

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## SOLLENSYS CORP.

**Form: 10-Q**

**Date Filed: 2021-05-17**

Corporate Issuer CIK: 1519177

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1933

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2021

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_.

Commission File Number 333-174581

**Sollensys Corp**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**80-0651816**

(I.R.S. Employer Identification No.)

**2475 Palm Bay Road NE, Suite 120**

**Palm Bay, Florida 32905**

(Address of principal executive offices) (Zip Code)

**(866)-438-7657**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 17, 2021, the registrant had 99,546,913 shares of common stock issued and outstanding.

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**PART I. FINANCIAL INFORMATION****SOLLENSYS CORP.  
Consolidated Balance Sheet  
(Unaudited)**

	<b>March 31, 2021 (Unaudited)</b>	<b>December 31, 2020</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 22,151	\$ 129,624
Inventory	54,000	54,000
Total current assets	<u>76,151</u>	<u>183,624</u>
Total assets	<u>\$ 76,151</u>	<u>\$ 183,624</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	42,508	-
Accrued expenses	117,695	46,134
Customer deposits - short term	71,429	17,143
Total current liabilities	<u>231,632</u>	<u>63,277</u>
Customer deposits-long term	210,000	72,857
Total liabilities	<u>441,632</u>	<u>136,134</u>
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, Series A, \$0.001 par value, 10,000,000 shares authorized, no shares issued and outstanding as of December 31, 2020 and 2019	-	-
Common stock, \$0.001 par value, 300,000,000 shares authorized; 99,391,119 and 99,354,547 shares issued and outstanding as of March 31, 2021, and December 31, 2020, respectively	99,392	99,355
Additional paid-in capital	3,501,677	3,390,213
Accumulated deficit	<u>(3,966,550)</u>	<u>(3,442,078)</u>
Total stockholders' equity(deficit)	<u>(365,481)</u>	<u>47,490</u>
Total liabilities and equity	<u>76,151</u>	<u>\$ 183,624</u>

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

**SOLLENSYS CORP.**  
**Consolidated Statements of Operations**  
**(Unaudited)**

	<b>Three months ended March 31, 2021</b>	<b>Three months ended March 31, 2020</b>
Revenue-subscriptions	\$ 71,429	\$ -
Cost of sales	32,344	-
Gross profit	<u>39,085</u>	<u>-</u>
Operating expenses:		
General and administrative expense	563,557	-
General and administrative expense-related party	<u>-</u>	<u>10,062</u>
Total operating expenses	<u>563,557</u>	<u>10,062</u>
Income loss from operations	(524,472)	(10,062)
Other income (expense)		
Total other income (expense)	<u>-</u>	<u>-</u>
Income (loss) before income taxes	(524,472)	(10,062)
Provision benefit for income taxes	-	-
Net loss	<u>\$ (524,472)</u>	<u>\$ (10,062)</u>
Basic and diluted earnings (loss) per common share		
	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
Weighted-average number of common shares outstanding:		
Basic and diluted	<u>99,374,928</u>	<u>4,183,962</u>

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

**SOLLENSYS CORP.**  
**Statements of Changes in Stockholder's Equity**  
**(Unaudited)**

	<u>Preferred Stock Series A</u>		<u>Common stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>			
Balance, December 31, 2019	-	-	4,183,962	4,184	497,891	(603,884)	(101,809)
Net income (loss)						(10,062)	(10,062)
Balance, March 31, 2020	-	-	4,183,962	\$ 4,184	\$ 497,891	\$ (613,946)	\$ (111,871)

	<u>Preferred Stock Series A</u>		<u>Common stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>			
Balance, December 31, 2020	-	\$ -	99,354,547	\$ 99,355	\$3,390,213	\$(3,442,078)	\$ 47,490
Private placement of common shares			36,572	37	111,464		111,501
Net loss						(524,472)	(524,472)
Balance, March 31, 2021	-	\$ -	99,391,119	\$ 99,392	\$3,501,677	\$(3,966,550)	(365,481)

