

# ***Sonasoftware®***

## **Sonasoftware Corporation**

State of Incorporation: California

1735 North First Street, Suite 103

San Jose, California 95112

(408) 708-4000

[www.sonasoftware.com](http://www.sonasoftware.com)

SIC Code: 7372

### **Quarterly Report**

For the Quarter Ended September 30, 2022 (the "Reporting Period")

The number of shares outstanding of our Common Stock is 760,133,146 as of September 30, 2022.  
The number of shares outstanding of our Common Stock was 649,446,310 as of June 30, 2022.

The number of shares outstanding of our Preferred Stock is 1,499,346 as of September 30, 2022.  
The number of shares outstanding of our Preferred Stock was 1,440,346 as of June 30, 2022.

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: ☒ X

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

Yes: ☐ No ☒ X

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

Yes: ☐ No: ☒ X

For more information:

www. OTCmarkets.com Ticker: SSFT  
([www.otcmarkets.com/stock/SSFT](http://www.otcmarkets.com/stock/SSFT)) or [www.sonasoft.com](http://www.sonasoft.com)

## Table of Contents

Part A – General Company Information	1
Part B – Share Structure	2
Part C – Business Information	4
Part D – Management Structure and Financial Information	11
Consolidated Financial Statements	F-1
Consolidated Balance Sheets	F-2
Consolidated Statements of Operations	F-4
Consolidated Statements of Cash Flows	F-5
Notes to the Consolidated Financial Statements	F-6
Management’s Discussion and Analysis and Plan of Operation	18
Part E – Issuance History	21
Part F – Exhibits & Material Events in 2021	58
Subsequent Events	63
Legal & Disciplinary History	64
Issuer’s Certification	66

## **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 unrestricted 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: **1,250,000,000**

Total Shares Outstanding: **760,133,146 as of September 30, 2022**

Total Free Trading Shares Outstanding: **354, 113,175 as of September 30, 2022**

Total Number of Investors: **277 as of September 30, 2022**

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: **1,499,346 as of September 30, 2022**

Total Number of Investors: **41 as of September 30, 2022**

**Common Stock:** Voting right of one vote per share. At present dividend and preemption rights are not applicable. Authorized number of shares 1,250,000,000 @ 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

- Conversion Ratio – 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) In the quarter ended September 30, 2022, employees of the Company exercised 36,425,000 options on restricted common stock via payment of \$655,650.
- b) In the quarter ended September 30, 2022, the Company issued 24,425,000 shares of common stock in relation to the above exercise of options, with 12,000,000 shares related to the exercise yet to be issued.
- c) In the quarter ended September 30, 2022, the Board of the Company authorized the grant of up to 45,117,268 stock options to employees, directors, and consultants of the company.
- d) In the quarter ended September 30, 2022, the Board of the Company authorized the grant of up to 17,998,000 shares of restricted common stock to employees of the company via restricted stock grants.
- e) In the quarter ended September 30, 2022, the Company issued 54,563,392 shares of common stock to employees, directors, and consultants of the company in relation to exercise of options processed in the second quarter of 2022.
- f) In the quarter ended September 30, 2022, the Company issued 100,000 shares of preferred stock for cash payment of \$750,000.
- g) In the quarter ended September 30, 2022, the Company issued 15,044,444 shares of common stock in relation to outstanding common stock subscriptions.
- h) In the quarter ended September 30, 2022, the Company issued 44,000 shares of common stock in relation to previously authorized restricted stock grants related to the forfeiture of options.
- i) In the quarter ended September 30, 2022, the Company issued 100,000 shares of common stock in relation to final settlement of a separation and release agreement.
- j) In the quarter ended September 30, 2022, the Company issued 12,000,000 shares of common stock to employees of the company in relation to restricted stock grants for compensation authorized by the Board in the quarter ending June 30, 2022.
- k) In the quarter ended September 30, 2022, the Board authorized the sale of up to 133,333 shares of Series A Preferred Stock at a price of \$7.50 per share. This issuance was fully subscribed and as of September 30, 2022, 100,000 shares of Series A Preferred Stock



had been issued for payment of \$750,000, while \$250,000 of cash had been received as subscription for the future issuance of Series A Preferred Stock.

- l) On August 26, 2022, the California Secretary of State approved amended articles of incorporation previously authorized by the Board and a majority of shareholders of the Company, increasing the authorized common stock to 1,250,000 shares and increasing the authorized employee stock option pool to 275,000,000.
  - m) On July 28, 2022, James Sarraill and Vince Khanna filed with the Court to grant Sonasoft full satisfaction of judgement in the case of Khanna vs. Sonasoft. As part of this settlement Sonasoft paid \$306,166 in lieu of Khanna and Sarraill's forfeit of \$260,000 plus accrued interest that they had invested in the Sonasoft 10% interest convertible note facility.
  - n) In the quarter ended September 30, 2022, a number of Sonasoft royalty holders agreed to convert their royalty liability of \$862,500 into subscriptions for 11,354,505 shares of Sonasoft restricted common stock.
  - o) In the quarter ended September 30, 2022, investors in Sonasoft's 8% interest convertible debt facility agreed to convert their investment and all accrued interest, totaling \$2,733,378, into 455,565 shares of Sonasoft Series A Preferred Stock at a conversion price of \$6.00 per share.
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:

**NO**

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.

**Two Legal Disputes with Ex-employees, detailed description is provided in Legal History Section. Legal dispute with Khanna and Sarraill has been fully settled and closed.**

## 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's 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 21, full time employees 20.**

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 their internal and external data, whether structured or unstructured, and then train AI models to deliver real business value from that data. The resulting AI application can then 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 AI technology can be leveraged for various verticals, including financial technology, health, security and compliance, insurance, applications management and business analytics. The resulting AI applications deliver value through actionable insights and smart predictions, driving better business decisions, identifying and developing new products and revenue sources, reducing operational costs, mitigating risks and increasing 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 necessary to create, deploy and monitor AI applications. SAIBRE consists of four parts. The data exploration tool ingests, explores and engineers data to create AI datasets. The AI platform allows the user to choose and train a suitable ML model and validate its performance in an AI application. The runtime engine helps to deploy the working AI application to a production system. Finally, the smart monitoring system provides ongoing intelligent monitoring of the AI application, alerting the user 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**

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

**Our primary product is SAIBRE AI.**

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

**The primary competition for the 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 recruiting large and costly 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 reseller sector. Our primary competitive advantage in this space is our customer network, depth of experience and strong reputation for service.**

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

**Not Applicable.**

6. 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.**

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

**Patent applications pending**

8. 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 third-party service 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; 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 most 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**

Sonasoftware SAIBRE is sold 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, and Up-sell. The standard pricing model sees companies

pay a fixed cost to develop an AI application, followed by a monthly license fee covering delivery and maintenance of the production solution.

## **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 focuses 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. We are targeting clients in the enterprise technology, financial services, and healthcare spaces. The strong relationships we build 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, Sonasoft's Third-Party services offerings are designed to help modernize our customers on-premise or legacy environments with our cloud first approach. We use our service offerings as the starting point for our customer's data transition roadmap. We start with migrating or optimizing their current systems. Once their data ecosystem has been modernized, we then help them to interpret and understand that 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 as well as premium support through our Microsoft partnership.

### ***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 various sizes, state and local government bodies, and educational institutions. Most of our customers reside in North America. Our strong relationships put us in a unique position to understand our customers' needs and future plans, especially in regard to our AI products and services.

### ***Distinguishing Features***

Sonasoft 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. Sonasoft has achieved five Microsoft Gold Competencies, and our team holds a multitude of experience across a variety of platforms (MSFT, Google, Amazon, Dell, Veritas and others). We have established a large partner network of solution providers that allows us to deliver solutions outside of our core areas of expertise.

## The Nature and Extent of the Issuer's Facilities

The company leased office space in San Jose, CA, under a lease agreement starting January 2, 2019, and extending through January 31, 2022, at a cost of \$3,642 per month. From February 1, 2022, the company moved to a month-to month rental contract at a monthly cost of \$3,642.

## Part D: Management Structure & Financial Information

Names of Officers, Directors ,and Control Persons (defined as owning >5% of any share class as of September 30, 2022)

Name	Affiliation
Mike Khanna	CEO, President, and Chairman of the Board holding 22,962,893 or 3.0% of Company's Common Stock.
Dr. Romesh K. Japra	Control Person holding 142,309,070 or 18.7% 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 20.9% of Company's Preferred Stock
Phil Vehorn	Control person holding 46,571,429 or 6.2% of Company's Common Stock
Josh Rose	Chief of Staff and Secretary holding 14,350,000 or 1.9% of Company's Common Stock
Paul Clauson	Chief Operations Officer and Director holding 11,423,078 or 1.5% of Company's Common Stock
Rob Baumert	Chief Financial Officer holding 18,260,928 or 2.4% of Company's Common Stock
Caroline Zaborowski	Chief Data Officer, holding 2,000,000 or 0.3% of Company's Common Stock
Joe Malick	Director holding 324,999 or 21.7% of Company's Preferred Stock, and 9,500,000 or 1.2% of Company's Common Stock
Bruce Serpa	Director
Paul Schlosberg	Director holding 3,000,000 or 0.4% of Company's Common Stock.
HFY LLC	Control Person holding 190,355 or 12.7% of Company's Preferred Stock, and 14,933,828 or 2.0% of Company's Common Stock
Randawa Family Trust	Control person holding 113,499 or 7.6% of Company's Preferred Stock
Ramesh Kumar	Control person holding 134,060 or 8.9% of Company's Preferred Stock

## **Directors and Executive Officers:**

### **Name: Mike Khanna, CEO & President**

Office Street Address: 1735 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 role as CEO, Mike continues to fuel growth, through leadership in business development, raising funds and maintaining investor relations for the Company.

