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

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: **December 31, 2023**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: **000-30542**

DATA443 RISK MITIGATION, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction
of incorporation or organization)

86-0914051

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

4000 Sancar Drive, Suite 400

Research Triangle Park, North Carolina 27709

(Address of principal executive offices, including zip code)

(919) 858-6542

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol	Name of Each Exchange On Which Registered
N/A	N/A	N/A

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

Common Stock, \$0.001 par value

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the 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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 30, 2022: \$1,594,117.

The number of shares of registrant’s common stock outstanding as of April 15, 2024 was 286,343.

DOCUMENTS INCORPORATED BY REFERENCE

None.

OTHER INFORMATION

As used in this Annual Report on Form 10-K, the terms “we”, “us”, “our”, “ATDS”, the “registrant”, and the “Company” refer to DATA443 RISK MITIGATION, INC., a Nevada corporation, unless otherwise stated. “SEC” and the “Commission” refers to the Securities and Exchange Commission.

All share and per share amounts in this Annual Report reflect the 1-for-600 reverse stock split effected on September 20, 2023.

DATA443 RISK MITIGATION, INC. FORM 10-K DECEMBER 31, 2023

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Except for historical information, this Annual Report on Form 10-K (the “Annual Report”) contains forward-looking statements within the meaning of the federal securities laws. Such forward-looking statements are based on management’s current expectations, assumptions, and beliefs concerning future developments and their potential effect on our business, and are subject to risks and uncertainties that could negatively affect our business, operating results, financial condition, and stock price. We have attempted to identify forward-looking statements by terminology including “anticipates,” “believes,” “can,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “should,” “will,” “would”, “if, “shall”, “might”, “will likely result, “projects”, “goal”, “objective”, or “continues”, or the negative of these terms or other comparable terminology, although the absence of these words does not necessarily mean that a statement is not forward-looking. Additionally, statements concerning future matters such as our business strategy, development of new products, sales levels, expense levels, cash flows, future commercial and financing matters, future partnering opportunities and other statements regarding matters that are not historical are forward-looking statements.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described in the “Risk Factors” section of this Annual Report, which include, but are not limited to, the following:

- we will need additional capital to fund our operations;
- there is doubt about our ability to continue as a going concern;
- we will face intense competition in our market, and we may lack sufficient financial and other resources to maintain and improve our competitive position;
- we are dependent on the continued services and performance of our founder & chief executive officer, Jason Remillard;
- our common stock is currently quoted on the OTC Pink and is thinly-traded, reducing your ability to liquidate your investment in us;
- we have a history of losses and may incur future losses, which may prevent us from attaining profitability;
- the market price of our common stock may be volatile and may fluctuate in a way that is disproportionate to our operating performance;
- we have shares of preferred stock that have special rights that could limit our ability to undertake corporate transactions, inhibit potential changes of control and reduce the proceeds available to our common stockholders in the event of a change in control;
- we have never paid and do not intend to pay cash dividends;
- our current sole director and chief executive officer has the ability to control all matters submitted to stockholders for approval, which limits minority stockholders’ ability to influence corporate affairs; and

- the other risks described in “Risk Factors”.

The risks described above should not be construed as exhaustive and should be read with the other cautionary statements in this Annual Report.

Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and industry developments may differ materially from statements made in or suggested by the forward-looking statements contained in this Annual Report. The matters summarized under “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Business”, and elsewhere in this Annual Report could cause our actual results to differ significantly from those contained in our forward-looking statements. In addition, even if our results of operations, financial condition and liquidity, and industry developments are consistent with the forward-looking statements contained in this Annual Report, those results or developments may not be indicative of results or developments in subsequent periods.

We operate in a very competitive and rapidly-changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Annual Report to conform these statements to actual results or to changes in our expectations. You should, however, review the risks we describe in the reports we will file from time to time with the SEC after the date of this Annual Report. Readers are urged to carefully review and consider the various disclosures made in this Annual Report.

Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

CERTAIN REFERENCES AND NAMES OF OTHERS USED HEREIN

This Annual Report may contain additional trade names, trademarks, and service marks of others, which are the property of their respective owners. We do not intend our use or display of other companies’ trade names, trademarks, or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies.

PART I

Item 1. Business.

