution deployment, and ongoing monitoring and maintenance.

SAIBRE can generate a wide range of AI bots capable of tackling the majority of AI use cases. These include demand forecasting, lead classification, fraud detection, customer segmentation, and elastic pricing. Importantly, SAIBRE makes it easy to share datasets between models and to chain together different models to solve complex end-to-end problems.

SAIBRE's Business Model

Sonsoft SAIBRE is sold globally to enterprise companies as a SaaS or on-premise solution. The product is being distributed through direct sales as well as partner programs. The SAIBRE product offering covers the entire software lifecycle: Design, Build, Deploy, Maintain, Support, Up-sell. The standard pricing model sees companies pay a fixed cost to develop an AI bot, followed by a monthly license fee covering for delivery and maintenance of the production solution. However, Sonsoft also offers flexible pricing models including shared revenue partner programs and bulk-buy discounts.

SAIBRE's Sales and Marketing Strategy Direct Sales

SAIBRE is marketed and sold directly to clients through our direct sales force, operating out of sales offices primarily in California. We also market our products indirectly through strategic partnerships. Our sales and marketing strategy is based on the concept of account-based marketing. This allows us to focus our resources on a small number of high-quality leads with a high conversion rate. These leads are nurtured throughout the marketing and sales flow, allowing us to build up strong relationships. Our clients include companies in the enterprise technology, financial services, healthcare, and private equity spaces. The strong relationships we have built with our customers give us a unique understanding of their needs and future plans. This in turn positions us to tailor our AI products and services to meet those future needs.

Third-Party Services

Third Party Services Overview

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

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

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

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

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

Sales and Marketing

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

Distinguishing Features

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

The Nature and Extent of the Issuer's Facilities

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

Part D: Management Structure & Financial Information

Names of Officers, Directors and Control Persons (defined as owning >5% of any share class as of December 31, 2021)

Name	Affiliation
Mike Khanna	CEO, President and Chairman of the Board holding 12,353,010 or 1.90% of Company's Common Stock.
Dr. Romesh K. Japra	Control Person holding 142,309,070 shares or approximately 22.2% of Company's Common Stock.
Ankur Garg	Control person holding 2,207,443 or 0.3% of Company's Common stock and 313,897 or 24.9% of Company's Preferred shares.
Josh Rose	Secretary
Paul Clauson	Chief Operations Officer and Director
Rob Baumert	Chief Financial Officer
Caroline Zaborowski	Chief Data Officer
Kris Murthy	Director
Bruce Serpa	Director
Paul Schlosberg	Director
HFY LLC	Control Person holding 190,355 shares of preferred stock or 15.1% of preferred class, and 14,933,828 shares of common stock or 2.3% of common class
Randawa Family Trust	Control person holding 113,499 shares of preferred stock or 9.0% of preferred class
Ramesh Kumar	Control person holding 134,060 shares of preferred stock or 10.6% of preferred class

Directors and Executive Officers:

Name: Mike Khanna, CEO & President

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

Also a Director of the Company Yes No

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

Name: Rob Baumert, CFO

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

Also a Director of the Company Yes No

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

Name: Paul Clauson – Chief Operating Officer and Director

Also a Director of the Company Yes No

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

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

Name: Caroline Zaborowski – Chief Data Officer

Also a Director of the Company [] Yes [X] No

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

Caroline is a technologist with 12 years of research experience in the field of Astrophysics, as well as 8 years of commercial experience in the Gaming, Financial and Technology sectors.

Her research in Astrophysics at Oxford and Princeton focused on confronting cosmological models of the Universe and its evolution until today with big data. The task of reducing the Universe and all its complexity to a simple working model and designing novel statistical algorithms with which to evaluate the model's performance in light of complex datasets, equipped her with a unique skill set for solving problems in creative ways. She has successfully transferred this capability into the commercial sector, working for the last 5 years in leadership roles, spear-heading innovation in a range of technical fields. From the digital disruption of the financial asset management space to developing data-driven transformation strategies for large corporates, Caroline has delivered the unique combination of a high level of technical competency, an ability to learn and adapt quickly and strong leadership skills.

Caroline earned her Bachelors in Chemistry and Physics from the University of Natal, her Masters in Astrophysics from the University of Cape Town, and her PhD in Astrophysics from Oxford.

Name: Paul Schlosberg, Director

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

Paul Schlosberg serves as Managing Partner of COAL I LLC, an investment and professional services engagement company in Dallas, Texas. Mr. Schlosberg's professional background includes a 36-year career in investment banking with Bache & Company, Bear Stearns & Company and First Southwest Company. He was President & COO of First Southwest Company and Chairman & CEO of First Southwest Asset Management. Currently he serves on the Board of Directors of HOBI International, as outside Operating Partner for Satori Capital, on the Board of Directors of Sonasoft, on the Investment Committee of Seraph Partners and as Strategic Advisor of Capstone Holdings, Inc. Previously, Mr. Schlosberg co-founded Water Rescue Services, providing water recycling to the energy sector, and remains an active shareholder. He served 11 years on The Listing Qualifications Committee of The NASDAQ Stock Market and as a Member of the 1984 Republican National Convention Security Detail for Ronald W. Reagan and George H.W. Bush. Mr. Schlosberg received a B.B.A. from The University of Texas at Austin and an M.B.A. from Southern Methodist University. He attended the Corporate Governance, Compensation Committee Governance and Audit Committee Practices and Governance programs at Harvard Graduate School of Business. He and his wife Shelia are lifelong residents of Dallas, Texas.

Name: Bruce Serpa – Director

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

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

Name: Kris Murthy - Director

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

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

Name: Josh Rose – Secretary and Chief of Staff

Josh Rose is an experienced professional with a strong background in Private Equity. Stemming from his time at Sweat Equities, Josh's expertise lies in identifying emerging growth companies and assisting management teams through operational challenges. In addition to his role as Secretary, he leads the company's business development activities. Josh's background and family office relationships have helped fuel Sonasoft's pivot into AI. He has been instrumental in assisting the company's most recent \$8.5M of equity financing, recruiting several key members to the team, and forging several new sales partnerships.

Executive Compensation

Compensation of Officers and Directors

As of ended December 31, 2021

	Annual Base Salary
Mike Khanna – CEO & Director	\$250,000
Paul Clauson– COO & Director	\$240,000
Rob Baumert – CFO	\$240,000
Josh Rose - Secretary	\$130,000
Caroline Zaborowski – CDO	\$180,000

Disclosure of Family Relationship

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

Disclosure of Related Party Transaction

Mike Khanna, CEO of Sonasoft, purchased 1.2 million shares of common stock in 2021 for a payment of \$30,000.

On January 23, 2017, Sonasoft Corporation issued a promissory note in the amount of \$300,000 to its then chairman, Dr. Romesh Japra. The note bore interest at 10% per annum. The principal was paid out in full via the issuance of 12,000,000 share of common stock during 2020. The interest liability of \$68,110 that remained outstanding as of December 31, 2020, was paid in full during 2021.

On August 25, 2020, the Company issued a promissory note in the amount of \$20,000 to Sally Khanna, mother of CEO Mike Khanna. The note bore interest at 3.5% per annum. The outstanding principal and interest amount of \$20,246 due as of December 31, 2020, was paid in full during 2021.

During 2019 and continuing in 2020 Sonasoft Corporation engaged Comezzo Inc., an India based marketing company, to perform marketing tasks. Ankur Garg, Sonasoft's then Chief of Artificial Intelligence, held a direct 26% ownership stake in Comezzo, with an additional indirect 10% stake. Payments to Comezzo in 2020 were less than \$15,000. There were no additional transactions or relationship with Comezzo in 2021.

During 2019 and continuing in 2020 Sonasoft Corporation engaged Bay Area GTM, a Silicon Valley based marketing company, to perform marketing tasks for the business. Paul Clauson, the company's Chief Operations Officer, is the owner of Bay Area GTM. Payments to Bay Area GTM in 2020 were less than \$215,000. There were no additional payments made to Bay Area GTM in 2021.

During 2021, Josh Rose became Secretary of the Company, making his parents, Phil and Michele Vehorn related parties. The Vehorns have invested capital in the company. In 2021 they purchased 8,000,000 shares of common stock for \$200,000, and 28,571,429 shares of common stock for \$1,000,000. They also invested \$200,000 in the convertible debt round. During 2020 they invested \$400,000 in the convertible debt round.

Disclosure of Conflicts of Interest:

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

Sonasoft Corporation

Consolidated Financial Statements

For the Years Ended December 31, 2021, and 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Sonasoft Corporation.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sonasoft Corporation (“the Company”), as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in stockholders’ deficit and cash flows for the two years in the period then ended December 31, 2021 and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021 and 2020, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with U.S generally accepted accounting principles.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2 to the financial statements and going concern assessment of critical audit matter below, the Company has suffered recurring losses from operations and has working capital and stockholders’ deficit that raise substantial doubt about its ability to continue as a going concern. Management’s plans regarding these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

Critical Audit Matter

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

Going Concern Assessment

As described in Note 2 to the financial statements, the Company prepared its financial statements on a going concern basis, and management has concluded that the Company has not generated sufficient income to sustain the operations. For the years ended December 31, 2021 and 2020, the Company incurred net losses of USD 7.53 million and USD 7.56 million respectively, and used the net cash in operating activities of USD 4.01 million and USD 2.76 million, respectively. As of December 31, 2021 and 2020, the accumulated deficit amounted to USD 37.65 million and USD 30.12 million, respectively and the current liabilities exceeded the current assets in the amount of USD 4.85 million and USD 4.66 million, respectively.

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

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

Goodwill and Intangible Assets Impairment

As of December 31, 2021 and 2020, the Company's goodwill was USD 0 million and USD 2.94 million, respectively and intangible assets were USD 1.13 million and USD 2.53 million, respectively. As discussed in Note 5 in the financial statements, goodwill and intangible assets were tested for impairment and the Company determined impairment of goodwill amounting to USD 2.94 million and abandonment of intangible assets amounting to USD 1.23 million for the year ended December 31, 2021.