### **Name: Rob Baumert, CFO**

Office Street Address: 1735 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 and COO positions in startups since 2004, working for Grattan Group Capital, Redbubble, and X-Company. He holds Bachelors and Masters degrees in chemical 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: 1735 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, fund-raising, 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: 1735 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 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 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, spearheading 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 high level 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: 1735 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 Sheila are lifelong residents of Dallas, Texas.

**Name: Bruce Serpa – Director**

Office Street Address: 1735 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: Joseph A. Malick - Director**

Office Street Address: 1735 North First Street, Suite 103, San Jose, California 95112

Joe is a private investor in Dallas, Texas. Mr. Malick was previously a Managing Director of Lehman Brothers and Neuberger Berman and a member of Lehman Brothers' and Neuberger Berman's private equity fund of funds investment committees. He was also the head of private equity fund of funds for Europe and the Middle East from 2006 to 2013. During Mr. Malick's time on the investment committees, the group invested over \$5.8 billion of capital; screened 973 primary fund investments; reviewed 476 funds in full due diligence; and approved 122 managers for investment.

Mr. Malick founded the group's London office, built and led a six-person multinational investment team, and oversaw the due diligence of 195 European funds before ultimately investing in 18 of them. He also led fund raising in Europe and the Middle East which resulted in over \$1 billion of investments. Previously, Mr. Malick was a senior associate at the law firm Akin, Gump, Strauss, Hauer & Feld, L.L.P., where he was engaged in a broad-based corporate and securities law practice. Mr. Malick received his J.D., *cum laude*, and M.B.A. in 1995 from Southern Methodist University, where he was a citation editor of the *The International Lawyer*. Mr. Malick received his B.S.E. in electrical engineering in 1988 from Duke University, where he was a National Merit Scholar.

**Name: Josh Rose – Secretary and Chief of Staff**

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

Office Street Address: 1735 North First Street, Suite 103, San Jose, California 95112

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 September 30, 2020**

	<b>Annual Base Salary</b>	<b>Director's Compensation Payment Sept. 21, 2022</b>
Mike Khanna – CEO & Director	\$250,000	\$64,400
Paul Clauson– COO & Director	\$240,000	\$64,400
Rob Baumert – CFO	\$240,000	
Josh Rose - Secretary	\$130,000	
Caroline Zaborowski – CDO	\$180,000	
Bruce Serpa - Director		\$64,400
Paul Schlosberg - Director		\$39,100
Joe Malick - Director		\$11,500

### **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**

In the quarter ending September 30, 2022, the Board of the Company authorized the grant of up to 45,117,268 stock options for employees, directors, and consultants of the company. As of September 30, 2022, these option grants had not yet been issued.

In the quarter ended September 30, 2022, the Board of the Company authorized the grant of up to 17,998,000 shares of restricted common stock to employees of the company via restricted stock grants, subject to vesting criteria. As of September 30, 2022, these restricted stock grants had not yet been issued.

During the quarter ended September 30, 2022, 12,000,000 shares of restricted common stock were issued as a restricted stock grant to Andy Khanna, former CEO and current employee of Sonasoft, in compensation for services rendered, subject to vesting over a 12-month period.

During 2021, grants for 130,907,500 stock options were issued to employees, directors, and consultants of the company.

The amounts of un-exercised option grants available to officers and directors of the Company as of September 30, 2022, were as follows:

<b>Name and Title</b>	<b>Un-Exercised Options as of September 30, 2022</b>
Paul Clauson - COO	9,846,922
Mike Khanna - CEO	36,428,907
Rob Baumert - CFO	64,072
Josh Rose - Secretary	-
Caroline Zaborowski - CDO	40,000
Paul Schlosberg - Director	3,000,000
Bruce Serpa - Director	1,150,000
Joe Malick - Director	-

In the quarter ended September 30, 2022, employees of the Company exercised 36,425,000 options on restricted common stock via payment totaling \$655,650. As of September 30, 2022, the Company had issued 24,425,000 shares of restricted common stock in relation to these exercises, with 12,000,000 shares yet to be issued.

In the quarter ended September 30, 2022, the Company issued 54,563,392 shares of restricted common stock to employees, directors, and consultants of the company in relation to exercises of options processed and paid for in the second quarter of 2022.

Director Joe Malick has invested capital in the company, both directly and through Ashur Holdings LP. During the quarter ending September 30, 2022, Mr. Malick purchased 100,000 shares of Series A Preferred Stock for \$750,000, and exercised options on 1,000,000 shares of common stock for a cash payment of \$18,000. He also converted his holdings in Sonasoft's convertible debt facility into a subscription for 113,513 shares of Series A Preferred Stock at a conversion price of \$6.00 per share. As of September 30, 2022, Mr. Malick owned a total of 9,500,000 shares of restricted common stock and 324,999 shares of Series A Preferred Stock, with an additional subscription for 113,513 shares of Series A Preferred Stock. As of September 30, 2022, the 1,000,000 shares of restricted common stock related to Mr. Malick's exercise of options had not yet been issued.

During the quarter ended September 30, 2022, Director Paul Schlosberg placed a subscription to purchase 6,667 shares of Series A Preferred Stock with a cash payment of \$50,000. As of September 30, 2022, in addition to this subscription, Mr. Schlosberg owned a total of 3,000,000 shares of restricted common stock, which he had taken subscription for in December of 2021 with a cash payment of \$75,000, and which were issued on July 28, 2022.

During the quarter ended September 30, 2022, CFO Rob Baumert converted his holdings in Sonasoft's convertible debt facility into a subscription for 19,444 shares of Series A Preferred Stock at a conversion price of \$6.00. During the quarter Mr. Baumert was issued 18,260,928 shares of restricted common stock related to his June 29<sup>th</sup> exercise of options via cash payment of \$328,697. As of September 30, 2022, Mr. Baumert owns 18,260,928 shares of restricted common stock as well as the subscription for preferred stock.

During 2021, Josh Rose became Secretary of the Company, making his parents, Phil and Michele Vehorn, related parties. During the quarter ended September 30, 2022, the Vehorns converted their holdings in Sonasoft's convertible debt facility into a subscription for 115,007 shares of Series A Preferred Stock at a conversion price of \$6.00 per share. The Vehorns also were issued 10,000,000 shares of restricted common stock during the quarter related to a prior subscription for cash payment of \$500,000 in the quarter ending June 30, 2022, and made additional subscriptions for the purchase of 20,000,000 shares of restricted common stock with a cash payment of \$1,000,000, and 26,667 shares of Series A Preferred Stock with a cash payment of \$200,000. In 2021 they purchased and were issued 8,000,000 shares of restricted common stock for cash payment of \$200,000, and 28,571,429 shares of restricted common stock for cash payment of \$1,000,000. As of September 30, 2022, the Vehorns hold 46,571,429 shares of restricted common stock in addition to the subscriptions described above.

During the quarter ended September 30, 2022, Chief Executive Officer and Director Mike Khanna was issued 12,811,093 shares of restricted common stock related to his June 29<sup>th</sup> exercise of options via cash payment of \$230,600.

During the quarter ended September 30, 2022, Chief of Staff and Secretary Josh Rose was issued 14,350,000 shares of restricted common stock related to his June 29<sup>th</sup> exercise of options via cash payment of \$258,300.

During the quarter ended September 30, 2022, Chief Operating Officer and Director Paul Clauson was issued 11,413,078 shares of restricted common stock related to his June 29<sup>th</sup> exercise of options via cash payment of \$205,435.