Our company was incorporated as LandStar, Inc., a Nevada corporation, on May 4, 1998. We provide data security and privacy management solutions across the enterprise and in the cloud. Trusted by over 10,000 customers, we provide the visibility and control needed to protect data at scale, regardless of format, location, or consumer, and to facilitate compliance with fast-changing global data privacy requirements. Our customers include established leaders and up-and-coming businesses spanning the private and public/government sectors across diverse industries and fields, including financial services, healthcare, manufacturing, retail, technology, and telecommunications. We also provide threat detection, brand protection and email phishing, spam and virus solutions for some of the world’s largest security providers, managed service providers, e-gaming/media and ecommerce vendors on an Original Equipment Manufacturer (OEM) basis.

The mounting ransomware landscape as well as other threats to data have accelerated the rate at which businesses are adopting data security solutions and we believe that our portfolio of data security and privacy products provides an encompassing solution set such that we are well positioned to capitalize on that increased adoption rate and establish

our products as new data privacy and security standards. Our offerings are anchored in reliable and comprehensive privacy management and equip organizations with a seamless approach to safeguard data, protect against attacks, and otherwise mitigate the most critical risks.

We believe that sector-specific US laws, state-level legislation, and outside-the-United States regulations are confounding enterprises of all sizes for whom safeguarding and stewarding data is key, but for whom becoming specialists in privacy and security is not feasible. For many of these enterprises, we can bridge the gap between their need to protect data and their need to use their resources to grow their core business, by offering turnkey solutions and related counseling and technical support to offset risks from data breaches and security incidents of various types. We provide products and services for the marketplace that are designed to protect data that is stored in the cloud, on-premises, and in hybrid cloud/on-premises environments, and data that is transmitted throughout the enterprise, including but not limited to by remote employees. Our suite of security products focuses on protecting sensitive files and email, confidential customer, patient and employee data, financial records, strategic and product plans, intellectual property and other proprietary information, allowing our customers to create, share, and protect their sensitive data wherever it is stored and however it is used.

We deliver solutions and capabilities that businesses can use in conjunction with their use of established cloud vendors such as Microsoft® Azure, Google® Cloud Platform (GCP), and Amazon® Web Services (AWS), as well as with on-premises databases and database applications and with virtualization platforms, such as those hosted or configured using VMWare®, Citrix®, and Oracle® products. In order to deliver our services, we also operate two data centers in the United States, two data centers in Germany and one data center in Israel.

We sell or plan to sell substantially all of our products and services through a sales model that combines the leverage of a channel sales model or direct account management, thereby providing us with opportunities to grow our current customer base and deliver our value proposition for data privacy and security. We endeavor to use subscription models to license products and services, commonly for a paid in-advance, multiyear term that is auto-renewing. We also make use of channel partners, distributors, and resellers which sell to end-users of the products and services. This approach allows us to maintain close relationships with our customers and benefit from the global reach of our partners. Additionally, we are enhancing our product offerings and go-to-market strategy by establishing technology alliances within the IT infrastructure and security vendor ecosystem. Our sales and marketing focus for new organic growth is on organizations with 500 or more users who are adopting cloud services and can make larger purchases with us over time and have a greater potential lifetime value.

We continue to onboard to cloud-native technology adoption portals such as the Microsoft® Azure Marketplace and the Amazon® AWS Marketplace. Vendors may offer incentives to us as a software and services provider to onboard and market via their marketplace portals.

We strive to create new and innovative products and to improve existing products, proactively identifying and solving the data security needs of our customers.

As cloud adoption continues to accelerate, data privacy requirements get more complex, and data security becomes more challenging, we believe we are well positioned to capture more market share, continue to lead in strategic data security technology development, and prepare organizations for the next epoch in IT data privacy services.

Market Opportunity

Threat actors are increasingly targeting clouds and SaaS delivery infrastructure and identities with stealthy tactics via social engineering and info-stealing malware. Malware and attacks continue to progress with even greater scale, sophistication and evasion techniques to avoid detection.

We expect that current market conditions, recent data thefts, ransomware shutdowns and continued variability in the worldwide worker and retail marketplace will continue to position our product line front and center for many strategic IT and critical board-level opportunities with customers.

The competitive marketplace continues to consolidate via buyouts, take-private transactions and large ‘unicorn’ competitors being acquired prior to their initial public offerings. We believe that these changes in ownership, closure of product lines and general turmoil in certain product segments represent opportunities for us.

We believe that the functionalities offered by our programs and services position us to benefit from this growing market. Furthermore, as we continue to grow our business, we believe that we may have opportunities to expand into collateral growing markets, such IT operations management, storage management and data integration.