Auditing the Company's annual impairment test for goodwill and intangible assets is complex and required significant judgement in estimating the fair value of these assets. In particular, the fair value estimate was sensitive to assumptions such as forecasted net sales growth rates, gross margin and selling, general and administrative percentages, weighted average cost of capital ("WACC"), terminal value and the continuing use of underlying assets, all of which are affected by management's expectations about future market or economic conditions, as well as specific strategies of the Company.

To test the estimated fair value of the Company's reporting units, we performed audit procedures that included, among others, assessing methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We compared projected cash flows to the Company's historical cash flows and other available industry information. In addition, we also tested management's reconciliation of the fair value of the reporting unit to the market capitalization of the Company. We also assessed abandonment of certain intangible asset and its effect on goodwill impairment.

/S/ TPS Thayer, LLC

TPS Thayer, LLC
We have served as the Company's auditor since 2021
Sugar Land, Texas
May 13, 2022

SONASOFT CORPORATION
CONSOLIDATED BALANCE SHEETS
As of December 31, 2021, and December 31, 2020

	2021	2020
ASSETS		
Current Assets		
Cash	\$ 897,115	\$ 180,677
Accounts receivable, net	152,980	918,084
Prepaid Expenses	3,674,308	3,325,657
Other current assets	68,746	63,999
Total Current Assets	4,793,149	4,488,417
Other Assets - non-current		
Intangible assets	1,130,413	2,530,456
Goodwill	-	2,938,771
Right of use lease assets	3,622	39,963
Furniture, fixtures and equipment, net	15,865	23,585
Total other non-current Assets	1,149,900	5,532,775
Total Assets	5,943,049	10,021,192
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities		
Accounts payable	506,736	1,853,817
Accrued expenses and accrued liabilities	619,771	1,245,742
Accrued compensation	2,108,660	2,036,659
Deferred revenue -current portion	2,137,589	1,675,386
Operating Lease Liability - Current Portion	3,622	41,911
Notes Payable – Related Party	-	20,000
Accrued interest – Related Party	41,165	77,520
PPP Loan Current	79,337	250,542
8% Convertible Notes - Current	1,785,000	40,000
8% Convertible Notes – Current – Related Party	600,000	400,000
10% Convertible Notes - Current	260,000	-
Royalty liabilities	1,500,000	1,488,612
Provision for Taxes	-	15,522
Total Current Liabilities	9,641,880	9,145,711
Non-current liabilities		
PPP Loan - Long Term	367,160	178,958
8% Convertible Notes – Long Term	-	565,000
Operating Lease Liability - Long Term Portion	-	3,404
Deferred revenue- Long Term Portion	1,592,498	2,027,129
Total Non-Current Liabilities	1,959,658	2,774,491
Total Liabilities	11,601,538	11,920,202

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

SONASOFT CORPORATION
CONSOLIDATED BALANCE SHEETS
As of December 31, 2021, and December 31, 2020

COMMITMENTS AND CONTINGENCIES - -

STOCKHOLDERS' (DEFICIT)

Preferred Stock, no par, 10,000,000 authorized,
1,260,347 and 1,543,088 issued and outstanding
as of December 31, 2021, and 2020 respectively

	\$ 4,006,455	\$ 5,901,022
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Additional Paid in Capital and Common Stock,
no par, 995,000,000 authorized,
640,032,242 and 510,381,091 issued and
outstanding as of December 31, 2021, and
2020, respectively

	27,989,405	22,318,846
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Accumulated Deficit

	(37,649,148)	(30,116,113)
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Accumulated Comprehensive (Loss)

	(5,201)	(2,765)
--	---------	---------

	(9,664,944)	(7,800,032)
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Total Stockholders' (Deficit)

	(5,658,489)	(1,899,010)
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Total Liabilities and Stockholders' (Deficit)

	\$ 5,943,049	\$ 10,021,192
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The accompanying notes are an integral part of these consolidated financial statements

SONASOFT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31, 2021, and 2020

	2021	2020
Operations		
Revenue	\$ 9,459,717	\$ 8,935,271
Cost of Goods Sold	7,913,612	7,349,911
Gross profit	1,546,105	1,585,360
Operating expenses	5,701,096	7,989,339
Loss from operations	(4,154,991)	(6,403,979)
Other income (expense)		
PPP Loan Forgiveness	429,500	-
Goodwill Impairment	(2,938,771)	-
Intangible Assets abandonment	(1,232,305)	-
Interest	(302,148)	(67,228)
Customer Settlement	650,000	-
Other Income (Expenses)	18,782	30,815
Loss from Continuing Operations	(7,529,933)	(6,440,392)
Provision for Income Taxes	(3,102)	(15,522)
Net Loss from Continuing Operations	(7,533,035)	(6,455,914)
Net Income (Loss) from Discontinued Operations	-	(1,101,043)
Net Loss	(7,533,035)	(7,556,957)
Other Comprehensive Loss		
Foreign currency translation loss	(2,436)	(1,062)
Total other comprehensive loss	(2,436)	(1,062)
Comprehensive Loss	\$ (7,535,471)	\$ (7,558,019)
Basic And Diluted Loss per share from Continuing Operations	\$ (0.014)	\$ (0.013)
Basic And Diluted Gain (Loss) per share from Discontinued Operations	\$ -	\$ (0.002)
Weighted average common shares outstanding	547,096,897	491,799,937

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

SONASOFT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021, and December 31, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (7,533,035)	\$ (7,556,957)
Adjustments to reconcile net loss to net cash		
Used in operating activities		
Depreciation expenses	11,449	5,403
Provision for income tax	3,102	15,522
Loss (Gain) on disposal of furniture, fixtures & equipment	7,764	(5,313)
Amortization of Intangibles	165,100	321,800
Intangible assets abandonment	1,232,305	-
Loss (Gain) on sale of discontinued operations	-	1,101,943
Amortization of right of use asset	36,341	119,846
Bad debt (recovery) expense	11,199	(35,964)
Share based compensation – common Stock options	933,326	1,143,919
Share based compensation-services	173,552	762,831
PPF Loan forgiveness	(429,500)	-
Goodwill impairment	2,938,771	-
Changes in assets and liabilities		
Accounts receivable	377,185	317,787
Other current assets	(2,109)	(1,087,704)
Prepaid expenses	(348,651)	-
Accounts payable and accrued liabilities	(1,365,705)	435,857
Deferred revenue	27,572	1,139,664
Accrued liabilities	(334,216)	(390,478)
Royalty payable	11,388	564,692
Accrued Compensation	72,001	188,927
Cash flows from discontinued operations	-	196,027
Net cash used in Operating Activities	<u>(4,012,161)</u>	<u>(2,762,198)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture, fixtures & equipment	(11,493)	(7,252)
Proceeds from sale of furniture fixtures & equipment	-	19,000
Cash flows from discontinued operations, net	-	(846,496)
Net cash (used in) provided by Investing Activities	<u>\$ (11,493)</u>	<u>\$ (834,748)</u>

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

SONASOFT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021, and December 31, 2020

CASH FLOWS FROM FINANCING ACTIVITIES:

(Payments)/Proceeds from Bank Credit Line	\$ -	\$ (505,047)
Proceeds from issuance of 8% convertible notes	1,180,000	1,005,000
Proceeds from issuance of 8% convertible notes-related party	200,000	
Proceeds from Paycheck Payroll Protection loan	446,497	429,500
Repayment from notes payable-related party	(20,000)	20,000
Stock subscription	300,000	6,250
Proceeds from issuance of common stock and options	2,677,724	217,500
Operating lease liability payment	<u>(41,693)</u>	<u>(114,494)</u>
Net cash provided by financing activities	4,742,528	1,058,709
Effect of foreign exchange on cash	<u>(2,436)</u>	<u>(1,062)</u>
NET INCREASE (DECREASE) IN CASH	<u>716,438</u>	<u>(2,539,299)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	180,677	2,719,976
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>897,115</u>	<u>180,677</u>

NON-CASH INVESTING AND FINANCING TRANSACTIONS

Sale of Optimaize, Inc. and E-Connect Inc. software for preferred Shares	\$ -	\$ 129,536
Sale of Optimize Inc, and E-Connect Inc. software for common Shares	-	73,600
Surrender of stock options	(64,945)	-
Visionaize shares receivable	(376,720)	-
Conversion of preferred stock to common stock	1,894,568	4,891,021
Operating lease acquired for lease liability	<u>-</u>	<u>45,315</u>
Total non-cash investing and financing transactions	\$ <u>1,452,903</u>	\$ <u>5,139,472</u>

SUPPLEMENTAL DISCLOSURES

Cash paid for:

Interest	\$ 58,493	\$ 67,228
income taxes	\$ 7,200	\$ 1,600

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

SONASOFT CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
For the years ended December 31, 2021, and December 31, 2020

	<u>Common Stock</u>				
	Number of Shares	Common Stock and Additional paid-in Capital	Other Comprehensive Loss	Accumulated Deficit	Stockholders' (Deficit)
Balance as of December 31,2019	259,119,544	\$ 15,854,925	\$ (1,703)	\$ (22,559,156)	\$ (6,705,934)
Issuance of common stock for cash	2,000,000	200,000			200,000
Exercise of Stock Options for Cash	700,000	17,500			17,500
Conversion of Preferred stocks to Common Stock	218,648,760	4,891,021			4,891,021
Stock Options issued		1,143,919			1,143,919
Issuance of stocks for compensation	2,766,259	278,831			278,831
Subscription		6,250			6,250
Subscription Previous year	12,880,000				-
Buyback	(2,000,000)	(73,600)			(73,600)
Simple Agreement for Future Equity (SAFE) Exercised	16,266,528				-
Accumulated Comprehensive Loss			(1,062)		(1,062)
Net loss for the year				<u>(7,556,957)</u>	<u>(7,556,957)</u>
Balance as of December 31,2020	<u>510,381,091</u>	<u>22,318,846</u>	<u>(2,765)</u>	<u>(30,116,113)</u>	<u>(7,800,032)</u>
Issuance of common stock for cash	87,885,961	2,593,973			2,593,973
Exercise of Stock Options for Cash	3,350,000	83,750			83,750
Conversion of Preferred Stock into Common Stock	31,101,510	1,894,568			1,894,568
Issuance of common stock for compensation	2,685,824	173,552			173,552
Stock Options Issued		998,271			998,271
Stock Options Surrendered – Software sale		(64,945)			(64,945)
Receivable from Software Sales		(376,720)			(376,720)
Subscription		300,000			300,000
Subscription – Previous year	250,000				-
Simple Agreement for FutureEquity (SAFE) Exercised	1,653,472	-			-
Issuance of Stock for Unpaid Interest	2,724,384	68,110			68,110
Net loss for the year			<u>(2,436)</u>	<u>(7,533,035)</u>	<u>(7,535,471)</u>
Balance as of December 31,2021	<u>640,032,242</u>	<u>\$ 27,989,405</u>	<u>\$ (5,201)</u>	<u>\$ (37,649,148)</u>	<u>\$ (9,664,944)</u>