**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 Quarter Ended September 30, 2022, and 2021

SONASOFT CORPORATION  
CONSOLIDATED BALANCE SHEETS  
As of September 30, 2022, and December 31, 2021

	September 30, 2022	December 31, 2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 1,317,208	\$ 897,115
Accounts receivable, net	472,466	152,980
Prepaid Expenses	2,469,825	3,674,308
Other current assets	68,669	68,746
<b>Total Current Assets</b>	<b>4,328,168</b>	<b>4,793,149</b>
<b>Other Assets - non-current</b>		
Software	494,883	56,583
Other Intangible assets	960,504	1,073,830
Right of use lease assets	-	3,622
Furniture, fixtures and equipment, net	13,575	15,865
<b>Total other non-current Assets</b>	<b>1,468,962</b>	<b>1,149,900</b>
<b>Total Assets</b>	<b>5,797,130</b>	<b>5,943,049</b>
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT)</b>		
<b>EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	480,642	506,736
Accrued expenses and accrued liabilities	42,694	606,894
Accrued compensation	47,500	2,108,660
Deferred revenue -current portion	1,498,264	2,137,589
Operating Lease Liability - Current Portion	-	3,622
Accrued Interest – Related Party	-	54,042
PPP Loan Current	-	79,337
8% Convertible Notes - Current	-	1,785,000
8% Convertible Notes – Current – Related Party	-	600,000
10% Convertible Notes Payable	-	260,000
Royalty liabilities	637,500	1,500,000
<b>Total Current Liabilities</b>	<b>2,706,600</b>	<b>9,641,880</b>
<b>Non-current liabilities</b>		
PPP Loan - Long Term	-	367,160
Deferred revenue- Long-term Portion	956,123	1,592,498
<b>Total Non-Current Liabilities</b>	<b>956,123</b>	<b>1,959,658</b>
<b>Total Liabilities</b>	<b>\$ 3,662,723</b>	<b>\$ 11,601,538</b>

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

SONASOFT CORPORATION  
CONSOLIDATED BALANCE SHEETS  
As of September 30, 2022, and December 31, 2021

**COMMITMENTS AND CONTINGENCIES**

**STOCKHOLDERS' (DEFICIT) EQUITY**

Preferred Stock, no par, 10,000,000 authorized, 1,499,346 and 1,260,347 issued and outstanding as of September 30, 2022, and December 31, 2021, respectively	\$ 9,189,842	\$ 4,006,455
Additional Paid in Capital and Common Stock, no par, 1,150,000 authorized, 760,133,146 and 640,032,242 issued and outstanding as of September 30, 2022, and December 31, 2021, respectively:	31,124,460	27,989,405
Accumulated Deficit	(38,174,694)	(37,649,148)
Accumulated Comprehensive (Loss)	(5,201)	(5,201)
<b>Total Stockholders' (Deficit) Equity</b>	<b>2,134,408</b>	<b>(5,658,489)</b>
<b>Total Liabilities and Stockholders' (Deficit) Equity</b>	<b>\$ 5,797,130</b>	<b>\$ 5,943,049</b>

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



SONASOFT CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
For the quarters ended September 30, 2022, and 2021

	<u>2022-QTR3</u>	<u>2021-QTR3</u>	<u>Year to Date 2022</u>	<u>Year to Date 2021</u>
<b>Operations</b>				
Revenue	\$ 1,171,468	\$ 1,490,578	\$ 3,265,770	\$ 8,151,472
Cost of Goods Sold	<u>802,505</u>	<u>1,278,989</u>	<u>2,590,004</u>	<u>7,166,608</u>
Gross profit	368,963	211,589	675,766	984,864
<b>Operating expenses</b>	<u>1,052,643</u>	<u>1,244,156</u>	<u>2,907,202</u>	<u>3,745,445</u>
Loss from operations	(683,680)	(1,032,567)	(2,231,436)	(2,760,581)
<b>Other income (expense)</b>				
Interest	(65,272)	(66,542)	(205,075)	(203,824)
PPP Loan Forgiveness	-	429,500	450,657	429,500
Extinguishment of Liability	517,500	-	1,671,942	-
Directors' Remuneration	(246,043)	-	(246,043)	-
Other income (expenses)	<u>34,409</u>	<u>7,886</u>	<u>34,409</u>	<u>2,706</u>
<b>Net Profit (Loss) from Operations</b>	\$ (443,086)	\$ (661,723)	\$ (525,546)	\$ (2,532,199)
Basic And Diluted Loss per share from				
Continuing Operations	\$ (0.0006)	\$ (0.0012)	\$ (0.0008)	\$ (0.0047)
Weighted average common shares outstanding	713,095,517	557,329,897	668,843,760	540,628,039

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

**SONASOFT CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the quarters ended September 30, 2022, and June 30, 2021

	<b>Three Months. to Sept 30, 2022</b>	<b>Three Months to Sept 30, 2021</b>	<b>Nine Months to Sept 30, 2022</b>	<b>Nine Months to Sept 30, 2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss	(443,086)	(661,723)	(525,546)	(2,532,199)
Depreciation expense	1,197	(831)	3,491	500
PPP Loan Forgiveness	-	(429,500)	(446,497)	(429,500)
(Gain)/loss on disposal of property and equipment	-	-	-	15,793
Amortization of Intangibles	41,275	78,325	123,825	237,454
Gain on extinguishment of liabilities	(517,500)		(1,671,942)	2,455
Amortization of right to use asset		(1,246)	-	(3,804)
Share based compensation - services	54,000	-	684,432	173,788
<b>Changes in assets and liabilities</b>				
Accounts receivable	8,022	983,425	(319,486)	3,89,666
Other current assets	309,353	540,173	1,204,560	(716,248)
Accounts payable	(226,903)	(662,880)	(9,014)	(1,057,370)
Deferred revenue	(298,025)	(474,227)	(1,275,702)	403,439
Accrued liabilities	(352,086)	(127,862)	(286,932)	(216,727)
Royalty payable	-	-	(862,500)	11,388
Accrued Comp	<u>(142,500)</u>	<u>47,500</u>	<u>(906,218)</u>	<u>54,501</u>
<b>Net cash used in operating activities</b>	(1,566,253)	(708,846)	(3,425,529)	(3,666,864)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Capitalization of R & D Exp	(233,631)	-	(448,800)	-
Purchase of furniture, fixtures and equipment	<u>-</u>	<u>-</u>	<u>(1,200)</u>	<u>(7,780)</u>
<b>Net cash provided by investing activities</b>	\$ (233,631)	\$ -	\$ (450,000)	\$ (7,780)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Proceeds from PPP Loan	-	-	-	446,498
Proceeds payments from notes 8% payable related party	-		-	(20,000)
Preferred Stocks – 8 % Convertible Note	-		-	1,380,000
10% Notes	(260,000)		(260,000)	
Common Stock Buy Back	(7,500)		(7,500)	
Stock subscription	-	1,300,000	1,107,300	1,300,000
Proceeds from issuance of common stock	443,050	-	455,824	1,518,974
Proceeds from issuance of preferred stock	<u>2,000,003</u>	<u>-</u>	<u>2,999,998</u>	<u>-</u>
<b>Net cash provided by (used in) financing activities</b>	<u>2,175,553</u>	<u>1,300,000</u>	<u>4,295,621</u>	<u>4,625,472</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	375,669	591,154	420,093	950,827
<b>CASH AND CASH EQUIVALENTS, at the beginning of the period</b>	<u>941,539</u>	<u>540,350</u>	<u>897,115</u>	<u>180,677</u>
<b>CASH AND CASH EQUIVALENTS at the end of the period</b>	<b>\$ 1,317,208</b>	<b>\$ 1,131,504</b>	<b>\$ 1,317,208</b>	<b>\$ 1,131,504</b>
<b>NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>				
<b>Preferred Stock issued to 8% Debenture Holders – Non-Related</b>	\$ 1,802,080		\$ 1,802,080	
<b>Preferred Stock Issued to 7% Debenture Holders - Related</b>	\$ 600,000		\$ 600,000	
<b>Preferred Stock Issued In Lieu of Accrued Interest</b>	\$ 331,310		\$ 331,310	
<b>Common Stock Issued in lieu of Royalty Payables</b>	\$ 345,000		\$ 345,000	

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

**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 artificial intelligence software 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 pivoted its focus to the development and provision of artificial intelligence (AI) software solutions. The Company divested 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 \$443,086 and \$1,566,253 respectively, for the quarter ended September 30, 2022. Additionally, while the Company had a working capital surplus of approximately \$1.62 million it still showed an accumulated deficit of approximately \$38.1 million, as of September 30, 2022. In combination, 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 obtaining the necessary financing to meet its debt obligations and repay its liabilities arising from normal business operations as and when they come due. The Company's ability to raise additional capital through future issuances of common stock is unknown. The attainment of additional financing, the successful development of the Company's contemplated plan of operations, and its transition, ultimately, to the attainment of profitable operations are necessary for the Company to continue operations.

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

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**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 are not considered in determining the fair value of the acquired assets. Acquisition-related costs are reflected in selling, general and administrative expense in the consolidated statements of net and comprehensive income.

**Use of Estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet, and revenues and expenses for the period then ended. Actual results may differ significantly from those estimates. Significant estimates made by management include but are not limited to the 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 on 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 September 30, 2022, 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

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

period. The Company had 126,915,973 and 164,298,370 potentially dilutive securities outstanding, on September 30, 2022, and June 30, 2022, 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 as described in Software below. We expense software-related research and development costs as incurred.

**Software**

Software includes purchased software and capitalized software development costs. Purchased software is recorded at cost and amortized using the straight-line method over its estimated useful life, and software acquired in business combinations is recorded at its fair value and amortized using straight-line or accelerated methods over its estimated useful life, typically ranging from one to 10 years.