Our Products

Each of our major product lines provides features and functionality that we believe enable our customers to optimally secure their data. Our products are modular, giving our customers the flexibility to select what they require for their business needs and to expand their usage by simply adding a license. We currently offer the following products and services:

- **Cyren® Threat Intelligence Service (TIS)**, a well-established offering in emerging and active threats occurring around the world. With large, velocity-based data sets, TIS provides unique data products for some of the world’s leading security, response, software and service providers. Capabilities delivered within the Threat Intelligence suite include:
 - **Email Security Engine**, protects against phishing, malware, and inbound and outbound spam. Our industry-leading detection provides real-time blocking of email threats and abuse in any language or format with virtually no false positives.
 - **Threat InDepth**, receives early threat information with real-time technical threat intelligence feeds of emerging malware and phishing threats.
 - **Web Security Engine**, an AI-driven tool that makes decisions aided by advanced heuristics and 24×7 analysts; covers 82 threat categories, including web threats such as phishing, fraud. Malware integration options include an SDK, cloud API, daemon, and container.
 - **Malware Detection**, a feature with approximately 100 mini engines that scan unique objects within a file, unpack files and defeat obfuscation used by malware authors. This tool spots threats with heuristic analysis, advanced emulation, and intelligent signatures.
 - **Hybrid Analyzer**, a feature that combines static malware analysis and advanced emulation technology that quickly uncovers behaviors without executing files. File properties and behaviors are scored to indicate likelihood of maliciousness. Equally effective in connected and air-gapped environments.
- **Cyren Inbox Security for Microsoft 365**, a powerful, automated incident response that removes 97% of attacks from all affected mailboxes, which we believe saves security teams thousands of hours each year. Automatically combines similar incidents into a single case and removes threats from every mailbox. Prevents user access to malicious links and attachments, which we believe reduces email incident response costs by approximately 91%.

- **Data443® Ransomware Recovery Manager** (also known as SmartShield™), a unique offering designed to recover a workstation immediately upon infection to the last known business-operable state, without requiring any end user or IT administrator intervention.
- **Data443® Data Identification Manager** (also known as ClassiDocs® and FileFacets®), our data classification and governance technology, which supports the California Consumer Privacy Act (“CCPA”), the General Personal Data Protection Law (“LGPD”) (Brazil) and the General Data Protection Regulation (“GDPR”) (Europe) compliance in a Software-as-a-Service (SaaS) platform that performs sophisticated data discovery and content searching of structured and unstructured data within corporate networks, servers, content management systems, email, desktops, and laptops.
- **Data443® Data Archive Manager** (also known as ArcMail®), a simple, secure, and cost-effective enterprise data retention management and archiving.
- **Data443® Sensitive Content Manager** (also known as ARALOC®), a secure, cloud-based platform for managing, protecting and distributing digital content to desktop and mobile devices, which protects an organization’s confidential content and intellectual property assets from accidental leakage or intentional misappropriation - without impeding all other authorized users of the content and stakeholders from collaborating.

- **Data443® Data Placement Manager** (also known as DATAEXPRESS®), a data transport, transformation, and delivery product trusted by leading financial organizations worldwide.
- **Data443® Access Control Manager** (also known as “Resilient Access”), enables fine-grained access controls across a wide variety of platforms at scale for internal client systems and commercial public cloud platforms like Salesforce®, Box.Net, Google® G Suite, Microsoft® OneDrive, and others.
- **Data443® Blockchain Protection Manager** (also known as ClassiDocs® for Blockchain), provides an active implementation for the Ripple XRP that protects blockchain transactions from inadvertent disclosure and data leaks.
- **Data443® Global Privacy Manager**, the privacy compliance and consumer loss mitigation platform which is integrated with Data443® Data Identification Manager to do the delivery portions of GDPR and CCPA as well as process privacy-related requests under such laws, and therefore enables customers to manage the full range of privacy-law driven requirements, such as responding to permitted consumer demands for access or removal, as well as to remediate issues and monitor and report on status and compliance.
- **Data443® IntellyWP**, products for enhancing the user experience for the world’s largest content management platform, WordPress.
- **Data443® Chat History Scanner**, which scans chat messages for compliance, security, personally identifiable information (PII), personal information (PI), payment card industry (PCI) information as well as any custom keywords selected by the customer, and which can be used with third party platforms such as the Zoom Video Communications, Inc. video conferencing platform.
- **Data443® - GDPR Framework, CCPA Framework, and LGPD Framework WordPress® Plugins**, which help organizations of all sizes comply with privacy rules and regulations from Europe, California, and Brazil, and are currently used by over 30,000 active site owners. We offer the plugins with a “freemium” business model, i.e., basic features at no cost and additional or more advanced features at a premium.