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

SONASOFT CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
For the years ended December 31, 2021, and December 31, 2020

	Preferred Stock		Stockholders' (Deficit) Equity
	Number of Shares	Amount	
Balance as of December 31,2019	3,530,804	\$ 10,437,579	\$ 10,437,579
Conversion of preferred stock into common stock	(1,987,716)	(4,891,021)	(4,891,021)
Issuance of stocks for compensation	32,000	484,000	484,000
Buyback	(32,000)	(129,536)	(129,536)
Balance as of December 31,2020	1,543,088	5,901,022	\$ 5,901,022
Conversion of preferred stock into common stock	(282,741)	(1,894,567)	(1,894,567)
Balance as of December 31,2021	1,260,347	\$ 4,006,455	\$ 4,006,455

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

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

Sonasoftware Corporation (the "Company") was incorporated under the laws of the State of California on December 18, 2002. Prior to 2019, the Company's primary business was to develop and sell software to automate disk-to-disk backup and recovery processes for Microsoft Exchange, Structured Query Language ("SQL") and Windows Servers. Sonasoftware's products provided integrated data protection, instant messaging and e-mail archiving and disaster recovery solutions. During 2019, the Company acquired three entities; Cornerstone Technologies, a value-added reseller of hardware and software solutions was acquired in Jan 2019, Hotify Inc, a developer of NuGene AI, an artificial intelligence software platform was acquired in April 2019, and E-connect Inc., a provider of data analytics and data science engineering services was acquired in May 2019. With the integration of the capabilities and customer networks of these acquisitions, the Company has pivoted its primary long-term focus to the development and provision of artificial intelligence (AI) software solutions, divesting of the E-Connect and Optimaize businesses in March of 2020.

NOTE 2 – GOING CONCERN

As reflected in the accompanying consolidated financial statements, the Company has a net loss and net cash used in operations of \$7,533,035 and \$4,012,161 respectively, for the year ended December 31, 2021, and \$7,556,957 and \$2,762,198, respectively, for the year ended December 31, 2020. Additionally, the Company has a working capital deficit and accumulated deficit of approximately \$4.85 million and \$37.65 million, respectively, as of December 31, 2021, compared to \$4.66 million and \$30.12 million, respectively, as of December 31, 2020. These factors raise substantial doubt about the Company's ability to continue as a going concern within one year after the issuance date of these financial statements. The ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or to obtain the necessary financing to meet its debt obligations and repay its liabilities arising from normal business operations when they come due. The Company's ability to raise additional capital through future issuances of common stock is unknown. The attainment of additional financing, the successful development of the Company's contemplated plan of operations, and its transition, ultimately, to the attainment of profitable operations are necessary for the Company to continue operations.

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

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

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and consolidation

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

Business Combinations

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

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

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Use of Estimates

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

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. The Company did not have cash equivalents at December 31, 2021, and 2020. The Company places its cash with high credit quality financial institutions. The Company's accounts at these institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of December 31, 2021, the Company had bank balances exceeding the FDIC insurance limit on interest bearing accounts, but these are held with established financial institutions. To reduce the risk associated with the failure of such financial institutions, the Company evaluates at least annually the rating of the financial institutions in which it holds deposits.

Basic and Diluted Net Loss per Share

Basic net loss per share is computed by dividing the net loss by the weighted average number of common shares during the period. Diluted net loss per share is computed using the weighted average number of common shares and potentially dilutive securities outstanding during the period. The Company had 130,323,481 and 9,400,822 potentially dilutive securities outstanding, on December 31, 2021, and December 31, 2020, respectively, related to outstanding stock options.

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

Research and Development Costs

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

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes

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

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

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

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

Revenue Recognition

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

The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are established, the contract has commercial substance and collectability of consideration is probable. The Company evaluates the following indicators amongst others when determining whether it is acting as a principal in the transaction and recording revenue on a gross basis: (i) the Company is primarily responsible for fulfilling the promise to provide the specified goods or service, (ii) the Company has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

customer and (iii) the Company has discretion in establishing the price for the specified good or service. If the terms of a transaction do not indicate the Company is acting as a principal in the transaction, then the Company is acting as an agent in the transaction and the associated revenues are recognized on a net basis.

The Company recognizes revenue once performance obligation has been fulfilled. The following indicators are evaluated in determining when control has passed to the customer: (i) Identify the contract, or contracts, with a customer; (ii) Identify the performance obligations in the contract; (iii) Determine the transaction price; (iv) Allocate the transaction price to the performance obligations in the contract; (v) Recognize revenue when the Company satisfies a performance obligation.

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

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

Revenue Recognition for Hardware

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

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

Revenue Recognition for Software

Revenues from most software license sales are recognized as a single performance obligation on a gross basis as the Company is acting as a principal in these transactions at the point the software license is delivered to the customer. For additional information regarding the accounting for bundled arrangements, see "Revenue Recognition for Bundled Arrangements" below.

Revenue Recognition for Services

The Company provides professional services, including support and maintenance activities, which include project managers, consultants and certain supporting software, recommending, designing and implementing IT solutions, including ongoing IT managed services. Revenue from

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

professional services is recognized either on a time and materials basis or proportionally over time as costs are incurred for fixed fee project work. Revenue is recognized on a gross basis each month as work is performed and the Company completes its performance obligation for those services. For support and maintenance activities, revenue is recognized over time each month as the services are provided.

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

Revenue Recognition for Bundled Arrangements

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

Freight Costs

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

Other

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

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

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

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

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

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

The Company tracks revenues based on general product or service categories including those revenues recorded at a point in time as well as over-time. The tables on the following page show the disaggregated revenue for the years ended December 31, 2021 and 2020:

Major Products and Services

	<u>2021</u>	<u>2020</u>
Hardware	\$3,976,828	\$ 2,090,830
Software	2,247,406	3,087,013
Services	3,098,136	3,672,461
Other	<u>137,347</u>	<u>84,967</u>
Total Sales	\$ 9,459,717	\$ 8,935,271

Timing of Revenue Recognition

	<u>2021</u>	<u>2020</u>
Revenue recognized where Sonasoft is Principal	\$9,459,717	\$8,935,271
Revenue recognized where Sonasoft is Agent	<u>-</u>	<u>-</u>
Total Sales	\$9,459,717	\$8,935,271

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and typically do not bear interest. The Company estimates an allowance for credit losses related to accounts receivable for future expected credit losses by using relevant information such as historical information, current conditions, and reasonable and supportable forecasts. The allowance is measured on a pool basis when similar risk characteristics exist, and a loss-rate for each pool is determined using historical credit loss experience as the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current conditions as well as changes in forecasted macroeconomic conditions, such as changes in the unemployment rate or gross domestic product growth rate.

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

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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. The Company account for forfeitures as they occur.

Goodwill

The Company performs an evaluation of goodwill at the reporting unit level, utilizing either a qualitative or quantitative impairment test. A qualitative assessment is performed at least on an annual basis to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. The Company performs a quantitative impairment test for each reporting unit every three years, or more frequently if circumstances indicate a potential impairment. The annual test for impairment is conducted in the last quarter of 2021. The Company's reporting units included in the assessment of potential goodwill impairment are the same as its operating segments.

Under a qualitative assessment, the most recent quantitative assessment is used to determine if it is more likely than not that the reporting unit's goodwill is impaired. As part of this qualitative assessment, the Company assesses relevant events and circumstances including macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, changes in share price and entity-specific events to determine if there is an indication of impairment.

Under a quantitative assessment, goodwill impairment is identified by comparing the fair value of a reporting unit to its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, goodwill is considered impaired and an impairment charge is recognized in an amount equal to that excess, not to exceed the carrying amount of goodwill. Fair value of a reporting unit is determined by using an income approach as this is considered the most indicative of the Company's fair value in an orderly transaction between market participants.

Under the income approach, the Company determines fair value based on estimated future cash flows of a reporting unit, discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn. The estimated future cash flows of each reporting unit are based on internally generated forecasts for the remainder of the respective reporting period and in the future.

Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including Net sales growth rates, gross profit margins, operating margins, discount rates and future market conditions, among others. Any changes in the judgments, estimates or assumptions used could produce significantly different results.

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

Long-Lived Assets

Long-lived assets and certain identifiable intangible assets related to those assets are periodically reviewed for impairment whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recoverable. If the non-discounted future cash flows of the enterprise are less than their carrying amount, their carrying amounts are reduced to fair value and an impairment loss is recognized. The Company recorded no impairment losses during the fiscal years ended December 31, 2021, and December 31, 2020, respectively.

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.