The capitalization of software development costs is based on whether the software is to be sold, leased, or otherwise marketed, or if the software is for internal use. After the technological feasibility of the software has been established (for software to be marketed) or at the beginning of application development (for internal-use software), software development costs, which primarily include salaries and related payroll costs and costs of independent contractors incurred during development, are capitalized. 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. Research and development costs incurred prior to the establishment of technological feasibility (for software to be marketed) or prior to application development (for internal-use software), are expensed as incurred. Software development costs are amortized on a solution-by-solution basis commencing on the date of general release (for software to be marketed) or the date placed in service (for internal-use software). Software development costs for software to be marketed are amortized using the greater of (1) the straight-line method over its estimated useful life, which typically ranges from three to 10 years, or (2) the ratio of current revenue to total anticipated revenue over its useful life. The Company assesses the recorded value of software to be marketed for impairment on a regular basis by comparing the carrying value to the estimated future cash flows to be generated by the underlying software asset (i.e., a net realizable value analysis) and reviews internal-use software for recoverability pursuant to long-lived asset guidance discussed above.

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Income Taxes**

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

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

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

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

**Revenue Recognition**

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

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

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

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

***Revenue Recognition for Hardware***

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

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

***Revenue Recognition for Software***

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

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

***Revenue Recognition for Services***

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

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

***Revenue Recognition for Bundled Arrangements***

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

***Freight Costs***

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

***Other***

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

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

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

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

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



**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

longer than 12 months at the time of contract inception and those contracts that are non – cancelable. Typically, the only contracts that are longer than 12 months in duration are related to the Company's managed services business.

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

The Company tracks revenues based on general product or service categories including those revenues recorded at a point in time as well as over-time. The tables on the following page show the disaggregated revenue for the quarters ended September 30, 2022, and 2021

**Major Products and Services**

	<b>Q3 2022</b>	<b>Q3 2021</b>
Hardware	\$ 171,730	\$ 186,403
Software	534,865	534,850
Services	451,270	749,374
Other	13,603	19,951
Total Sales	<u>\$ 1,171,468</u>	<u>\$ 1,490,578</u>

**Timing of Revenue Recognition**

	<b>Q3 2022</b>	<b>Q3 2021</b>
Transferred at a point in time where Sonasoft is Principal	\$ 1,171,468	\$ 1,490,578
Transferred at a point in time where Sonasoft is Agent	<u>-</u>	<u>-</u>
Total Sales	<u>\$ 1,171,468</u>	<u>\$ 1,490,578</u>

**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.

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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 January 1, 2018, were remeasured at the adoption date stock price. The Company will recognize the remaining unrecognized value of unvested awards over the remaining performance period based on the adoption date stock price, with no further remeasurement through the performance completion date. Prior to the adoption of ASU 2018-7, the Company determined that the fair value of the awards made to independent contractors would be measured based on the fair value of the equity instrument as it is more reliably measurable than the fair value of the consideration received. The Company used the grant date as the performance commencement date, and the measurement date was the date the services were completed, which was the vesting date. As a result, the Company recorded stock-based compensation for these awards over the vesting period on a straight-line basis with periodic adjustments during the vesting period for changes in the fair value of the awards. If there are any modifications or cancellations of the underlying unvested share-based awards, the Company may be required to accelerate, increase, or cancel any remaining unrecognized or previously recorded stock-based compensation expense.

**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 was 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

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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.

**Fair Value of Financial Instruments**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The Company classifies assets and liabilities recorded at fair value under the fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. The fair value measurements are classified under the following hierarchy:

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

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

**Long-Lived Assets**

Long-lived assets and certain identifiable intangible assets related to those assets are periodically reviewed for impairment whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recoverable. If the non-discounted future cash flows of the enterprise are less than their carrying amount, their carrying amounts are reduced to fair value and an impairment loss is recognized. The Company did not record any impairment losses during the quarter ended September 30, 2022, or the year ended December 31, 2021.

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Cost of Sales**

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

**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**

In the quarter ending September 30, 2022, the Board of the Company authorized the grant of up to 45,117,268 stock options for employees, directors, and consultants of the company. As of September 30, 2022, these option grants had not yet been issued.

In the quarter ended September 30, 2022, the Board of the Company authorized the grant of up to 17,998,000 shares of restricted common stock to employees of the company via restricted stock grants, subject to vesting criteria. As of September 30, 2022, these restricted stock grants had not yet been issued.

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

During the quarter ended September 30, 2022, 12,000,000 shares of restricted common stock were issued as a restricted stock grant to Andy Khanna, former CEO and current employee of Sonasoft, in compensation for services rendered, subject to vesting over a 12-month period.

During 2021, grants for 130,907,500 stock options were issued to employees, directors, and consultants of the company.

The amounts of un-exercised option grants available to officers and directors of the Company as of September 30, 2022, were as follows:

<b>Name and Title</b>	<b>Un-Exercised Options as of September 30, 2022</b>
Paul Clauson - COO	9,846,922
Mike Khanna - CEO	36,428,907
Rob Baumert - CFO	64,072
Josh Rose - Secretary	-
Caroline Zaborowski - CDO	40,000
Paul Schlosberg - Director	3,000,000
Bruce Serpa - Director	1,150,000
Joe Malick - Director	-

In the quarter ended September 30, 2022, employees of the Company exercised 36,425,000 options on restricted common stock via payment totaling \$655,650. As of September 30, 2022, the Company had issued 24,425,000 shares of restricted common stock in relation to these exercises, with 12,000,000 shares yet to be issued.

In the quarter ended September 30, 2022, the Company issued 54,563,392 shares of restricted common stock to employees, directors, and consultants of the company in relation to exercises of options processed and paid for in the second quarter of 2022.

Director Joe Malick has invested capital in the company, both directly and through Ashur Holdings LP. During the quarter ending September 30, 2022, Mr. Malick purchased 100,000 shares of Series A Preferred Stock for \$750,000, and exercised options on 1,000,000 shares of common stock for a cash payment of \$18,000. He also converted his holdings in Sonasoft's convertible debt facility into a subscription for 113,513 shares of Series A Preferred Stock at a conversion price of \$6.00 per share. As of September 30, 2022, Mr. Malick owned a total of 9,500,000 shares of restricted common stock and 324,999 shares of Series A Preferred Stock, with an additional subscription for 113,513 shares of Series A Preferred Stock. As of September 30, 2022, the 1,000,000 shares of restricted common stock related to Mr. Malick's exercise of options had not yet been issued.

During the quarter ended September 30, 2022, Director Paul Schlosberg placed a subscription to purchase 6,667 shares of Series A Preferred Stock with a cash payment of \$50,000. As of September 30, 2022, in addition to this subscription, Mr. Schlosberg owned a total of 3,000,000

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

shares of restricted common stock, which he had taken subscription for in December of 2021 with a cash payment of \$75,000, and which were issued on July 28, 2022.

During the quarter ended September 30, 2022, CFO Rob Baumert converted his holdings in Sonasoft's convertible debt facility into a subscription for 19,444 shares of Series A Preferred Stock at a conversion price of \$6.00. During the quarter Mr. Baumert was issued 18,260,928 shares of restricted common stock related to his June 29, 2022, exercise of options via cash payment of \$328,697. As of September 30, 2022, Mr. Baumert owns 18,260,928 shares of restricted common stock as well as the subscription for preferred stock.

During 2021, Josh Rose became Secretary of the Company, making his parents, Phil and Michele Vehorn, related parties. During the quarter ended September 30, 2022, the Vehorns converted their holdings in Sonasoft's convertible debt facility into a subscription for 115,007 shares of Series A Preferred Stock at a conversion price of \$6.00 per share. The Vehorns were issued 10,000,000 shares of restricted common stock during the quarter related to a subscription for cash payment of \$500,000 in the quarter ending June 30, 2022, and made additional subscriptions for the purchase of 20,000,000 shares of restricted common stock with a cash payment of \$1,000,000, and 26,667 shares of Series A Preferred Stock with a cash payment of \$200,000. In 2021 they purchased and were issued 8,000,000 shares of restricted common stock for cash payment of \$200,000, and 28,571,429 shares of restricted common stock for cash payment of \$1,000,000. As of September 30, 2022, the Vehorns hold 46,571,429 shares of restricted common stock in addition to the subscriptions described above.

During the quarter ended September 30, 2022, Chief Executive Officer and Director Mike Khanna was issued 12,811,093 shares of restricted common stock related to his June 29, 2022, exercise of options via cash payment of \$230,600.

During the quarter ended September 30, 2022, Chief of Staff and Secretary Josh Rose was issued 14,350,000 shares of restricted common stock related to his June 29, 2022, exercise of options via cash payment of \$258,300.

During the quarter ended September 30, 2022, Chief Operating Officer and Director Paul Clauson was issued 11,413,078 shares of restricted common stock related to his June 29, 2022, exercise of options via cash payment of \$205,435.

**NOTE 5 – GOODWILL AND INTANGIBLE ASSETS**

Goodwill is the excess of the 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:

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Balance as of 9/30/2022 - \$0

Balance as of 6/30/2022 - \$0

The company recognized no impairment of goodwill during the quarter ended September 30, 2022. The company recognized \$2,938,771 as impairment of goodwill in 2021.