Growth Strategy

Our objective is to be a leading provider of data security products and services. The following are key elements of our growth strategy:

Acquisitions. We intend to aggressively pursue acquisitions of other cybersecurity software and services providers focused on the data security sector. We target companies with a steady client base, as well as companies with complementary product offerings.

Research & Development; Innovation. We intend to increase our spending on research and development to drive innovation to improve existing products and deliver new products. We intend to work towards proactively identifying and solving the data security needs of our clients.

Grow Our Customer Base. We believe that the continued rise in enterprise data and increased cybersecurity concerns will increase demand for our services and products. We intend to capitalize on this demand by targeting new customers.

Expand Our Sales Capacity. We believe that continuing to expand our sales force will be a key to achieving our expansion and growth. We intend to expand our sales capacity by adding sales and marketing employees, with heavy focus on customer success and leveraging our existing customer relationships.

Our Customers

Our current customer base is comprised primarily of two segments – commercial enterprises and open-source consumers. Our commercial enterprise customers are generally focused within the U.S., range from 500 employees to over 150,000 employees, and use our data security products. We have over 10,000 commercial enterprise customers. We have approximately 20 customers in the financial technology industry that contract with us directly for products with subscriptions with terms of more than three years. We have more than 2,500 customers comprising mid-market-sized organizations that also contract with us directly for products with subscriptions with terms of one to three years. Our open-source consumers are more widely distributed geographically, include organizations of all sizes in terms of both number of employees and revenues, and typically use our online GDPR/CCPA/GLPD Privacy plugins, our Privacy Badge solution, or our user experience enhancement products. We have over 200,000 open-source consumers with active installations of our plugins, and we have 9,000 open-source consumers that pay a premium for additional or advanced features. We expect that some of our open-source consumers will become commercial customers over time. We provide anti-phishing, anti-spam and web security categorization services for hundreds of millions of end users via our OEM and partner ecosystem. On a monthly basis, we process over 3 billion transactions for security classification, categorization and guidance for some of the world’s leading IT and cyber security providers.

Services

Maintenance and Support

Our intended customers will typically purchase software maintenance and support as part of their initial purchase of our products. These maintenance agreements provide customers the right to receive support and unspecified upgrades and enhancements when and if they become available during the maintenance period and access to our technical support services. We will maintain a customer support organization that provides all levels of support to our customers.

Professional Services

While users can easily download, install and deploy our software on their own, we anticipate that certain enterprises will use our professional service team to provide fee-based services, which include training our customers in the use of our products, providing advice on deployment planning, network design, product configuration, and implementation, automating and customizing reports and tuning policies and configuration of our products for the particular characteristics of the customer’s environment.

Sales and Marketing

We intend to sell the majority of our products and services directly to our end users/clients. We will also propose to effect sales through a network of channel partners, selling the products they purchase from us. We have a highly-trained professional sales force responsible for overall market development, including the management of the relationships with our channel partners and supporting channel partners.

Marketing

Our marketing strategy focuses on building our brand and product awareness, increasing customer adoption and demand, communicating advantages and business benefits, and generating leads for our channel partners and sales force. We will market our products as a solution for securing and managing file systems and enterprise data and protecting against cyber-attacks. Our internal marketing organization will be responsible for branding, content generation, and product marketing. Our marketing efforts will also include public relations in multiple regions, analyst relations, customer marketing, and extensive content development available through our website and social media outlets.

Seasonality

Our business is not subject to seasonality.

Research and Development

We continue to invest and develop our capabilities in research and development. In addition to core software code, we have continued to enhance our capabilities in user experience and design, which we believe benefits our product lines and further supports customer adoption. We continue to increase the frequency, quality, and feature set of our products for our customers and to adopt advanced development, quality assurance and deployment methodologies.

Intellectual Property

Our commercial success depends in part on our ability to obtain and maintain intellectual property protection for our products and services and our brands, to prevent others from infringing, misappropriating, or otherwise violating our intellectual property rights, to defend and enforce our intellectual property rights, and to operate without infringing, misappropriating, or otherwise violating valid and enforceable intellectual property rights of others. We actively seek to protect intellectual property that we believe is important to our business, which includes maintaining issued patents that we believe cover our products and services or features of the same, and pursuing new patents through patent applications filed with the United States Patent and Trademark Office (the “USPTO”) for processes or other inventions that are commercially or strategically important to developing and maximizing our value. We seek to protect the confidentiality of trade secrets that may be important to our existing businesses or to developing and exploiting new opportunities. We take steps to build and maintain the integrity of our brands, for example, with trademarks and service marks. We rely on a strategy that combines the use of patents, trade secrets, and trademarks, know-how, and license agreements, as well as other intellectual property laws, employment agreements imposing confidentiality and invention assignment obligations, and other contractual protections to establish and protect our intellectual property rights.