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Prepaid Expenses

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

Recent Accounting Pronouncements Yet to be Adopted

In August 2020, the FASB issued ASU 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity to simplify the accounting for convertible debt and other equity-linked instruments. The new guidance simplifies the accounting for convertible instruments by eliminating the cash conversion and beneficial conversion feature models used to separately account for embedded conversion features as a component of equity. Instead, the entity will account for the convertible debt or convertible preferred stock securities as a single unit of account, unless the conversion feature requires bifurcation and recognition as derivatives. Additionally, the guidance requires entities to use the if-converted method for all convertible instruments in the diluted earnings per share calculation and include the effect of potential share settlement for instruments that may be settled in cash or shares. This pronouncement is effective for non-accelerated filer public entities for fiscal years beginning January 1, 2023. The Company is assessing the effect of this new standard.

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

Reclassifications

Certain prior year amounts have been reclassified to conform to the current period presentation. These reclassifications had no impact on net earnings (loss) or and financial position.

NOTE 4 – RELATED PARTY TRANSACTIONS

Mike Khanna, CEO of Sonasoft, purchased 1.2 million shares of common stock in 2021 for a payment of \$30,000.

On January 23, 2017, Sonasoft Corporation issued a promissory note in the amount of \$300,000 to its then chairman, Dr. Romesh Japra. The note bore interest at 10% per annum. The principal was paid out in full via the issuance of 12,000,000 share of common stock during 2020. The interest liability of \$68,110 that remained outstanding as of December 31, 2020, was paid in full during 2021.

On August 25, 2020, the Company issued a promissory note in the amount of \$20,000 to Sally Khanna, mother of CEO Mike Khanna. The note bore interest at 3.5% per annum. The outstanding principal and interest amount of \$20,246 due as of December 31, 2020, was paid in full during 2021.

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During 2019 and continuing in 2020 Sonasoft Corporation engaged Comezzo Inc., an India based marketing company, to perform marketing tasks. Ankur Garg, Sonasoft’s then Chief of Artificial Intelligence, held a direct 26% ownership stake in Comezzo, with an additional indirect 10% stake. Payments to Comezzo in 2020 were less than \$15,000. There were no additional transactions or relationship with Comezzo in 2021.

During 2019 and continuing in 2020 Sonasoft Corporation engaged Bay Area GTM, a Silicon Valley based marketing company, to perform marketing tasks for the business. Paul Clauson, the company’s Chief Operations Officer, is the owner of Bay Area GTM. Payments to Bay Area GTM in 2020 were less than \$215,000. There were no additional payments made to Bay Area GTM in 2021.

During 2021, Josh Rose became Secretary of the Company, making his parents, Phil and Michele Vehorn, related parties. The Vehorns have invested capital in the company. In 2021 they purchased 8,000,000 shares of common stock for \$200,000, and 28,571,429 shares of common stock for \$1,000,000. They also invested \$200,000 in 8% convertible debt during 2021. During 2020 they invested \$400,000 in 8% convertible debt. As of December 31, 2021, they had \$41,165 of accrued interest related to the convertible debt. As of December 31, 2020, they had \$9,165 of accrued interest.

During 2021, 130,907,500 stock options were granted to employees, directors, and consultants of the company. There were no options granted to employees, directors, and consultants of the company in 2020. The amounts granted to officers and directors during 2021 were as follows:

Options Granted	
Paul Clauson	14,220,000
Mike Khanna	40,000,000
Rob Baumert	18,275,000
Josh Rose	6,240,000
Paul Schlosberg	3,000,000

NOTE 5 – GOODWILL AND INTANGIBLE ASSETS

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

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

Balance as of 12/31/2021 - \$0 Balance

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

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

During the year ended December 31, 2021, the Company as part of its annual goodwill impairment analysis, determined certain triggering events occurred within its Managed Services and AI segments.

Managed Services Segment

Due to continued low expected margins and limited growth expectations related to segment the company determined goodwill impairment had been triggered. As a result of this determination the Company used an income approach based on a discounted cash flow analysis to arrive at a concluded enterprise value which was compared to the carrying value of the segment's assets and liabilities. This resulted in an impairment of goodwill related to the Managed Services segment of \$1,226,776.

AI Segment

During the year ended December 31, 2021, the company determined that the acquired software obtained in the acquisition of Hotify residing in the AI segment of the Company was not functional as purchased, resulting in the decision to abandon its use and impair the remaining value of the intangible asset associated with this software. The company determined that no value remained from the Hotify acquisition as such recorded an impairment of goodwill related to the AI segment of \$1,711,995, and an impairment of the intangible assets associated with this software of \$1,232,305.

Impact of Additions to Intangible Assets - 2020

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

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Impact of Disposals/Impairment of Intangible Assets - 2020

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

Impact of Amortization of Intangible Assets – 2020

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

Net Intangible Asset Value – December 31, 2020

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

Impact of Additions to Intangible Assets - 2021

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

Impact of Disposals/Impairment of Intangible Assets - 2021

	Cornerstone	Hotify	SSFT	Total
Non-Compete	\$ -	\$ -	\$ -	\$ -
Domain Names	-	-	-	-
Customer Relations	-	-	-	-
Software	-	-	-	-
Patents	-	-	-	-
	\$ -	\$ -	\$ -	\$ -
Effect of impairment		\$ (1,500,000)		\$ (1,500,000)

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Impact of Amortization and Impairment of Intangible Assets – 2021

	Cornerstone	Hotify	SSFT	Total
Non-Compete	\$ -	\$ -	\$ -	\$ -
Domain Names	-	-	-	-
Customer Relations	151,100	-	-	151,100
Software	14,000	-	-	14,000
Patents	-	-	2,638	2,638
	<u>\$ 165,100</u>	<u>\$ -</u>	<u>\$ 2,638</u>	<u>\$ 167,738</u>
Effect of impairment		\$ (267,695)		\$ (267,695)

Net Intangible Asset Value – December 31, 2021

	Cornerstone	Hotify	SSFT	Total
Non-Compete	\$ -	\$ -	-	\$ -
Domain Names	6,000	-	-	6,000
Customer Relations	1,067,829	-	-	1,067,829
Software	56,584	-	-	56,584
Patents	-	-	-	-
	<u>\$ 1,130,413</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 1,130,413</u>

Basis for Amortization of Intangible Assets (Months)

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

The Company recognized amortization expense of approximately \$165,100 and \$321,800 for the years ended December 31, 2021, and 2020, respectively. In addition, the Company recorded impairment expenses associated with its intangible assets of \$1,232,305 and \$ 0 for the years ended December 31, 2021, and 2020, respectively.

Based on the carrying value of definite-lived intangible assets as of December 31, 2021, we estimate our amortization expense for the next five years will be as follows:

Year Ended December 31,	Amortization Expense
2022	165,100
2023	165,100
2024	165,100
2025	165,100
2026	165,100
Thereafter	304,913
	<u>1,130,413</u>

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NOTE 6 - PPP LOANS

The Company applied for, and received, an initial distribution of funds under the Paycheck Protection Program (the “PPPLoan”) in the prior year in the amount of \$429,500. The Company received the loan proceeds on or around May 15, 2020. This loan was forgiven in full on Sept. 9, 2021.

The Company applied for, and received, a second distribution of funds under the Paycheck Protection Program (the “PPPLoan”) in the current year in the amount of \$446,497. The Company received the loan proceeds on or around January 25, 2021.

The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Company having initially qualified for the loan and qualifying for the forgiveness of such loan based on its future adherence to the forgiveness criteria.

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

The promissory note executed by the Company in connection with the PPP Loan contains events of default and other provisions customary for a loan of this type. The PPP Loan is being used to retain the Company’s employees and allow them to be able to continue to provide essential services for the customers of the Company. Proceeds of the PPP Loan may also be used for other purposes permitted under applicable terms of the PPP. The current and non-current balances on the PPP note payable as of December 31, 2021, are as follows:

Current - \$79,337

Non-current -\$367,160

Total - \$446,497

NOTE 7 – RIGHT OF USE LEASE ASSETS

We have non-cancelable operating leases for our office facility that expire in 2022. On July 1, 2020, the Company renegotiated the office lease to transfer from our existing offices in Suite 110 to a smaller office in Suite 103. As a result, our monthly rent expense was reduced to \$3,622 as of December 1, 2020.

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

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Lease expense for operating leases generally consist of both fixed and variable components. Expense related to fixed lease payments are recognized on a straight-line basis over the lease term. Variable lease payments are generally expensed as incurred, where applicable, and include agreed-upon changes in rent, certain non-lease components, such as maintenance and other services provided by the lessor, and other charges included in the lease. Leases with an initial term of twelve months or less are not recorded on the balance sheet. We recognized total lease expense of approximately \$32,847 and \$119,486 for the years ended December 31, 2021, and 2020, respectively, primarily related to operating lease costs paid to lessors from operating cash flows. We entered into our operating lease in January 2019.

Future minimum lease payments under operating leases that have initial non-cancelable lease terms in excess of one year at December 31, 2021 were as follows:

	<u>Total</u>
Year Ended December 31,	
2022	\$ 3,622
Less: Imputed interest	-
Operating lease liabilities	<u>-</u>
Operating lease liability – current	3,622
Operating lease liability - non-current	\$ -

The following summarizes other supplemental information about the Company’s operating lease as of December 31, 2021:

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

NOTE 8– DEFERRED REVENUE

Changes in deferred revenue were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Balance, beginning of period	\$ 3,702,515	\$ 2,562,851
Deferral of revenue	3,123,821	5,415,945
Recognition of deferred revenue	(3,096,249)	(4,276,281)
Balance, end of period	<u>3,730,087</u>	<u>3,702,515</u>
Current	2,137,589	1,675,386
Non-current	1,592,498	<u>2,027,129</u>
	\$ <u>3,730,087</u>	\$ <u>3,702,515</u>

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NOTE 9 – OPERATING EXPENSES

	<u>2021</u>	<u>2020</u>
Compensation Expenses	\$ 2,007,457	\$ 3,536,996
Marketing Expenses	190,139	468,871
Professional Fees	348,034	605,974
General & Administrative Expenses	390,226	301,155
Amortization and Depreciation	167,349	321,800
Royalties	11,388	564,692
Stock Based Compensation	998,271	1,143,919
License & Permits	641,667	525,000
R&D Expense	946,566	520,932
Total Operating Expenses	\$ <u>5,701,096</u>	\$ <u>7,989,339</u>

NOTE 10 - ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company has a policy of providing an allowance for doubtful accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. The Company's bad debt allowance policy is to provide for 10% of the accounts receivable balance at the period end or the accumulation of specific uncollectible receivables, whichever is higher. Account balances deemed to be uncollectible are charged to bad debt expense and included in the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of December 31, 2021, and 2020, the allowance for doubtful accounts amounted to \$10,989 and \$1,012 respectively. The Company recorded a bad debt expense write-off /(write-back) of \$11,199 and \$(35,964) during the years ended December 31, 2021, and 2020, respectively.