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

The Company recognized amortization expense of approximately \$41,275 and \$78,325 for the quarters ended September 30, 2022, and 2021, 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:

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

**NOTE 6 – SOFTWARE**

Software assets as of September 30, 2022, and December 31, 2021, consist of the following:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Balance, beginning of period	\$ 98,000	\$ 1,580,000
Software Asset Impairments	-	(1,482,00)
Capitalized Software Development Cost	448,799	-
	<u>546,799</u>	<u>98,000</u>
Accumulated Amortization	(51,916)	(41,417)
Balance, end of period	<u>\$ 494,883</u>	<u>\$ 56,583</u>

During the quarter ended September 30, 2022, the Company recorded \$0.45M of capitalized software development expenses, \$0.01M of amortization and no software asset impairments.

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

During the year ended December 31, 2021, the Company recorded no capitalized software development expenses, \$0.04M of accumulated amortization and \$1.48M of software asset impairments.

**NOTE 7 - PPP LOANS**

The Company applied for, and received, an initial distribution of funds under the Paycheck Protection Program (the “PPP Loan”) in 2020 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 September 9, 2021.

The Company applied for, and received, a second distribution of funds under the Paycheck Protection Program (the “PPP Loan”) in the current year in the amount of \$446,497. The Company received the loan proceeds on or around January 25, 2021. This loan was forgiven in full on March 31, 2022.

The current and non-current balances on the PPP notes payable as of September 30, 2022, are as follows:

Current - \$0

Non-current - \$0

Total - \$0

**NOTE 8 – RIGHT OF USE LEASE ASSETS**

The non-cancelable operating lease for our office facility expired in January of 2022. Subsequent to the expiry of the lease, the company negotiated a month-to-month payment arrangement for the office space, with a monthly rent expense of \$3,642, commencing Feb 1, 2022.

**NOTE 9 – DEFERRED REVENUE**

Changes in deferred revenue were as follows:

	<u><b>Q3 2022</b></u>	<u><b>Q3 2021</b></u>
Balance, beginning of period	\$ 2,752,410	\$ 4,589,181
Deferral of revenue	292,149	265,391
Recognition of deferred revenue	(590,172)	(739,618)
Balance, end of period	<u>\$ 2,454,387</u>	<u>\$ 4,105,954</u>
Current	\$ 1,498,264	\$ 2,191,136
Non-current	<u>956,123</u>	<u>1,914,818</u>
	<u>\$ 2,454,387</u>	<u>\$ 4,105,954</u>



**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 10 – OPERATING EXPENSES**

	<b>Q3 2022</b>	<b>Q3 2021</b>
Compensation Expenses	\$ 542,148	\$ 468,366
Marketing Expenses	3,721	56,695
Professional Fees	105,217	102,359
General & Administrative Expenses	144,109	105,120
Amortization	41,275	78,325
License & Permits	-	175,000
R&D Expense	216,173	258,291
<b>Total Operating Expense</b>	<b>\$ 1,052,643</b>	<b>\$ 1,244,156</b>

**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.

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

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

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Selected Segment Financial Information**

Information about the Company's segments for the quarter ended June 30, 2022, and 2021.

	<u>Managed Services</u>	<u>AI Services</u>	<u>Total</u>
<b>Q3 2022:</b>			
Net Sales	\$ 856,468	\$ 315,000	\$ 1,171,468
Operating loss	\$ (189,012)	\$ (494,688)	\$ (683,680)
<b>Q3 2021:</b>			
Net Sales	\$ 1,337,245	\$ 153,333	\$ 1,490,578
Operating loss	\$ (194,214)	\$ (838,353)	\$ (1,032,567)

Revenue by Major Product and Services:

<b>For the quarter ended September 30, 2022:</b>	<u>Managed Services</u>	<u>AI Services</u>	<u>Total</u>
Hardware	\$ 171,730	\$	\$ 171,730
Software	219,865	315,000	534,865
Services	451,270		451,270
Other	13,603		13,603
<b>Total sales</b>	<b>\$ 856,468</b>	<b>\$ 315,000</b>	<b>\$ 1,171,468</b>

<b>For the quarter ended September 30, 2021:</b>			
Hardware	\$ 186,403	\$	\$ 186,403
Software	381,517	153,333	534,850
Services	749,374		749,374
Other	19,951		19,951
<b>Total sales</b>	<b>\$ 1,337,245</b>	<b>\$ 153,333</b>	<b>\$ 1,490,578</b>

Revenue by Timing of Revenue Recognition:

<b>For the quarter ended September 30, 2022:</b>	<u>Managed Services</u>	<u>AI Services</u>	<u>Total</u>
Transferred at a point in time where Sonasoft is principal	\$ 856,468	\$ 315,000	\$1,171,468
Transferred at a point in time where Sonasoft is agent	-	-	-
Transferred over time where Sonasoft is principal	-	-	-
<b>Total sales</b>	<b>\$ 856,468</b>	<b>\$ 315,000</b>	<b>\$1,171,468</b>

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the quarter ended  
September 30, 2021:**

Transferred at a point in time where Sonasoft is principal	\$ 1,337,245	\$ 153,333	\$1,490,578
Transferred at a point in time where Sonasoft is agent	-	-	-
Transferred over time where Sonasoft is principal	-	-	-
<b>Total sales</b>	<b><u>\$1,337,245</u></b>	<b><u>\$ 153,333</u></b>	<b><u>\$1,490,578</u></b>

**NOTE 12 – ACCRUED EXPENSES AND LIABILITIES**

Accrued expenses and accrued liabilities consist of the following:

	<b><u>September 30, 2022</u></b>	<b><u>September 30, 2021</u></b>
Credit card	\$ 18,265	\$ 22,179
Accrued vacation	-	74,086
Accrued legal expenses (see note 17)	-	665,000
Accrued commissions	-	12,090
Accrued Interest	-	177,970
Payroll Taxes	4,189	-
Others	<u>20,240</u>	<u>87,100</u>
	<b>\$ 42,694</b>	<b>\$ 1,038,425</b>

**NOTE 13 – ACCRUED COMPENSATION**

	<b><u>September 30, 2022</u></b>	<b><u>September 30, 2021</u></b>
Andy Khanna	\$ -	\$ 1,284,441
VP Business Development	-	277,419
Chief Financial Officer	15,000	164,680
Chief Operating Officer	15,000	45,000
Chief Executive Officer	<u>17,500</u>	<u>319,620</u>
	<b>\$ 47,500</b>	<b>\$ 2,091,160</b>

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 14 – ROYALTY AGREEMENTS**

During 2003, the Company entered into royalty agreements with certain investors whereby these investors were entitled to up to 5% of gross sales revenue in exchange for their royalty investment, until such time as the investors received a Royalty Premium of \$1,500,000 in aggregate (including their initial \$500,000 investment). The Royalty Premium is to be paid in installments, when applicable, within 10 days from the end of each calendar quarter. Such Royalty Premium is payable only if management of the Company can reasonably determine that the Company is profitable. In the quarter ended September 30, 2022, a number of royalty holders agreed to convert royalty liabilities in the amount of \$862,500 into a subscription for 11,354,505 shares of Sonasoft restricted common stock. As of September 30, 2022, and December 31, 2021, the balance of liabilities associated with the royalty agreement were \$637,500 and \$1,500,000 respectively.

**NOTE 15 – 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. In July of 2022, an additional \$17,080 in promissory notes was issued to a non-related investor. 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 Series A Preferred Stock on demand at the election of the investor. Additionally, on or after the maturity date of the 8% convertible notes, if an individual investor does not elect redemption or conversion, and an election is made by investors holding more than 75% 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.

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

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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.

During the quarter ended September 30, 2022, the holder of the 10% convertible note agreed to forfeit this note in lieu of a cash payment of \$306,166.

During the quarter ended September 30, 2022, the holders of the 8% convertible notes agreed to convert their principle and accrued interest into a subscription for 455,565 shares of Sonasoft Series A Preferred Stock, at a conversion price of \$6.00 per share.

At the time of conversion, the outstanding principal amount for 8% convertible notes payable to non-related parties was \$1,102,080. The outstanding principal amount for 8% convertible notes payable to related parties was \$1,300,000. The accrued unpaid interest on convertible notes to non-related parties at the time of conversion was \$143,511. The accrued unpaid interest on convertible notes to related parties at the time of conversion was \$187,787.

As of September 30, 2022, the outstanding principal amount for 8% convertible notes to related and unrelated parties, as well as the accrued interest payable upon these notes was \$0. The outstanding principal amount for 10% convertible notes as of September 30, 2022, as well as the accrued interest payable upon these notes was \$0.

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 unpaid interest on convertible notes to non-related parties as of December 31, 2021, was \$159,902. The accrued unpaid interest on convertible notes to related parties as of December 31, 2021, was \$54,042.

## **NOTE 16 - STOCKHOLDERS' EQUITY**

### **Common Stock Issued for Cash**

During the quarter ended September 30, 2022, the Company received a \$1,000,000 cash payment as a subscription for restricted common stock to be issued at \$0.05 per share. As of September 30, 2022, the restricted shares associated with this subscription had not yet been issued.

During the quarter ended September 30, 2022, employees of the Company exercised 36,425,000 options on restricted common stock via payment totaling \$655,650. The Company issued 24,425,000 shares of restricted common stock in relation to these exercises during the quarter ended September 30, 2022, with 12,000,000 shares yet to be issued.