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

**SOLLENSYS CORP.**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

	<u>Three months ended March 31, 2021</u>	<u>Three months ended March 31, 2020</u>
Cash flows from operating activities of continuing operations:		
Net loss	\$ (524,472)	\$ (10,062)
Changes in operating assets and liabilities		
Customer deposits	191,429	
Accounts payable	42,508	
Accrued expenses	71,561	
Net cash used in operating activities	<u>(218,974)</u>	<u>(10,062)</u>
Cash flows from financing activities:		
Proceeds for the sale of common stock	111,501	
Related party loans	-	10,062
Net cash provided by (used in) financing activities	<u>111,501</u>	<u>10,062</u>
Net increase (decrease) in cash and cash equivalents	(107,473)	-
Cash and cash equivalents at beginning of period	129,624	-
Cash and cash equivalents at end of period	<u>\$ 22,151</u>	<u>\$ -</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

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

**SOLLENSYS CORP**  
**NOTES TO UNAUDITED FINANCIAL STATEMENTS**

**NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS**

Sollensys Corp (“Sollensys” or the “Company”) was formerly a development stage company, incorporated in Nevada on September 29, 2010, under the name Health Directory, Inc.

On November 30, 2020, Sollensys entered into a share exchange agreement (the “Share Exchange Agreement”) with (i) Eagle Lake a Florida corporation, (ii) each of the shareholders of Eagle Lake (the “Eagle Lake Shareholders”), and (iii) Donald Beavers as the representative of the Eagle Lake Shareholders (the “Shareholders’ Representative”).

Among other conditions to the closing of the transactions contemplated by the Share Exchange Agreement (the “Closing”), pursuant to the terms of the Share Exchange Agreement, the parties agreed that the Company would acquire 100% of Eagle Lake’s issued and outstanding capital stock, in exchange for the issuance to the Eagle Lake Shareholders of a number of shares of the Company’s common stock, par value \$0.001 per share (“Common Stock”) to be determined at the Closing of the Share Exchange Agreement.



Eagle Lake is a Florida-based science, technology, and engineering solutions corporation offering products that ensure their clients' data integrity through the collection, storage, and transmission. The Company expects to generate revenue with Eagle's innovative flagship product, the Blockchain Archive Server™ that can be utilized to protect client data from ransomware. Blockchain technology is a leading-edge tool for data security, providing an added layer of security against data loss due to malware.

On December 29, 2020, the Company's Board approved the change in the Company's fiscal year-end from March 31 to December 31.

#### Common Control Accounting Treatment

Sollensys Corporation and Eagle Lake Laboratories were under the common control of the CEO before and after the date of transfer. As a result, the Company adopted the guidance in ASC 805-50-05-5 for the transfer of net assets between entities under common control to apply a method similar to the pooling-of-interests-method. Under the method, the financial statements of the Company shall report results of operations for the period in which the transfer occurs as though the transfer of the net assets had occurred at the beginning of the period. Results of operations for the period will thus comprise both those of the previously separate entities combined from the beginning of the period to the date the transfer is completed and those of the combined operations from that date to the end of the period. Similarly, the Company shall present the statements of financial position and other financial information presented as of the beginning of the period as though the assets and liabilities had been transferred at that date. Financial statements and financial information presented for prior years also shall be retrospectively adjusted to furnish comparative information.

#### Reverse Stock Split

On October 14, 2020, the Company filed with the Secretary of State of Nevada a Certificate of Amendment to its Articles of Incorporation (the "Amendment") to effect a 1-for-120 reverse stock split (the "Reverse Split") of the Company's issued and outstanding common stock, par value \$0.001 per share ("Common Stock"). Pursuant to the Amendment, effective as of October 30, 2020, every one hundred and twenty (120) shares of the issued and outstanding Common Stock will be converted into one share of Common Stock, without any change in the par value per share.

The 1 for 120 Reverse Split became effective on November 2, 2020. Following the effectiveness of the Reverse Split, on November 2, 2020, the number of authorized shares of common stock was reduced from 12,000,000,000 shares to 300,000,000. Additionally, following the Reverse Split, Eagle's 11,400,000,000 common shares was adjusted to 95,000,000 shares and they continued to maintain 95.8% of the total of 99,193,962 common shares outstanding.

No fractional shares of common stock were issued in connection with the Reverse Split. If, as a result of the Reverse Split, a shareholder would otherwise hold a fractional share, the shareholder received, instead of the issuance of such fractional share, one whole share of common stock. As a result, 143,585 additional shares were issued due to the rounding up fractional shares.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), which is the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Eagle Lake. All intercompany accounts and transactions are eliminated in consolidation.

#### Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the twelve months following the date of these consolidated financial statements. The Company has incurred significant operating losses since its inception. As of March 31, 2021, the Company had a working capital deficit of \$155,481 and an accumulated deficit of \$3,966,550.

The Company expect to generate operating cash flow that will be sufficient to fund presently anticipated operations although there can be no assurance. This raises substantial doubt about the Company's ability to continue as a going concern. Therefore, the Company will need to raise additional funds and is currently exploring alternative sources of financing to supplement expected cash flow. Historically, the Company has raised capital through private placements, as an interim measure to finance working capital needs and may continue to raise additional capital through the sale of common stock or other securities and obtaining some short-term loans. The Company will be required to continue to do so until its operations become profitable.

The Company may attempt to raise capital in the near future through the sale of equity or debt financing; however, there can be assurances the Company will be successful in doing so. There can be no assurance that such additional financing will be available to the Company on acceptable terms or at all.

#### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. The most significant estimates relate to income taxes and contingencies. The Company bases its estimates on historical experience, known or expected trends, and various other assumptions that are believed to be reasonable given the quality of information available as of the date of these consolidated financial statements. The results of these assumptions provide the basis for making estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

#### Management's Representation of Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company without audit pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The Company uses the same accounting policies in preparing quarterly and annual financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted as allowed by such rules and regulations, and management believes that the disclosures are adequate to make the information presented not misleading. These condensed consolidated financial statements include all of the adjustments, which in the opinion of management are necessary to a fair presentation of financial position and results of operations. All such adjustments are of a normal and recurring nature. Interim results are not necessarily indicative of results for a full year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto at December 31, 2020, as presented in the Company's Annual Report on Form 10-KT filed on March 31, 2021, with the SEC.

#### Revenue Recognition

Revenues are accounted for in accordance with the Financial Accounting Standards Board issued ASU 2014-09 (Revenue from Contracts with Customers (Topic 606)).

The amount of revenue recognized reflects the consideration which the Company expects to be entitled to receive in exchange for the products and/or services. To achieve this principle, the Company applies the following five steps:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to performance obligations in the contract, and
5. Recognize revenue when or as the Company satisfies a performance obligation.

The Company recognizes revenue when the control of the products is transferred to the Company's customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for these products. Control is generally transferred when products are delivered. The Company's revenue contracts generally represent a single performance obligation to sell its products to customers. Additionally, the Company recognizes revenue when a service is completed thereby completing a performance obligation.

#### Customer Deposits

Under the terms of these existing Regional Service Center contracts the Company requires a substantial deposit in advance of the support work required to be performed by the Company. All deposits that have not been deemed earned by the Company following the guidelines of ASC 606 are considered to be liabilities on the Company's balance sheet. As of March 31, 2021 the current balance of deposits was \$71,429 and the long-term balance was \$210,000, compared to \$17,143 and \$72,857, for the period ended March 31, 2020, respectively.

Cash and cash equivalents

The Company considers all highly liquid temporary cash investments with an original maturity of three months or less to be cash equivalents. On March 31, 2020, and December 31, 2020, the Company's cash equivalents totaled \$22,151 and \$129,624, respectively.

Stock-based Compensation

The Company accounts for stock-based compensation using the fair value method following the guidance outlined in Section 718-10 of the FASB ASC for disclosure about stock-based compensation. This section requires a public entity to measure the cost of employee and non-employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which service is provided. No compensation cost is recognized for equity instruments for which service is not provided or rendered.

Related party transactions

The Company follows ASC 850, *Related Party Disclosures*, for the identification of related parties and disclosure of related party transactions. In accordance with ASC 850, the Company's financial statements include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business, as well as transactions that are eliminated in the preparation of financial statements.

Net Loss per Share

Net loss per common share is computed by dividing net loss by the weighted average common shares outstanding during the period as defined by ASC Topic 260, "Earnings per Share." Basic earnings per common share calculations are determined by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per common share calculations are determined by dividing net income (loss) by the weighted average number of common shares and dilutive common share equivalents outstanding. As of March 31, 2021 there were no common stock equivalents.