Accounts Receivable (Net)

	<u>2021</u>	<u>2020</u>
Accounts Receivable	\$ 163,969	\$ 919,096
Allowance for Doubtful Debt	<u>(10,989)</u>	<u>(1,012)</u>
Total Net Accounts Receivable	\$ <u>152,980</u>	\$ <u>918,084</u>

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NOTE 11– SEGMENT INFORMATION

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

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

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

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

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

Selected Segment Financial Information

Information about the Company’s segments for the years ended December 31, 2021, and 2020.

	<u>Managed Services</u>	<u>AI Services</u>	<u>Total</u>
2021:			
Net Sales	\$ 8,325,052	\$ 1,134,665	\$ 9,459,717
Operating loss	\$ (785,295)	\$ (3,369,696)	\$ (4,154,991)
2020:			
Net Sales	\$ 8,155,271	\$ 780,000	\$ 8,935,271
Operating loss	\$ (1,582,244)	\$ (4,821,735)	\$ (6,403,979)

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Revenue by Major Product and Services:

For the year ended December 31, 2021:	Managed Services	AI Services	Total
Hardware	\$ 3,976,828	\$	\$ 3,976,828
Software	1,112,741	1,134,665	2,247,406
Services	3,098,136		3,098,136
Other	137,347		137,347
Total sales	<u>8,325,052</u>	<u>1,134,665</u>	<u>\$9,459,717</u>

Hardware	2,090,830	\$	\$ 2,090,830
Software	2,307,013	780,000	3,087,013
Services	3,672,461		3,672,461
Other	84,967		84,967
Total sales	<u>\$ 8,155,271</u>	<u>\$ 780,000</u>	<u>\$ \$8,935,271</u>

Revenue by Timing of Revenue Recognition

For the year ended December 31, 2021:	Managed Services	AI Services	Total
Revenue recognized where Sonasoft is principal	\$ 8,325,052	\$ 1,134,665	\$ 9,459,717
Revenue recognized where Sonasoft is agent	-	-	-
Total sales	<u>\$ 8,325,052</u>	<u>\$ 1,134,665</u>	<u>\$9,459,717</u>

Revenue recognized where Sonasoft is principal	\$ 8,155,271	\$ 780,000	\$ 8,935,271
Revenue recognized where Sonasoft is agent	-	-	-
Total sales	<u>\$ 8,155,271</u>	<u>\$ 780,000</u>	<u>\$8,935,271</u>

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 – GAIN ON CUSTOMER CONTRACT CANCELATION

During the year ended December 31, 2021, the Company terminated its customer partnership arrangement with Fidelity Information Services (FIS) in return for a one-time settlement payment of \$650,000, which was recorded as other income in the consolidated statement of operations. The terms of the settlement releases each party from any exclusivity conditions contained within the initial agreement and as a result, the Company can pursue engagements with other large providers in the financial services industry. The termination agreement does not restrict the Company to pursue future contracts with FIS.

NOTE 13 – ACCRUED EXPENSES AND LIABILITIES

Accrued expenses and accrued liabilities consist of the following:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Credit card	\$ 9,450	\$ 20,572
Accrued vacation	59,086	110,432
Accrued legal expenses (see note 19)	300,000	835,000
Accrued commissions	-	11,261
Customer Prepaid	-	48,404
Accrued Interest	223,334	7,530
Others	<u>27,901</u>	<u>212,543</u>
Total Accrued Expenses and Liabilities	\$ <u><u>619,771</u></u>	\$ <u><u>1,245,742</u></u>

NOTE 14 - ACCRUED COMPENSATION

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Andy Khanna	\$ 1,284,441	\$ 1,284,441
VP Business Development	277,419	277,419
Chief Financial Officer	179,680	119,680
Chief Financial Officer-Ex	-	88,000
Chief Operating Officer	60,000	-
Chief Executive Officer	<u>307,120</u>	<u>267,119</u>
	\$ <u><u>2,108,660</u></u>	\$ <u><u>2,036,659</u></u>

NOTE 15 – ROYALTY AGREEMENTS

During 2003, the Company entered into royalty agreements with certain investors whereby these investors were entitled to up to 5% of gross sales revenue in exchange of their royalty investment, until such time as the investor received a Royalty Premium of \$1,500,000 in aggregate (including initial \$500,000 investment). The Royalty Premium shall be paid in installments within 10 days from the end of each calendar quarter. Such Royalty Premium was payable only if management of the Company could reasonably determine that the Company is profitable. The royalty arrangement

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

pertains to the Company's back-up and recovery solution, developed for SQL server and exchange in 2003. The Company discontinued selling this product in 2010 and the Company did not replace this product with any other product line. Due to the discontinuation of the product line, the Company stopped the accrual of royalty liabilities in 2010. In the last quarter of 2019, the company amended the agreement to include all revenues of Sonasoft Corporation, including the Cornerstone, Hotify, and E-Connect subsidiaries. As of December 31, 2021, and December 31, 2020, the balance of liabilities associated with the royalty agreement were \$1,500,000 and \$1,488,612, respectively. This royalty premium shall only be paid when management of Sonasoft reasonably determines that the company is profitable.

NOTE 16 – CONVERTIBLE NOTES PAYABLE

During the year ended December 31, 2021, the Company issued a series of convertible promissory notes to various investors with total proceeds of \$1,640,000. Of these convertible promissory notes, \$1,180,000 were issued to non-related parties and bear interest at 8% per annum, with principal amount of \$1,180,000 maturing on December 31, 2022, and \$200,000 were issued to related parties and bear interest at 8% per annum, with principal amount of \$200,000 maturing on December 31, 2022. The remaining \$260,000 bear interest at 10% per annum, with principal amount of \$260,000 maturing on December 31, 2022. The convertible promissory notes do not require any interest or principal payments until the maturity date. On or after the maturity date, the convertible promissory notes, including accrued interest, are redeemable or convertible to preferred stock on demand at the election of the investor. Additionally, on or after the maturity date, if an individual investor does not elect redemption or conversion, and an election is made by investors holding more than 50% interest in the series, the majority interest investors can elect to redeem or convert the convertible promissory notes to preferred shares, for the remaining investors. The preferred shares will have the identical rights, privileges, preferences and restrictions as the shares of preferred stock issued in a qualified financing as defined in the agreement, including liquidation preference of 1.5x.

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

The convertible promissory notes also have an automatic conversion clause defined as a qualified financing as defined in the agreement occurring on or prior to the date of maturity, then the outstanding principal amount of this convertible promissory note and all accrued and unpaid interest shall automatically convert into shares of preferred stock. The automatic conversion for the 8% interest notes will be transacted at a conversion price defined as the price per share equal to the lesser of (i) 80% of the price per share by the other purchasers of the Preferred Stock sold in a qualified financing as defined in the agreement and (ii) the Cap Price as discussed above. The automatic conversion for the 10% interest notes will be transacted at a conversion price defined as the price per share equal to the lesser of (i) 50% of the price per share by the other purchasers of the Preferred Stock sold in a qualified financing as defined in the agreement and (ii) the Cap Price as discussed above.

SONASOFT CORPORATION
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The outstanding principal amount for 8% convertible notes payable to non-related parties as of December 31, 2021, was \$1,785,000. The outstanding principal amount for 8% convertible notes payable to related parties as of December 31, 2021, was \$600,000. The outstanding principal amount for 10% convertible notes as of December 31, 2021, was \$260,000. The accrued interest on convertible notes as of December 31, 2021, was \$187,944. The outstanding principal amount for 8% convertible notes payable to non-related parties as of December 31, 2020, was \$40,000. The outstanding principal amount for 8% convertible notes payable to related parties as of December 31, 2020, was \$400,000. The accrued unpaid interest as of December 31, 2020, was \$16,685. During the year ended December 31, 2021, the Company recorded \$171,259 in interest expense related to these convertible promissory notes.

NOTE 17 - STOCKHOLDERS' EQUITY

Common Stock Issued for Cash

During the year ended December 31, 2021, the company issued 91,485,960 shares of common stock and received payment of \$2,677,724 for same. Of these shares, 87,885,960 shares were purchased directly in 2021, 3,350,000 were issued as an exercise of stock options and 250,000 had been purchased by subscription in 2020 for \$6,250.

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

Common Stock Issued for Services and Compensation

During the year ended December 31, 2021, 2,685,824 shares of common stock were issued for compensation valued at \$173,552.

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

Common Stock Issued/Returned for Acquisitions/Divestitures

During the year ended December 31, 2021, no shares of common stock valued were issued for acquisitions. 6,800,000 shares of common stock valued at \$376,720 were agreed to be returned as payment for a software sale to the principals of Visionaise Inc.

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

Common Stock Issued as Payment for Loans or Loan Interest

During the year ended December 31, 2021, 2,724,384 shares of common stock were issued as payment for \$68,110 of outstanding loan interest.

SONASOFT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Preferred Stock Issued for Cash

During the year ended December 31, 2021, no shares of preferred stock were issued for cash.

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

Preferred Stock Issued for Services and Compensation

During the year ended December 31, 2021, no shares of preferred stock were issued for compensation.

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

Preferred Stock Issued/Returned for Acquisitions/Divestitures

During the year ended December 31, 2021, no shares of preferred stock were issued for acquisitions, or returned to Treasury.