During the quarter ended September 30, 2022, the Company issued 54,563,392 shares of restricted common stock to employees, directors, and consultants of the company in relation to exercise of options processed and paid for in the quarter ending June 30, 2022, via payment of \$982,141.

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

During the quarter ended September 30, 2022, the Company issued 5,044,444 shares of restricted common stock in relation to outstanding subscriptions that had been purchased in 2021 for \$135,000 and 10,000,000 shares of restricted common stock in relation to outstanding subscriptions that had been purchased in the quarter ending June 30, 2022, via payment of \$500,000.

During the year ended December 31, 2021, the company issued 91,485,960 shares of restricted 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.

**Common Stock Issued for Services and Compensation**

During the quarter ended September 30, 2022, 12,000,000 shares of restricted common stock valued at \$216,000, were issued as a restricted stock grant in compensation for services rendered.

During the quarter ended September 30, 2022, 44,000 shares of restricted common stock valued at \$954 were issued as compensation in relation to forfeiture of options.

During the quarter ended September 30, 2022, the Company issued 100,000 shares of restricted common stock valued at \$2,168 in relation to final settlement of a separation and release agreement.

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

**Common Stock Issued/Returned for Acquisitions/Divestitures**

During the quarter ended September 30, 2022, no shares of restricted common stock were issued for acquisitions.

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

**Common Stock Issued as Payment for Loans or Loan Interest**

During the quarter ended September 30, 2022, \$865,000 in royalty liabilities were converted into 11,354,505 shares of restricted common stock valued at \$345,000.

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

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Preferred Stock Issued for Cash**

During the quarter ended September 30, 2022, 100,000 shares of Series A Preferred Stock were issued for cash payment of \$750,000. Additionally, 33,333 shares of Series A Preferred Stock were subscribed for via cash payment of \$250,000 but had not yet been issued as of September 30, 2022.

During the year ended December 31, 2021, no shares of Series A Preferred Stock were issued for cash.

**Preferred Stock Issued for Services and Compensation**

During the quarter ended September 30, 2022, no shares of Series A Preferred Stock were issued for compensation.

During the year ended December 31, 2021, no shares of Series A Preferred Stock were issued for compensation.

**Preferred Stock Issued/Returned for Acquisitions/Divestitures**

During the quarter ended September 30, 2022, no shares of Series A Preferred Stock were issued for acquisitions, or returned to Treasury.

During the year ended December 31, 2021, no shares of Series A Preferred Stock were issued for acquisitions, or returned to Treasury.

**Preferred Stock Issued as Payment for Loans or Loan Interest**

During the quarter ended September 30, 2022, convertible debt valued at \$2,733,378, consisting of \$2,402,080 of principal and \$331,298 of accrued interest was converted into 455,565 shares of Series A Preferred Stock.

During the year ended December 31, 2021, no shares of Series A Preferred Stock were issued as payment for loans or outstanding loan interest.

**Preferred Stock Converted to Common Stock**

During the quarter ended June 30, 2022, 41,000 shares of Series A Preferred Stock were converted to 4,510,000 shares of 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 Series A Preferred Stock at a 100 to 1 ratio, elected based on the terms of the conversion agreement to re-convert their Series A Preferred Stock into common shares at a ratio of 1 to 110. As a result of this conversion 282,741 shares of Series A Preferred Stock were converted into 31,101,510 common shares. The conversion from Series A Preferred Stock to common shares was a cashless exercise with relative equal value converted. As of December 31, 2021, 1,260,347 Series A Preferred Stock remain convertible under this conversion agreement.

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 17 - 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, restricted stock, and restricted stock units 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 twenty-four (24) month period unless the vesting period is reduced by Board of Directors.

**Stock Options Granted to Employees and Consultants**

The Company had 126,915,973 and 164,298,370 issued and outstanding common stock options to various professional staff, consultants, and directors of the company as of September 30, 2022, and June 30, 2022, respectively.

The Company had issued restricted stock grants for 13,600,000 and 1,600,000 shares of restricted common stock to various professional staff, consultants, and directors of the company as of September 30, 2022, and June 30, 2022.

During the quarter ending September 30, 2022, employees and consultants of the company exercised 36,425,000 options on restricted common stock with an exercise cost of \$655,650.

During the quarter ending September 30, 2022, 957,397 options on restricted common stock expired and were returned to the option pool.

During the quarter ending September 30, 2022, the Board of the Company authorized the grant of up to 45,117,268 options on restricted common stock to employees, directors, and consultants of the company.

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.



**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Un-exercised stock options granted to executives and directors of the company as of September 30, 2022, were as follows:

<b>Name and Title</b>	<b>Un-Exercised Options Granted as of September 30, 2022</b>
Paul Clauson - COO	9,846,922
Mike Khanna - CEO	36,428,907
Rob Baumert - CFO	64,072
Josh Rose - Secretary	-
Caroline Zaborowski - CDO	40,000
Paul Schlosberg	3,000,000
Bruce Serpa	1,150,000
Joe Malick - Director	-

**NOTE 18 - COMMITMENTS AND CONTINGENCIES**

**Employment Agreement**

On June 29, 2022, the company finalized a settlement agreement with former CEO and board member, Nand Khanna, granting the company a full release of all claims in return for a compensation payment of \$130,000.

Mr. Khanna also entered into a new 36-month employment contract at that time, superseding any and all former agreements existent between Mr. Khanna and the company. This agreement identified total compensation of \$270,000 over the 36-month term (\$7,500 per month) for provision of management consulting services to the executive of the company. It also authorized a restricted stock grant of 12,000,000 shares of common stock vesting over the first 12 months of the contract agreement. The employment agreement included clauses for these compensation benefits to pass to Mr. Khanna's identified beneficiary in their entirety in the event of Mr. Khanna's death.

**Employment Related Lawsuits**

**Sonasoftware vs. Khanna**

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.

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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. Sarraill. The trial court, however, sided with Vince Khanna and James Sarraill, as an anti-SLAPP motion and then awarded Vince Khanna, James Sarraill, and their attorneys the amount of \$171,508.08.

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 remaining balance was included in the balance sheet under accrued expenses and accrued liabilities.

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

On May 25, 2022, the Company paid \$223,710 as full and final payment of the \$600,000 liability to Vince Khanna and James Sarraill related to the Khanna vs. Sonasoft settlement agreement. This payment covered all outstanding principal and interest.

On July 28, 2022, Sonasoft reached an additional settlement to pay \$306,166 in lieu of the \$260,000 convertible note facility, which Sarraill forfeited in lieu of the cash payment.

In return for the payments made, Sonasoft was granted full satisfaction of the terms of the settlement agreement, which was then closed by the Court.

**SONASOFT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Sonasoftware vs. Hotify**

In the first quarter of 2022, Sonasoftware Corporation initiated litigation in California State Court, Santa Clara County, against the former owners and officers of Hotify, Inc., which was merged into Sonasoftware in 2019. Sonasoftware 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. Sonasoftware 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 Sonasoftware stock (in aggregate equivalent to 104,799,720 total shares of common stock) that, as a result of the merger, became owned by approximately fifty (50) former Hotify officers and shareholders. After the merger, Sonasoftware 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 Sonasoftware did not receive the benefit of the merger that was promised by Hotify. The demand was refused and on March 9, 2022, Sonasoftware 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 Sonasoftware employees as a result of the merger. The lawsuit is set for trial in 2023. Sonasoftware 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, several of the defendants in the lawsuit have executed agreements whereby they have relinquished any rights they have to the Sonasoftware stock shares that were merger consideration. Sonasoftware will continue pursuing similar agreements with all defendants while simultaneously preparing for trial.

**NOTE 19 - SUBSEQUENT EVENTS**

Between September 30, 2022, and November 14, 2022, the Company executed the following material transactions.

1. On October 1, 2022, Sonasoftware sold its subsidiary, Cornerstone Tech. Inc. to Mr. Michael Dyer in an all-cash transaction. Sonasoftware's compensation for the sale of the Cornerstone business included a \$250,000 cash payment upon completion of the sale agreement, an agreement for future payment of \$169,335 in net working capital adjustments within 60 days of the sale, and a future payment of outstanding ERTC tax credits, estimated at approximately \$313,000, to be paid when received from tax authorities.
2. On November 1<sup>st</sup>, 2022, former Sonasoftware CEO Andy Khanna passed away. Upon his death, certain future compensation payments attached to Mr. Khanna's employment contract passed on to his stated beneficiary, Sally Khanna. As per Mr. Khanna's employment agreement, Sonasoftware will continue to pay Sally Khanna \$7,500 per month through the remaining 31 months of his 36-month employment contract. Additionally, 7,000,000 remaining unvested shares relating to Mr. Khanna's restricted stock grant from June 29, 2022, vested in full upon his death.

## MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

Revenues from operations for the quarter ended September 30, 2022, were \$1.17M vs. \$1.49M for the quarter ended September 30, 2021. Gross profit for the quarter ended September 30, 2022, was \$0.37M vs. \$0.21M for the quarter ended September 30, 2021. Gross profit margins increased from 14.1% to 31.4% due to a shift in sales allocation in favor of AI software sales. The managed services segment contributed \$0.86M in revenues over the quarter, down by \$0.48M (36%) vs. the year ago quarter, while the AI segment contributed \$0.32M, up by \$0.17M (113%).