**NOTE 3 - ACCRUED EXPENSES**

As of March 31, 2021, and December 31, 2020, the balances of accrued expenses were \$117,695 and \$46,134 respectively. The accrued expenses as of March 31, 2020, were comprised of \$23,452 in credit card payables, 47,143 liabilities associated with maintaining the company's servers, and \$47,100 in miscellaneous liabilities.

**NOTE 4 - STOCKHOLDERS' EQUITY*****Series A Preferred Stock***

On March 21, 2020, the Company filed a Certificate of Designation to authorize 25,000,000 shares of Series A preferred stock at a par value of \$0.001. Among other rights, the holders of Series A preferred stock have the right to convert each share of Series A preferred stock into 50 shares of common stock. On April 1, 2020, the Company issued 19,000,000 shares of Series A preferred stock to the Company's Chief Executive Officer, David Lazar. The fair value of the issuance was estimated at \$1,900,000 and recorded as stock-based compensation.

### **Common Stock**

The Company has authorized 300,000,000 shares of \$0.001 common stock. As of March 31, 2021, and December 31, 2020, respectively, there were 99,391,119 and 99,327,547 shares of common stock issued and outstanding.

During the three months ended March 31, 2021, the Company raised \$111,501 from sale of 36,572 shares to four investors.

At March 31, 2021, and December 31, 2020, there were 10,000,000 shares of Preferred Series A stock authorized, with -0- shares issued and outstanding at both periods, respectively.

### **NOTE 5 - SUBSEQUENT EVENTS**

In accordance with ASC 855-10 management has performed an evaluation of subsequent events from March 31, 2021 through the date the financial statements were available to be issued and noted no subsequent events requiring disclosure except as follows:

The Company sold 111,429 shares of common stock to 12 investors and raised \$373,501 in proceeds. Additionally the Company awarded 44,365 shares to various service providers and employees. These shares were valued at \$232,916.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

*The following discussion and analysis should be read in conjunction with our unaudited financial statements and the related notes thereto. The management's discussion and analysis contains forward-looking statements, such as statements of our plans, objectives, expectations, and intentions. Any statements that are not statements of historical fact are forward-looking statements. When used, the words "believe," "plan," "intend," "anticipate," "target," "estimate," "expect" and the like, and/or future tense or conditional constructions ("will," "may," "could," "should," etc.), or similar expressions, identify certain of these forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors. We do not undertake any obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q. The following discussion should be read in conjunction with our audited financial statements and the related notes that appear in our Annual Report on Form 10-KT as filed with the Securities and Exchange Commission on March 31, 2021.*

### Overview

Sollensys Corp's ("Sollensys" or the "Company") primary product is the Blockchain Archive Server—a turn-key, off-the-shelf, blockchain solution that works with virtually any hardware and software combinations currently used in commerce, without the need to replace or eliminate any part of the client's data security that is being utilized. The Blockchain Archive Server encrypts, fragments and distributes data across thousands of secure nodes every day, which makes it virtually impossible for hackers to compromise. Using blockchain technology, the Blockchain Archive Server maintains a redundant, secure and immutable backup of data. Redundant backups and the blockchain work together to assure not only the physical security of the database but also the integrity of the information held within.

Blockchain Archive Server protects client data from "ransomware"—malicious software that infects your computer and displays messages demanding a fee to be paid in order for your system to work again. Blockchain technology is a leading-edge tool for data security, providing an added layer of security against data loss due to all types of software specifically designed to disrupt, damage, or gain unauthorized access to a computer system (i.e., malware).

Uniquely, the Blockchain Archive Server is a turn-key solution that can stand alone or seamlessly integrate into an existing data infrastructure to quickly recover from a cyber-attack. The Blockchain Archive Server is a server that comes pre-loaded with the blockchain-powered cybersecurity software, which can be delivered, installed and integrated into a client's computer systems with ease.

In December 2020, Sollensys made its second product offering—the Regional Service Center—available on a limited test market basis. The Regional Service Center was added to the Company's standard product line effective January 1, 2021. A Regional Service Center is a single unit system of 32 Blockchain Archive Servers capable of servicing up to 2,580 individual small accounts, and is marketed to existing IT service providers with established accounts. The Regional Service Center offers small businesses the same state of the art technology previously available only to large or very well-funded companies. Sollensys believes that smaller companies, and even certain individuals, will find the Regional Service Center affordable, paying only for the actual space they use.