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

Preferred Stock Converted to Common Stock

During the year ended December 31, 2021, various investors who during the year ended December 31, 2018, entered a conversion agreement whereby the investors elected to convert their common shares into preferred shares at a 100 to 1 ratio, elected based on the terms of the conversion agreement to re-convert their preferred shares into common shares at a ratio of 1 to 110. As a result of this conversion 282,741 preferred shares were converted into 31,101,510 common shares. The conversion from preferred shares to common shares was a cashless exercise with relative equal value converted. As of December 31, 2021, 1,260,347 preferred shares remain convertible under this conversion agreement.

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

SONASOFT CORPORATION
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NOTE 18 - COMMON STOCK OPTIONS

Plan Information

During the quarter ended June 30, 2021, the 2021 Incentive and Non-Statutory Stock Option Plan was approved and adopted by the Board of Directors and shareholders of the Company. Under the 2021 Plan, the Company may grant stock options to its employees, officers, and other key persons employed or retained by the Company and any non-employee director, consultant, vendor, or other individual having a business relationship with the Company. Options are granted at various times and usually vest over a thirty-six (36) month period unless the vesting period is reduced by Board of Directors.

Stock Options Granted to Employees and Consultants

The Company had 130,323,481 and 9,400,822 outstanding common stock options to various professional staff, consultants and directors of the company as at December 31, 2021 and December 31, 2020, respectively. During the year ending December 31, 2021, 130,907,500 options were issued, 3,350,000 options were exercised for payment of \$83,750, and 6,634,841 options were returned to the option pool via expiration, forfeiture, or voluntary surrender.

During the year ending December 31, 2020, 700,000 options were exercised for payment of \$17,500, 20,352,693 were converted into Simple Agreements for Future Equity agreements by amendment of debt conversion agreements and cancellation of the original stock option agreements, 7,192,466 options expired, 4,196,712 options were forfeited through termination, and 72,480,010 options were cancelled via mutual agreement with option holders.

NOTE 19 - COMMITMENTS AND CONTINGENCIES

Employment Agreement

In March of 2012, the Company entered into an employment agreement with its then-Chief Executive Officer, Andy Khanna, through year 2016, at an annual minimum salary of \$150,000 per year, with additional fringe benefits as determined by the Board of Directors. In the event of termination of the agreement by the Company, the Company is required to pay a severance payment equivalent to 60 months of salary at the rate, and with the benefits, in effect at the date of termination. This employment agreement was extended until December 31, 2016. As of December 31, 2021, and December 31, 2020, accrued compensation owed to Mr. Khanna was \$1,284,441 and \$1,284,441 respectively.

Employment Related Lawsuit

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

SONASOFT CORPORATION
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Shortly after obtaining the new judgment, the Plaintiffs attorney filed an alter ego case against the Company's former CEO, Andy Khanna, to amend the judgment to include Mr. Khanna.

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

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

In a related lawsuit, Andy Khanna filed a malicious prosecution lawsuit against the former employee, Vince Khanna and his attorney, James A. Sarrail. The trial court, however, sided with Vince Khanna and James Sarrail, as an anti-SLAPP motion and then awarded Vince Khanna, James Sarrail, and their attorneys the amount of \$171,508.

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

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

SONASOFT CORPORATION
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NOTE 20 – INCOME TAXES

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

The income tax provision differs from the amount of income tax determined by applying the federal income tax rate to pre-tax income from continuing operations for the years ended December 31, 2021, and 2020, due to the following:

Description	2021	2020
	<u> </u>	<u> </u>
Tax provision at expected tax rate (2021: 21%, 2020:21%)	\$ (1,581,769)	\$ (1,583,366)
Impact of permanent differences	873,235	337,646
Foreign rate differential	(537)	622
Other Adjustments	(108,343)	(157,569)
State Income tax	632	4,424
Other	14,109	(3,763)
Increase to valuation allowance	<u>805,775</u>	<u>1,417,528</u>
Income tax provision	\$ 3,102	\$ 15,522

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

Deferred Tax Assets	<u>2021</u>	<u>2020</u>
Net operating losses	\$ 3,736,569	\$ 2,902,884
Allowance for bad debt	2,308	213
Contingent legal accrual	117,600	175,350
Stock Options	248,961	208,284
Accrued Salary	455,227	450,889
Accrued professional fees	-	21,000
Capital Losses	21,694	21,694
Accrued Royalty	315,000	312,608
Other	1,125	588
Total gross deferred tax assets	4,898,484	4,093,510
Property and equipment	(209)	(1,011)
Valuation allowance	<u>(4,898,275)</u>	<u>(4,092,499)</u>
Total net deferred tax assets	\$ -	\$ -

The provision for income taxes for the period consisted of the following:

	<u>2021</u>	<u>2020</u>
Current Income Tax Expense (Benefit)		
Federal	\$ -	\$ -
State	800	5,600
Foreign	<u>2,302</u>	<u>9,922</u>
Total	<u>\$ 3,102</u>	<u>\$ 15,522</u>
Deferred Income Tax Expense (Benefit)		
Federal	\$ -	\$ -
State	-	-
Foreign	<u>-</u>	<u>-</u>
Total	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

SONASOFT CORPORATION
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As of December 31, 2021, the Company had net operating loss (“NOL”) carryforwards for federal income tax purposes of approximately \$17.7 million, of which \$4.8 million will begin to expire in 2030 if not utilized to offset taxable income, and \$12.9 million may be carried forward indefinitely. Future changes in ownership, as defined by Section 382 of the IRC, could limit the amount of NOL carryforwards used in any one year.

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

At December 31, 2021, and December 31, 2020, the Company placed a valuation allowance of \$4.9 million and \$4.1 million, respectively, against the entirety of its net deferred tax asset balance, as the Company has not determined that it is more likely than not to be realized. The change in the valuation allowance was \$0.8 million for the year ended December 31, 2021.

The Company files U.S. federal, U.S. state, and foreign tax returns, and is generally no longer subject to tax examinations for fiscal years prior to 2017. The Company’s 2020, 2019 and 2018 tax years may still be subject to federal and state tax examination.

SONASOFT CORPORATION
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NOTE 21 - SUBSEQUENT EVENTS

Between January 1, 2022, and May 13, 2022, the Company executed the following material transactions.

1. The board, a majority of shareholders and the California Secretary of State approved amended articles of incorporation increasing the authorized common stock to 1,150,000 shares and increasing the authorized employee stock option pool to 230,000,000.
2. The board authorized the company to raise additional capital of up to \$2,000,000 through the sale of common stock at a price of \$0.05 per share, and up to an additional \$999,999 through the sale of preferred stock at a price of \$5.00 per share. As of the writing of this report the preferred round is fully subscribed.
3. Members of the Sonasoft executive team agreed to the waiver of 19,350,000 options on common stock.
4. The board authorized the granting of 58,550,000 options on restricted common stock to employees, directors, and advisors of the Company.
5. The company received notification of the forgiveness of its second PPP loan in the amount of \$446,497.50.
6. The company issued 7,112,959 shares of common stock related to existing subscriptions and authorized issuances.
7. The company issued 100,000 shares of preferred stock for payment of \$500,000.
8. Sonasoft Corporation initiated litigation in California State Court, Santa Clara County, against the former owners and officers of Hotify, Inc., which was merged into Sonasoft in 2019. Sonasoft sought, and finalized, the merger based on representations by several of Hotify's former owners and officers that its product NuGene was intellectual property and an artificial intelligence platform. Sonasoft conducted all appropriate due diligence prior to the merger. The consideration for the merger was 30,000,380 common shares and 679,994 preferred shares of Sonasoft stock (104,799,720 common total) that, as a result of the merger, became owned by approximately fifty (50) former Hotify officers and shareholders. After the merger, Sonasoft eventually discovered that the representations and warranties made by Hotify and its officers regarding NuGene were false. A demand was made upon the former Hotify officers and shareholders that their shares be returned because Sonasoft did not receive the benefit of the merger that was promised by Hotify. The demand was refused and on March 9, 2022, Sonasoft filed a lawsuit that seeks specific performance of Hotify's indemnity obligation under the merger agreement, and all damages arising out of the fraud. The lawsuit also contains breach of fiduciary duty claims against former Hotify managers who became Sonasoft employees as a result of the merger. The lawsuit is in its infancy, and Sonasoft is in the process of serving the 50+ defendants with summonses and the complaint. Sonasoft intends to zealously prosecute the claim to gain a return of some or all of the stock received by the former Hotify officers and shareholders. Since filing the lawsuit, three of the defendants in the lawsuit have executed agreements whereby they have relinquished any rights they have to the Sonasoft stock shares that were merger consideration. Sonasoft is pursuing similar agreements with several other defendants; however, like the three who have already executed agreements, their proportionate ownership of the total of all shares that constituted merger consideration is relatively small.
9. On April 29, 2021, Sonasoft published a press release detailing a Letter of Intent with Diagnose Early for the development of a health data partnership.

MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

Revenues from ongoing operations for the year ended December 31, 2021, were \$9.46 million compared to \$8.94 million for the year ended December 31, 2020. Gross profit for the year ended December 31, 2021, was \$1.55 million compared to \$1.59 million for the year ended December 31, 2020. The managed services segment contributed \$8.35 million in revenues over 12 months, while the AI segment contributed \$1.13 million. Gross profit margins dropped from 17.8% to 16.4% reflecting a shift in sales volume in favor of lower margin hardware sales in the managed services segment.

The Company had a net loss from continuing operations before write-downs of \$4.16 million during the year ended December 31, 2021, compared to loss of \$6.40 million for the year ended December 31, 2020.

Cost cutting measures begun in 2020 were continued in 2021, particularly in the Cornerstone segment of the business. Operating expenses were reduced by \$2.28 million (27%) from \$7.99 million in 2020 to \$5.71 million in 2021. Despite this cost cutting, the company continued to invest heavily in AI product development, increasing R&D expenditures by \$425,000 and expanding its partnership network through a long-term contract with IVT. Net cash used in operating activities increased by \$1.3 million from \$2.76 million in 2020 to \$4.06 million in 2021.