The decline in revenues year over year was primarily due to a decline in services income due to reduced focus on the Managed Services segment in favor of the AI Services segment. Operating expenses of \$1.05M for the quarter ended September 30, 2022, showed a reduction of \$0.19M (15%) versus the \$1.24M figure for the quarter ended September 30, 2021. The primary reason for the drop was the capitalization of \$0.23M in software development costs, and a \$0.18M reduction in licensing fees, offset by an increase in compensation expenses of \$0.07M.

The Company had a net loss of (\$0.44M) during the quarter ended September 30, 2022, vs. a net loss of (\$0.66M) for the quarter ended September 30, 2021. This loss included a one-time remuneration payment to directors of \$0.25M and an extinguishment of liabilities associated with royalty liabilities of \$0.52M. Excluding these and other extraordinary items, the net loss from operations of (\$0.68M) represented a \$0.35M (34%) improvement over the quarter ending September 30, 2021.

The Company's balance sheet position continued to strengthen in the quarter ending September 30, 2022, with stockholder's net equity increasing by \$7.79M vs the year end 2021 position to a positive closing net equity position of \$2.13M. This improvement was achieved through a combination of negotiated extinguishment of liabilities, option exercises, and equity sales and subscriptions. Total liabilities over the first nine months of the year decreased by \$7.94M from \$11.60M to \$3.66M with total assets only decreasing by \$0.15M over the same period.

The Company's cash position at the end of the quarter was \$1.32M. The company had a net loss per share of \$0.0006 for the quarter ended September 30, 2022, versus a net loss per share of \$0.0012 for the quarter ended September 30, 2021, a 50% improvement. For the year to date, net loss per share equates to \$0.0008, an 83% improvement over the prior year period loss of \$0.0047 per share.

## 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 enterprise OEMs and 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.**

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 3 to 6 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 within the next 9 to 12 months.**

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

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

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

**Not Applicable**

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

**After significantly cutting headcount in 2021, Sonasoft has begun to expand its team in 2022 and a further addition of two to four ML engineering professionals and two data scientists is anticipated during the next 12 months.**

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. 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](mailto: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](mailto: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](mailto:info@tpscpas.com)**

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

6. Public Relations Consultant:

**Not Applicable**

7. Investor Relations Consultant:

**Not Applicable**

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:

**No shares of restricted common stock were sold for cash in the quarter ending September 30, 2022. 15,044,444 shares of common stock were issued in the quarter ending September 30, 2022, relating to prior subscriptions valued at \$635,000.**

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

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

**The shares issued in relation to prior subscriptions had been purchased at \$0.025, \$0.045 and \$0.05 per share.**

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 SEPTEMBER 30, 2022

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 SWIERCZEK)	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 SENMZUMDAR	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 Optimaize
1/14/20	JUDHAJIT SENMAZUMDAR	275,000	\$0.00	Issued as post-completion consideration for acquisition of E-Connect and Optimaize
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	DOUGLAS MACKALLOR	10,000	\$0.025	Investment shares issued in lieu of option waiver.
12/23/21	DOUGLAS 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
5/16/22	CROSSFIRE VENTURES INC	2,200,000	\$0.00	Conversion of preferred shares to common shares
5/19/22	RAMAN PRATAP SINGH	56,727	\$0.0458	Investment shares issued in lieu of services rendered
5/19/22	ANANT VIDAL	44,382	\$0.0458	Investment shares issued in lieu of services rendered
8/2/22	MIKE KHANNA	12,811,093	\$0.018	Employee Option Exercise
8/2/22	NEIL KHANNA	9,999,626	\$0.018	Employee Option Exercise
8/2/22	PARESH MEHTA	938,667	\$0.018	Employee Option Exercise

8/2/22	OWEN LEWIS	1,000,000	\$0.018	Employee Option Exercise
8/2/22	RON PARK	575,000	\$0.018	Affiliate Option Exercise
8/2/22	ROBERT BAUMERT	18,250,298	\$0.018	Employee Option Exercise
8/2/22	RUSSELL TRANBARGER	1,150,000	\$0.018	Affiliate Option Exercise
8/2/22	NAND KHANNA	12,000,000	\$0.00	Restricted Stock Grant to Employee for Compensation
8/2/22	NAND KHANNA	10,000	\$0.00	Restricted Stock Grant to Employee as Compensation for Forfeiture of Options
8/2/22	MIKE KHANNA	10,000	\$0.00	Restricted Stock Grant to Employee as Compensation for Forfeiture of Options
8/2/22	ROMI RANDHAWA	2,000	\$0.00	Restricted Stock Grant to Employee as Compensation for Forfeiture of Options
8/2/22	ALEXANDER LANDA	100,000	\$0.00	Restricted Stock Grant to Employee as Part of Voluntary Separation and Release Agreement



8/2/22	ROBERT BAUMERT	10,000	\$0.00	Restricted Stock Grant to Employee as Compensation for Forfeiture of Options
8/2/22	PAUL CLAUSON	10,000	\$0.00	Restricted Stock Grant to Employee as Compensation for Forfeiture of Options
8/2/22	W.L. CLAUSON	800,000	\$0.025	Investment shares issued in lieu of cash
8/2/22	LUKE CLAUSON	800,000	\$0.025	Investment shares issued in lieu of cash
8/2/22	PAUL SCHLOSBERG	3,000,000	\$0.025	Investment shares issued in lieu of cash
8/2/22	KYLE WALDEN	444,444	\$0.045	Investment shares issued in lieu of cash
8/8/22	JOSH ROSE	14,350,000	\$0.018	Employee Option Exercise
8/16/22	PARESH MEHTA	1,000,000	\$0.018	Employee Option Exercise
8/16/22	PAUL CLAUSON	11,413,078	\$0.018	Employee Option Exercise

8/16/22	MAX LEE	7,500,000	\$0.018	Employee Option Exercise
8/17/22	PHIL & MICHELLE VEHORN	10,000,000	\$0.05	Investment shares issued in lieu of cash
9/14/22	INTRAPORT UK	4,510,000	\$0.00	Conversion of Preferred Share to Common

## ISSUANCE HISTORY - PREFERRED SHARES THRU SEPTEMBER 30, 2022

ISSUANCE HISTORY - PREFERRED SHARES THRU SEPTEMBER 30, 2022				
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
5/16/22	ASHUR HOLDINGS	99,999	\$5.00	Preferred shares issued in lieu of cash
5/16/22	CROSSFIRE VENTURE INC.	-20,000	\$0.00	Conversion of Preferred Shares to Common Shares

8/15/22	ASHUR HOLDINGS	100,000	\$7.50	Preferred shares issued in lieu of cash
9/14/22	INTRAPORT UK	-41,000	\$0.00	Conversion of Preferred Shares to Common Shares

### **Issuance of Promissory Note:**

On January 23, 2017, the Company issued a promissory note in the amount of \$300,000 to Dr. Romesh Japra, Chairman 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 \$68,109 was paid in full via the issuance of 2,724,360 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 2022**

### **Material Contracts:**

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

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

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

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

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

**Not Applicable**

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

**Not Applicable**

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

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

**Purchase of Securities by Issuer:** Not Applicable/ None.

## Material Events During the Quarter Ending September 30, 2022

1. In the quarter ending September 30, 2022, the Company received a cash payment of \$1,000,000 as subscription for the purchase of 20,000,000 shares of restricted common stock at a purchase price of \$0.05 per share,
2. In the quarter ended September 30, 2022, employees of the Company exercised 36,425,000 options on restricted common stock via payment totaling \$655,650. The Company issued 24,425,000 shares of restricted common stock in relation to this exercise of options, with 12,000,000 shares yet to be issued.
3. In the quarter ended September 30, 2022, the Company issued 54,563,392 shares of restricted common stock to employees, directors, and consultants of the company in relation to exercise of options processed in the second quarter of 2022.
4. In the quarter ended September 30, 2022, the Company issued 100,000 shares of Series A Preferred Stock for cash payment of \$750,000.
5. In the quarter ended September 30, 2022, the Company issued 15,044,444 shares of restricted common stock in relation to outstanding subscriptions.
6. In the quarter ended September 30, 2022, the Company issued 44,000 shares of restricted common stock in relation to previously authorized issuances related to the forfeiture of options.
7. In the quarter ended September 30, 2022, the Company issued 100,000 shares of restricted common stock in relation to final settlement of a separation and release agreement.
8. In the quarter ended September 30, 2022, the Company issued 12,000,000 shares of restricted common stock to an employee of the company in relation to a restricted stock grant for compensation authorized by the Board in the quarter ending June 30, 2022.
9. In the quarter ended September 30, 2022, the Board authorized the sale of up to 133,333 shares of Series A Preferred Stock at a price of \$7.50 per share. This issuance was fully subscribed and as of September 30, 2022, 100,000 shares of Series A Preferred Stock had been issued for payment of \$750,000, while \$250,000 of cash had been received as subscription for the future issuance of stock.
10. In the quarter ended September 30, 2022, the Board of the Company authorize the grant of up to 45,117,268 options on restricted common stock to various professional staff, directors, and affiliates of the Company.
11. In the quarter ended September 30, 2022, the Board of the Company authorized the grant of up to 17,998,000 shares of restricted common stock to employees of the company via restricted stock grants, subject to vesting criteria. As of September 30, 2022, this restricted stock grant had not yet been issued.
12. On August 26, 2022, the California Secretary of State approved amended Articles of Incorporation previously authorized by the Board and a majority of shareholders of the Company, increasing the authorized common stock to 1,250,000,000 shares and increasing the authorized employee stock option pool to 275,000,000.
13. On July 28, 2022, James Sarraill and Vince Khanna filed with the Court to grant Sonasoft full satisfaction of judgement in the case of Khanna vs. Sonasoft. As part of this settlement Sonasoft paid \$306,166 in lieu of Khanna and Sarraill's forfeit of \$260,000 plus accrued interest that they had invested in the Sonasoft 10% interest convertible note facility.
14. In the quarter ended September 30, 2022, a number of Sonasoft royalty holders agreed to convert their royalty liability of \$862,500 into subscriptions for 11,354,505 shares of Sonasoft restricted common stock.
15. In the quarter ended September 30, 2022, investors in Sonasoft's 8% interest convertible debt facility agreed to convert their investment and all accrued interest, totaling \$2,733,378, into 455,565 shares of Sonasoft Series A Preferred Stock at a conversion price of \$6.00 per share.
16. In the quarter ended September 30, 2022, an investor converted 41,000 shares of Sonasoft Series A Preferred Stock into 4,510,000 shares of restricted common stock.