In connection with the closing of the Stock Purchase, on August 5, 2020, Mr. Lazar, the then-sole member of the Board of Directors (the "Board") of Sollensys, pursuant to the power granted to the Board in Sollensys' bylaws, increased the size of Sollensys' Board to two members. Simultaneously, Mr. Lazar, as the sole Board member, appointed Donald Beavers as a director to fill the newly created Board vacancy. At the same time, Mr. Lazar appointed Donald Beavers as Chief Executive Officer and Secretary of Sollensys.

Also on August 5, 2020, following the above officer and director appointments and effective on the closing of the Stock Purchase, Mr. Lazar resigned from any and all officer and director positions with Sollensys.

On November 30, 2020, Sollensys entered into a share exchange agreement (the "Share Exchange Agreement") with (i) Eagle Lake, (ii) each of the shareholders of Eagle Lake (the "Eagle Lake Shareholders") and (iii) Mr. Beavers as the representative of the Eagle Lake Shareholders (the "Shareholders' Representative"). Among other conditions to the closing of the transactions contemplated by the Share Exchange Agreement (the "SEA Closing"), pursuant to the terms of the Share Exchange Agreement, the parties agreed that Sollensys would acquire 100% of Eagle Lake's issued and outstanding capital stock, in exchange for the issuance to the Eagle Lake Shareholders of a number of shares of Sollensys common stock to be determined at the SEA Closing.

The SEA Closing occurred on November 30, 2020. Pursuant to the terms of the Share Exchange Agreement, Sollensys acquired from the Eagle Lake Shareholders 10,000,000 shares Eagle Lake's common stock, no par value per share, representing 100% of the issued and outstanding capital stock of Eagle Lake, in exchange for the issuance to the Eagle Lake Shareholders of 95,000,000 shares of Sollensys common stock (the "Share Exchange"). At the time of the SEA Closing, Eagle Lake had 10,011,667 shares of its common stock issued and outstanding, which was 11,667 shares in excess of the number of shares of common stock authorized pursuant to Eagle Lake's articles of incorporation. Such over-issued shares are void under Florida law and are not entitled to any rights of a stockholder of Eagle Lake. As such, the 10,000,000 shares of Eagle Lake common stock that Sollensys acquired from the Eagle Lake Shareholders, represented 100% of the issued and outstanding capital stock of Eagle Lake of the presence of over-issued shares.

As a result of the Share Exchange, Eagle Lake became a wholly owned subsidiary of Sollensys and the business of Eagle Lake became the business of Sollensys.

Eagle Lake was incorporated in the State of Florida on May 8, 2020. Eagle Lake offers advanced technology products for cybersecurity that ensure a clients' data integrity through collection, storage, and transmission.

### **Impact of COVID-19**

On January 30, 2020, the World Health Organization announced a global health emergency because of the spread of a new strain of the novel coronavirus ("COVID-19"). On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. COVID-19 has significantly affected, and continues to significantly affect, the United States and global economies.

The outbreak has, and may continue to, spread, which could materially impact the Company's business. The full extent of potential impacts on the Company's business, financing activities and the global economy will depend on future developments, which cannot be predicted due to the uncertain nature of the continued COVID-19 pandemic, government mandated shutdowns, and its adverse effects, including new information which may emerge concerning the severity of COVID-19 and the actions to contain COVID-19 or treat its impact, among others. These effects could have a material adverse impact on the Company's business, operations, financial condition, and results of operations.

### **Results of Operations**

#### *Comparison of Results of Operations for the Three Months Ended March 31, 2021 and 2020*

##### *Revenue*

During the three months ended March 31, 2021, we recorded \$71,429 in subscription revenue from the rental of customized servers compared to \$0 for the three months ended March 31, 2020.

##### *Gross Profit*

Our gross profit on revenue was \$32,344 for the three months ended March 31, 2021 compared to \$0 for the three months ended March 31, 2020.