In late 2021 Sonasoft terminated its partnership arrangement with FIS in return for a one-time settlement payment of \$650,000. This settlement frees Sonasoft to pursue engagements with other large providers in the financial space and was considered preferable to the more restrictive terms of the original FIS agreement.

With the continued investment in product development, stockholders' equity declined from (\$1.90 million) as of December 31, 2020, to (\$5.28 million) as of December 31, 2021. However, \$0.45 million in outstanding PPP loans is expected to be forgiven in 2022, and \$2.65 million in convertible debentures is expected to convert to equity by Dec. 31, 2022. The company finished the year with \$0.9 million in cash, and successfully closed a round for \$999,999 in preferred stock at the quarter ended March 31, 2022, in addition to finalizing letters of intent with Diagnose Early that represent significant future income in 2022 and 2023.

PLAN OF OPERATION

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

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

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

The Company cash balance and receipts from Sales will be enough to meet cash requirements for the next 6 to 9 months. The Company reviews its cash position every quarter with the Board of Directors and will raise funds as necessary to continue activities. It is anticipated that the company will raise additional capital before the end of 2022.

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

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

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

Not Applicable

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

It is anticipated that Sonasoft will continue to expand its team in 2022 with the addition of ML engineering professionals and data scientists.

6. Off Balance Sheet Agreements

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

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

1. Investment Banker

Not Applicable

2. Promoter

Not Applicable

3. Securities Counsel:

Bruce Methven

Methven & Associates 2232 Sixth Street

Berkeley, California 94710

(510) 649-4019

(510) 649-4024

bmethven@methvenlaw.com

4.

General Counsel:

Alicia Woo

Alicia Woo Legal PC

PO Box 5010

PMB #324

Rancho Santa Fe, CA, 92067-501

alicia@awoolegal.com

5. Accountant or Auditor –

TPS Thayer LLC

1600 Hwy. 6, Suite 100

Sugar Land, Texas 77478

(281) 552-8430

info@tpscpas.com

TPS Thayer LLC is a certified public accountant and PCAOB auditor. This firm has completed the audit of fiscal year ended Dec 31, 2021.

6. Public Relations Consultant

Mike Khanna, CEO & President

7. Investor Relations Consultant

Mike Khanna, CEO & President

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

Not Applicable

PART E: ISSUANCE HISTORY:

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

1. The nature of each offering,

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

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

California and New York

3. Number of shares sold

The number of shares of Common stock sold in 2020 were 2,700,000 and from Jan 1, 2021, through December 31, 2021, were 91,485,960.

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

Common stock was offered at \$.025 and \$0.035 and \$0.045 per shares and sold at the same price.

5. The trading status of the shares:

Restricted

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

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

ISSUANCE HISTORY – COMMON SHARES THRU APRIL 24, 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2/17/21	GLEN W DANIEL	1,650,000	\$0.00	Conversion of Preferred Shares to Common Shares
2/17/21	DANIEL FAMILY FOUNDATION (GLEN DANIEL)	550,000	\$0.00	Conversion of Preferred Shares to Common Shares
2/23/21	MIKE KHANNA	1,363,010	\$0.00	Conversion of Preferred Shares to Common Shares
2/23/21	MIKE KHANNA	3,575,000	\$0.00	Conversion of Preferred Shares to Common Shares
2/25/21	VIKAS AGRAWAL	1,760,000	\$0.00	Conversion of Preferred Shares to Common Shares
2/25/21	VIKAS AGRAWAL	2,640,000	\$0.00	Conversion of Preferred Shares to Common Shares
3/3/21	JUDHAJIT SENMAZUMDAR	4,400,000	\$0.00	Conversion of Preferred Shares to Common Shares
3/15/21	MOHSEN AFRASIABI	899,140	\$0.00	Conversion of Preferred Shares to Common Shares
4/16/21	BILAL AHMED	337,426	\$0.12	Shares issued in lieu of accrued wages

4/22/21	AVJ INC (KUSHI JAIN)	2,673,330	\$0.00	Conversion of Preferred Shares to Common Shares
4/23/21	ZSOLT VENTURES LLC (AMIT JAIN)	1,198,890	\$0.00	Conversion of Preferred Shares to Common Shares
4/23/21	HFY LLC (KUSHI JAIN)	8,632,140	\$0.00	Conversion of Preferred Shares to Common Shares
6/15/21	ROMESH JAPRA	6,275,640	\$0.025	Investment shares issued in lieu of cash
6/15/21	ROMESH JAPRA	2,724,360	\$0.025	Shares issued in lieu of accrued interest
6/15/21	JOSEPH RAPP	1,653,472	\$0.00	Exercise of SAFE agreement
6/15/21	SUBHASH SACHDEVA	800,000	\$0.025	Shares issued as exercise of options
6/22/21	PARESH MEHTA	700,000	\$0.025	Investment shares issued in lieu of cash
7/31/21	W. PATRICK KELLEY SR.	440,000	\$0.000	Conversion of Preferred Shares to Common Shares

11/12/21	SHERI DESMAREST	5,555,556	\$0.045	Investment shares issued in lieu of cash
12/23/21	JOHN S. WAGNER	4,000,000	\$0.025	Investment shares issued in lieu of cash
12/23/21	JOHN S. WAGNER	1,200,000	\$0.025	Investment shares issued in lieu of cash
12/23/21	PARESH MEHTA	2,000	\$0.025	Investment shares issued in lieu of option waiver.
12/23/21	DOGLAS MACKALLOR	10,000	\$0.025	Investment shares issued in lieu of option waiver.
12/23/21	DOGLAS MACKALLOR	8,350,000	\$0.025	Investment shares issued in lieu of cash.
12/23/21	BILAL AHMED	10,000	\$0.025	Investment shares issued in lieu of option waiver.
12/23/21	AARON MARINUCCI	2,000	\$0.025	Investment shares issued in lieu of option waiver.
12/23/21	CHARLES NAEGELE	2,000	\$0.025	Investment shares issued in lieu of option waiver.

12/23/21	CHARLES NAEGELE	1,000,000	\$0.025	Investment shares issued in lieu of cash.
12/23/21	CHARLES NAEGELE	250,000	\$0.025	Investment shares issued in lieu of services rendered.
12/23/21	ROMESH JAPRA	10,000	\$0.025	Investment shares issued in lieu of options waiver.
12/23/21	CHRIS FRIES	300,000	\$0.025	Investment shares issued in lieu of cash.
12/23/21	NJV ADVISORS	10,000	\$0.025	Investment shares issued in lieu of options waiver.
12/23/21	ASHUR HOLDINGS LP	8,000,000	\$0.025	Investment shares issued in lieu of cash.
12/23/21	ANTONIO ESPARZA	2,666,680	\$0.025	Investment shares issued in lieu of cash.
12/23/21	NEIL KHANNA	10,000	\$0.025	Investment shares issued in lieu of option waiver,
12/23/21	RUSSET MANAGEMENT LTD	2,666,680	\$0.025	Investment shares issued in lieu of cash.

12/23/21	RUSSET MANAGEMENT LTD	10,000	\$0.025	Investment shares issued in lieu of option waiver
12/23/21	NUNZIO VALERIE JR	2,000	\$0.025	Investment shares issued in lieu of option waiver.
12/23/21	GEORGIA B. DUETTRA	2,000,000	\$0.025	Investment shares issued in lieu of cash.
12/23/21	JOHN DUNNING	250,000	\$0.025	Investment shares issued in lieu of cash.
12/23/21	JOHN DUNNING	2,000	\$0.025	Investment shares issued in lieu of option waiver.
12/23/21	KYLE WALDEN	400,000	\$0.025	Investment shares issued in lieu of cash.
12/23/21	MIKE SWIERCZEK	2,000	\$0.025	Investment shares issued in lieu of option waiver.
12/23/21	MELISSA KOCARSLAN	200,000	\$0.025	Investment shares issued in lieu of cash.
12/23/21	OWEN LEWIS	400,000	\$0.025	Investment shares issued in lieu of cash.

12/23/21	JOHN P. VEHORN	8,000,000	\$0.025	Investment shares issued in lieu of cash.
12/23/21	PHILIP LEWIS	400,000	\$0.025	Investment shares issued in lieu of cash.
12/23/21	RON PARK	10,000	\$0.025	Investment shares issued in lieu of option waiver.
12/23/21	ADOBE ABODE REAL ESTATE LP	2,000,000	\$0.025	Investment shares issued in lieu of cash.
12/27/21	JOHN P. VEHORN	28,571,429	\$0.035	Investment shares issued in lieu of cash.
12/28/21	NORTHSTAR CAPITAL PARTNERS	10,000	\$0.025	Investment shares issued in lieu of option waiver.
12/28/21	SOPH MATT LLC	1,200,000	\$0.025	Investment shares issued in lieu of cash.
12/28/21	RHML PARTNERSHIP LP	4,000,000	\$0.025	Investment shares issued in lieu of cash.
12/29/21	MIKE KHANNA	1,200,000	\$0.025	Investment shares issued in lieu of cash.