## **Material Events During 2021 and 2022 thru June 30, 2022**

- During Q1, 2021, 165,065 shares of Series A 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.
- 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 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 restricted 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 Series A 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 of restricted common stock at zero cost as part of a voluntary separation and release agreements approved by the board.
- During Q2, 2021, 9,700,000 shares of restricted 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 restricted common stock were issued as exercise of an existing SAFE.
- During Q2, 2021, a former employee exercised 800,000 options on restricted common stock for cash payment of \$20,000.
- During Q2, 2021, 425,973 options on restricted 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 restricted common stock at a price of \$0.035 per share, and an additional \$500,000 through the sale of restricted common stock a price of \$0.045.
- On Aug. 25, 2021, the Secretary of State of California authorized the filing of 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 on restricted common stock to employees, directors, and contractors of the company.
- During the quarter ending September 30, 2021, a total of 306,964 options on common stock 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 restricted common stock.
- During the quarter ending December 31, 2021, the Board of the Company authorized the granting of 12,750,000 new options on restricted common stock 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 restricted common stock.
- During the quarter ending March 31, 2022, the Board, a majority of shareholders and the California Secretary of State approved amended Articles of Incorporation increasing the authorized common stock to 1,150,000,000 shares and increasing the authorized employee stock option pool to 230,000,000.
- During the quarter ending March 31, 2022, the Board authorized the Company to raise additional capital of up to \$2,000,000 through the sale of restricted common stock at a price of \$0.05 per share, and up to an additional \$999,000 through the sale of Series A Preferred Stock at a price of \$5.00 per share. The company sold 100,000 shares of Series A Preferred Stock for \$500,000.
- During the quarter ending March 31, 2022, members of the Sonasoft executive team agreed to the waiver of 19,040,000 options on restricted common stock.
- During the quarter ending March 31, 2022, the Board authorized the granting of 58,550,000 options on restricted common stock to employees, directors, and advisors of the Company.
- During the quarter ending March 31, 2022, the Company received notification of the forgiveness of its second PPP loan in the amount of \$446,497.
- During the quarter ending March 31, 2022, the Company issued 7,112,959 shares of restricted common stock related to existing subscriptions and authorized issuances.
- During the quarter ending March 31, 2022, the Company issued 100,000 shares of Series A Preferred Stock for payment of \$500,000.
- During the quarter ending March 31, 2022, the Company 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.

- On May 15, 2022, the Company held its Annual Shareholders Meeting. During the meeting the shareholders approved the election of the following board members – Mike Khanna, Paul Clauson, Bruce Serpa, Paul Schlosberg, and Joseph A. Malick.
- On May 16, 2022, the Company sold 99,999 shares of Series A Preferred Stock for \$499,995.
- On May 16, 2022, investors in the Company converted 20,000 shares of Series A Preferred Stock into 2,200,000 shares of restricted common stock.
- On May 19, 2022, the Company issued 101,109 shares of restricted common stock at a price of \$0.0458 per share as compensation for services rendered.
- On May 25, 2022, the Company paid \$223,710 as full and final payment of the \$600,000 liability to Vince Khanna and James Sarraill related to the Khanna vs. Sonasoft settlement agreement. This payment covered all outstanding principal and interest.
- On June 9, 2022, the Company sold subscriptions for 277,778 shares of restricted common stock in lieu of \$12,500 cash.
- On June 29, 2022, the company finalized a settlement agreement with former CEO, Nand Khanna, granting the company a full release of all claims in return for a one-time compensation payment of \$130,000.
- On June 29, 2022, the board authorized the issuance of 12,000,000 shares of restricted common stock via restricted stock grant to an employee of the company in return for services rendered.
- On June 29, 2022, employees and consultants of the company exercised 54,563,392 options on shares of restricted common stock via cash payment totaling \$982,141. The issuance of shares associated to this exercise of options was processed by the Company's Stock Transfer Agent subsequent to the quarter ended June 30, 2022.
- During the quarter ended June 30, 2022, the Board authorized the granting of 53,100,000 options on restricted common stock to employees, directors, and advisors of the Company.



## **SUBSEQUENT EVENTS**

Between September 30, 2022, and November 10, 2022, the Company executed the following material transactions.

1. On October 1, 2022, Sonasoft sold its subsidiary, Cornerstone Tech. Inc. to Mr. Michael Dyer in an all-cash transaction. Sonasoft's compensation for the sale of the Cornerstone business included a \$250,000 cash payment upon completion of the sale agreement, an agreement for future payment of \$169,335 in net working capital adjustments within 60 days of the sale, and a future payment of outstanding ERTC tax credits estimated at approximately \$313,000, to be paid when received from tax authorities.
2. On November 1, 2022, former Sonasoft CEO Andy Khanna passed away. Upon his death, certain future compensation payments attached to Mr. Khanna's employment contract passed on to his stated beneficiary, Sally Khanna. As per Mr. Khanna's employment agreement, Sonasoft will continue to pay Sally Khanna \$7,500 per month through the remaining 31 months of the 36-month employment contract. Additionally, 7,000,000 remaining unvested shares relating to Mr. Khanna's restricted stock grant from June 29, 2022, vested in full upon his death.

## LEGAL & DISCIPLINARY HISTORY

### Sonasoftware vs. Khanna

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

Shortly after obtaining the new judgment, the Plaintiffs attorney filed an alter ego case against the Company's former CEO, Andy Khanna, to amend the judgment to include Mr. Khanna. The Company filed an appeal and secured it with a bond of \$289,782, against the collateral of real property.

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

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

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 remaining 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 Sarraill against the exercise of the 3rd Amended judgement. In return for said forbearance, Sonasoftware will pay the plaintiffs \$600,000 plus 10% simple interest in monthly instalments through December 2022. Additionally, Sonasoftware has granted the plaintiffs a \$260,000 contribution to a convertible note facility.

On May 25, 2022, the Company paid \$223,710 as full and final payment of the \$600,000 liability to Vince Khanna and James Sarraill related to the Khanna vs. Sonasoftware settlement agreement. This payment covered all outstanding principal and interest. On July 28, 2022, Sonasoftware reached an additional settlement to pay \$306,166 in lieu of the convertible note facility, which Sarraill forfeited. In return for these payments, Sonasoftware was granted full satisfaction of the terms of the settlement agreement, which was then closed by the Court.

This case is now considered fully closed.

## **Sonasoftware vs. Hotify**

In the first quarter of 2022, Sonasoftware Corporation initiated litigation in California State Court, Santa Clara County, against the former owners and officers of Hotify, Inc., which was merged into Sonasoftware in 2019. Sonasoftware 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. Sonasoftware 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 Sonasoftware 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, Sonasoftware 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 Sonasoftware did not receive the benefit of the merger that was promised by Hotify. The demand was refused and on March 9, 2022, Sonasoftware 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 Sonasoftware employees as a result of the merger. The lawsuit is set for trial in 2023. Sonasoftware 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, several of the defendants in the lawsuit have executed agreements whereby they have relinquished any rights they have to the Sonasoftware stock shares that were merger consideration. Sonasoftware will continue pursuing similar agreements with all defendants while simultaneously preparing for trial.

## 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: Nov. 10, 2022

Signature:

A handwritten signature in blue ink, appearing to read "Mike Khanna", written over a faint circular stamp.

Mike Khanna, CEO

Date: Nov. 10, 2022

Signature:

A handwritten signature in black ink, appearing to read "Rob Baumert", written over a faint circular stamp.

Rob Baumert, CFO