## *Operating Expenses*

Operating expenses for the three months ended March 31, 2021 were \$563,557, compared to \$0 for the three months ended March 31, 2020. Key components of the Company's expenses for the period ended March 31, 2021 include approximately \$400,000 in payroll and benefits, approximately \$59,000 in legal and professional services, and \$17,000 in rent expense. The Company was dormant during the period ended March 31, 2020.

### **Liquidity and Capital Resources**

As of March 31, 2021 we had \$22,151 cash and cash equivalents. Net cash used in operating activities was \$218,974 for the period ended March 31, 2021 compared to \$10,062 for the period ended March 31, 2020.

Net cash from financing activities was \$111,501 for the period ended March 31, 2021 from the proceeds of private sales of common stock to accredited investors, compared to \$10,062 from related party loans during the period ended March 31, 2020.

We will have significant ongoing needs for working capital to fund operations and to continue to expand our operations. To that end, we would be required to raise additional funds through equity or debt financing. However, there can be no assurance that we will be successful in securing additional capital on favorable terms, if at all. Our inability to raise capital could require us to significantly curtail or terminate our operations altogether.

### **Going Concern**

The accompanying unaudited financial statements have been prepared assuming we will continue as a going concern, which contemplates realization of assets and the satisfaction of liabilities in the normal course of business for the twelve-month period following the date of these unaudited financial statements. We have incurred significant operating losses since inception. Because we do not expect that existing operational cash flow will be sufficient to fund presently anticipated operations, this raises substantial doubt about our ability to continue as a going concern. Therefore, we will need to raise additional funds and are currently exploring sources of financing. Historically, we have raised capital through private offerings of debt and equity and officer loans to finance working capital needs. There can be no assurances that we will be able to continue to raise additional capital through the sale of common stock or other securities or obtain short-term loans.

### **Critical Accounting Estimates**

Our unaudited financial statements and accompanying notes have been prepared in accordance with GAAP. The preparation of these unaudited financial statements requires management to make estimates, judgments, and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses. We continually evaluate the accounting policies and estimates used to prepare the unaudited financial statements. The estimates are based on historical experience and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates made by management. Certain accounting policies that require significant management estimates and are deemed critical to our results of operations or financial position. Our critical accounting estimates are more fully discussed in Note 2, "Summary of Significant Accounting Policies," to our unaudited financial statements contained herein.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

We are a smaller reporting company and are not required to provide this information.

### **Item 4. Controls and Procedures.**

#### **Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and principal financial officer, as of March 31, 2021, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our Chief Executive Officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of March 31, 2021 to ensure that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), were recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that our disclosure controls are effectively designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and principal financial officer, do not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdown can occur because of simple error or mistake. In particular, many of our current processes rely upon manual reviews and processes to ensure that neither human error nor system weakness has resulted in erroneous reporting of financial data.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

There are no pending legal proceedings to which the Company is a party or in which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of voting securities of the Company, or security holder is a party adverse to the Company or has a material interest adverse to the Company. The Company's property is not the subject of any pending legal proceedings.

### Item 1A. Risk Factors.

As a smaller reporting company, we are not required to include this disclosure in this Quarterly Report on Form 10-Q.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the three months ended March 31, 2021 we issued 36,572 shares to four accredited investors and raised \$111,501.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

- (a) None.
- (b) There have been no material changes to the procedures by which security holders may recommend nominees to the Company's Board of Directors since the filing with the SEC of the Company's Annual Report on Form 10-KT on March 31, 2021.

### Item 6. Exhibits

Exhibit No.	Document
<a href="#">31.1</a>	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
<a href="#">32.1</a>	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**SOLLENSYS CORP**

Dated: May 17, 2020

By: /s/ Donald Beavers

Chief Executive Officer (principal executive officer,  
principal financial officer and principal accounting  
officer)

## CERTIFICATIONS

I, Donald Beavers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sollensys Corp;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures; and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 17, 2021

By: /s/ Donald Beavers  
Donald Beavers  
Chief Executive Officer (Principal Executive  
Officer and Principal Financial Officer)

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**CERTIFICATION PURSUANT TO  
18 U. S. C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Sollensys Corp (the "Company") on Form 10-Q for the period ended March 31, 2021 (the "Report"), I, Donald Beavers, Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 17, 2021

By: /s/ Donald Beavers

Donald Beavers

Chief Executive Officer

(Principal Executive Officer and Principal Financial Officer)

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