1/21/22	JOHN SHENK	400,000	\$0.025	Investment shares issued in lieu of cash
1/21/22	VMV CAPITAL	600,000	\$0.025	Investment shares issued in lieu of cash
1/21/22	CAROLINE ZABOROWSKI	2,000,000	\$0.025	Investment shares issued in lieu of cash
1/26/22	RICHARD CARRIER	600,000	\$0.025	Investment shares issued in lieu of cash
1/27/22	WILLIAM NORVELL	400,000	\$0.025	Investment shares issued in lieu of cash
2/11/22	MATT NEWELL	800,000	\$0.025	Investment shares issued in lieu of cash
2/11/22	ERIC GARTHOFFNER	400,000	\$0.025	Investment shares issued in lieu of cash
2/11/22	ANDREW MILLER	600,000	\$0.025	Investment shares issued in lieu of cash
2/14/22	FRANK VELASQUEZ	510,959	\$0.025	Investment shares issued in lieu of cash

2/14/22	FRANK VELASQUEZ	2,000	\$0.025	Investment shares issued in lieu of option waiver.
2/15/22	JOE HESS	600,000	\$0.025	Investment shares issued in lieu of cash
3/8/22	DAVID NEWELL	200,000	\$0.025	Investment shares issued in lieu of cash

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

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

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

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

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

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

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

2/23/21	MIKE KHANNA	-44,891	\$0.00	Conversion of Preferred Shares to Common Shares
2/25/21	VIKAS AGRAWAL	-16,000	\$0.00	Conversion of Preferred Shares to Common Shares
2/25/21	VIKAS AGRAWAL	-24,000	\$0.00	Conversion of Preferred Shares to Common Shares
3/3/21	JUDHAJIT SENMAZUMDAR	-40,000	\$0.00	Conversion of Preferred Shares to Common Shares
4/22/21	AVJ INC (KUSHI JAIN)	-24,303	\$0.00	Conversion of Preferred Shares to Common Shares
4/23/21	ZSOLT VENTURES LLC (AMIT JAIN)	-10,899	\$0.00	Conversion of Preferred Shares to Common Shares
4/23/21	HFY LLC (KUSHI JAIN)	-78,474	\$0.00	Conversion of Preferred Shares to Common Shares
2/11/22	ASHUR HOLDINGS	100,000	\$5.00	Preferred Shares issued in lieu of cash

Issuance of Promissory Note:

On January 23, 2017, the Company issued a promissory note in the amount of \$300,000 to Dr. Romesh Japra, Chairman and investor owning more than 20% of shares of Sonasoft common stock. The note bore interest at 10% per annum. The principal was paid out in full via the issuance of 12,000,000 share of common stock during 2020. Accrued interest of \$68,110 was paid in full via the issuance of 2,724,384 shares of common stock on June 15, 2021.

On August 25, 2020, the Company issued a promissory note in the amount of \$20,000 to Sally Khanna, mother of CEO Mike Khanna. The note bore interest at 3.5% per annum. The outstanding principal amount and interest was paid in full on April 16, 2021, including \$518.77 in accumulated interest.

Part F: Exhibits & Material Events in 2020

Material Contracts:

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

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

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

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

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

Not Applicable

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

Not Applicable

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

Articles of Incorporation and Bylaws.

Articles of Incorporation and Bye laws are attached.

Purchase of Securities by Issuer: Not Applicable/ None.

Material Events During 2021

- During Q1, 2021, 165,065 shares of Preferred Stock were converted to 18,157,150 shares of common stock.
- During Q1 2021, a former employee exercised 2,550,000 non statutory options for forgiveness of \$63,750 in accrued wages.
- During Q1 2021, terminated employees were issued a total of 806,398 shares at zero cost as part of voluntary separation and release agreements approved by the board.
- During Q1, 2021, the board approved amended articles of incorporation increasing the authorized common stock to 995,000,000 shares. Final filing with the Secretary of State of California is pending,
- During Q1 2021, the board approved a new Employee Equity Incentive Plan to replace the 2009 Equity Incentive Plan.
- During Q1, 2021, the board authorized the company to raise additional capital of up to \$5,000,000 through the existing convertible note facility.
- During Q1, 2021, the board authorized the company to raise up to \$750,000 in capital through the issuance of warrants at \$0.025 connected to the convertible note investments, and these warrants were fully subscribed.
- During Q1 2021, the board authorized the company to raise up to \$2,200,000 in short term bridge financing through a sale of Rule 144 Restricted Common Stock at a price of \$0.025 per share, and this financing was fully subscribed.
- During Q1, 2021, the company secured additional commitments for \$1,716,667 of contribution to the convertible note.
- During Q1, 2021, the board authorized issuance of 7,935,000 options on restricted common stock to employees, directors and advisors of the Company.
- During Q1, 2021, the company received a second PPP loan in the amount of \$446,497.
- During Q1, 2021, 3,320,192 options on common stock were forfeited as a result of terminations.
- On Feb. 19, 2021, Ankur Garg ceased to be an employee of Sonasoft and relinquished his duties as Chief of Artificial Intelligence.
- During Q2, 2021, the board authorized issuance of 59,412,500 options on restricted common stock to employees, directors, consultants and advisors of the Company.
- During Q2, 2021, 113,676 shares of Preferred Stock were converted to 12,504,360 shares of common stock.
- During Q2, 2021, a terminated employee was issued a total of 337,426 shares at zero cost as part of a voluntary separation and release agreements approved by the board.
- During Q2, 2021, 9,700,000 shares of common stock were issued for cash payment of \$174,391 and forgiveness of \$68,109 in accrued interest liability.
- During Q2, 2021, 1,653,472 shares of common stock were issued as exercise of an existing SAFE.
- During Q2, 2021, a former employee exercised 800,000 options on common stock for cash payment of \$20,000.
- During Q2, 2021, 425,973 options on common stock were forfeited as a result of terminations.
- Ankur Garg resigned as a board member on May 18, 2021.
- Shareholders approved the election of Paul Schlosberg to the board at the Annual Shareholders Meeting on May 20, 2021.
- Shareholders approved the adoption of the revised Articles of Incorporation at the Annual Shareholders Meeting on May 20, 2021. The revised articles raised the authorized share count for Common Stock to 995,000,000.

- Shareholders approved the adoption of the revised Employee Stock Ownership Plan at the Annual Shareholders Meeting on May 20, 2021.
- On June 1, 2021, Sonasoft announced the signing of a letter of intent with Information Visibility Technology to develop AI bots for the healthcare sector.
- On Aug. 16, 2021, the board authorized the company to raise up to \$1,000,000 in additional financing through the sale of Rule 144 Restricted Common Stock at a price of \$0.035 per share, and an additional \$500,000 through the sale of Rule 144 Restricted Commons Stock a price of \$0.045. To date the offering at \$0.035 is fully subscribed and \$250,000 of the \$0.045 offering is subscribed.
- On Aug. 25, 2021, the Secretary of State of California authorized the filing of the revised Articles of Incorporation
- During the quarter ending September 30, 2021, the company received full loan forgiveness from the SBA for its initial PPP loan in the amount of \$429,500.
- During the quarter ending September 30, 2021, the board of the company authorized issuance of 50,810,000 new options to employees, directors, and contractors of the company.
- During the quarter ending September 30, 2021, a total of 306,964 options were returned to the employee pool due to employee terminations during the quarter.
- During the quarter ending December 31, 2021, the board of the company issued 82,702,345 shares of Common stock.
- During the quarter ending December 31, 2021, the board of the company authorized the granting of 12,750,000 new options to employees, directors, and contractors of the company.
- On Dec. 17, 2021, the company entered an agreement to sell its Power Prediction Dashboard Interface software to Visionaise Inc., in return for \$42,000 in cash, the surrender of 6,800,000 shares of Sonasoft common stock, and the forfeit of 2,661,917 options on Sonasoft Common Stock.

SUBSEQUENT EVENTS

Between January 1, 2022, and May 13, 2022, the Company executed the following material transactions.

1. The board, a majority of shareholders and the California Secretary of State approved amended articles of incorporation increasing the authorized common stock to 1,150,000 shares and increasing the authorized employee stock option pool to 230,000,000.
2. The board authorized the company to raise additional capital of up to \$2,000,000 through the sale of common stock at a price of \$0.05 per share, and up to an additional \$999,000 through the sale of preferred stock at a price of \$5.00 per share. As of the writing of this report the preferred round is fully subscribed.
3. Members of the Sonasoft executive team agreed to the waiver of 19,350,000 options on common stock.
4. The board authorized the granting of 58,550,000 options on restricted common stock to employees, directors, and advisors of the Company.
5. The company received notification of the forgiveness of its second PPP loan in the amount of \$446,497.
6. The company issued 7,112,959 shares of common stock related to existing subscriptions and authorized issuances.
7. The company issued 100,000 shares of preferred stock for payment of \$500,000.
8. Sonasoft Corporation initiated litigation in California State Court, Santa Clara County, against the former owners and officers of Hotify, Inc., which was merged into Sonasoft in 2019. Sonasoft sought, and finalized, the merger based on representations by several of Hotify's former owners and officers that its product NuGene was intellectual property and an artificial intelligence platform. Sonasoft conducted all appropriate due diligence prior to the merger. The consideration for the merger was 30,000,380 common shares and 679,994 preferred shares of Sonasoft stock (104,799,720 common total) that, as a result of the merger, became owned by approximately fifty (50) former Hotify officers and shareholders. After the merger, Sonasoft eventually discovered that the representations and warranties made by Hotify and its officers regarding NuGene were false. A demand was made upon the former Hotify officers and shareholders that their shares be returned because Sonasoft did not receive the benefit of the merger that was promised by Hotify. The demand was refused and on March 9, 2022, Sonasoft filed a lawsuit that seeks specific performance of Hotify's indemnity obligation under the merger agreement, and all damages arising out of the fraud. The lawsuit also contains breach of fiduciary duty claims against former Hotify managers who became Sonasoft employees as a result of the merger. The lawsuit is in its infancy, and Sonasoft is in the process of serving the 50+ defendants with summonses and the complaint. Sonasoft intends to zealously prosecute the claim to gain a return of some or all of the stock received by the former Hotify officers and shareholders. Since filing the lawsuit, three of the defendants in the lawsuit have executed agreements whereby they have relinquished any rights they have to the Sonasoft stock shares that were merger consideration. Sonasoft is pursuing similar agreements with several other defendants; however, like the three who have already executed agreements, their proportionate ownership of the total of all shares that constituted merger consideration is relatively small.
9. On April 29, 2021, Sonasoft published a press release detailing a Letter of Intent with Diagnose Early for the development of a health data partnership.

LEGAL & DISCIPLINARY HISTORY

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

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

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

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

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

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

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

ISSUER'S CERTIFICATE:

I, Mike Khanna certify that:

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

Date: May 13, 2022

Signature:



Mike Khanna, CEO

Date: May 13, 2022

Signature:



Rob Baumert, CFO