Patents

We own patents in several areas of IT technology capabilities. We continue to evaluate new capabilities for advanced protection as they are built within our R&D and security posture management efforts. We also protect our IP during development with any partners - sales, development, processes and support efforts. For new innovations, we intend to

seek patent protection either to exclude others from practicing its inventions or to leverage the patent rights for licensing/cross-licensing, whichever may be most appropriate, to further the interests of the business.

Number	Title	Application Date	Grant Date	Expire Date
US 8,347,313	Method and apparatus for automating organization of processes	2009-09-2022	2013-01-01	2025-09-11
US 8,752,069B1	Virtual process collaboration	2012-12-17	2014-06-10	2024-05-21
US 8,443,997	???			
US 9,390,275B1	System and method for controlling hard drive data change	2015-01-27	2016-07-12	2035-01-27
2021-0011807A1	Methods and systems for recognizing unintended file system changes	2020-07-08	Pending	
2021-0012002A1	Methods and systems for recognizing unintended file system changes	2020-07-08	2023-10-10	2041-04-27
US 10,482,243	Multi-threat analyzer array system and method of use	Feb 27, 2017	Nov 19, 2019	2039
US 16,522,145	Phishing detection system and method of use	2019-07-25	2022-10-25	2040-08-30
US 11,524,535	Device, method and system for detecting unwanted conversational media session	2006-09-21	2010-12-07	2029-10-07
US 12,938,191	Device, method and system for detecting unwanted conversational media session	2010-11-02	2012-05-29	2026-09-21
US 12,938,256	Device, method and system for detecting unwanted conversational media session	2010-11-02	2012-05-29	2026-09-21
US 12,938,225	Device, method and system for detecting unwanted conversational media session	2010-11-02	2012-06-05	2026-09-21
EP 19,187,516	PHISHING DETECTION SYSTEM AND METHOD OF USE	2019-07-25	2022-10-25	2040-08-30
US 17,474,121	Phishing detection system and method of use	2021-09-14	Pending	
IL 268,279	PHISHING DETECTION SYSTEM AND METHOD OF USE	2019-07-25	2023-11-20	
US 8,347,313B2	Method and apparatus for automating organization of processes	2009-09-22	2013-01-01	2025-09-11
US 8,752,069	Virtual process collaboration	2012-12-17	2014-06-10	2024-05-21
US 8,347,313	Method and apparatus for automating organization of processes	2009-09-22	2013-01-01	2025-09-11
US 20,100,169,888A1	Virtual process collaboration	2009-09-22	2010-07-01	2025-09-11
US 6,330,590B1	Preventing delivery of unwanted bulk e-mail	1999-01-05	2001-12-11	2019-01-05
US 11,524,535	Device, method and system for detecting unwanted conversational media session	2006-09-21	2010-12-07	2029-10-07
US 12,938,191	Device, method and system for detecting unwanted conversational media session	2010-11-02	2011-08-02	2026-09-21
US 8,347,313B2	Method and apparatus for automating organization of processes	2009-09-22	2013-01-01	2025-09-11
US 8,752,069	Virtual process collaboration	2012-12-17	2014-06-10	2024-05-21
US 8,347,313	Method and apparatus for automating organization of processes	2009-09-22	2013-01-01	2025-09-11
US 20,100,169,888	Virtual process collaboration	2009-09-22	2010-07-01	2025-09-11
EP19,187,516.0	PHISHING DETECTION SYSTEM AND METHOD	2019-07-22	Being transferred	

Trade Secrets

We also rely on trade secrets relating to our product and technology, and we maintain the confidentiality of such proprietary information to protect aspects of our business that are not amenable to, or that we do not consider appropriate for, patent protection. We seek to protect our trade secrets and know-how by entering into confidentiality and invention assignment agreements with employees, contractors, consultants, suppliers, customers, and other third parties, who have access to such information. These agreements generally provide that all confidential information concerning our business or financial affairs developed or made known to the individual during the course of the individual's relationship with us are to be kept confidential and not disclosed to third parties except in specific circumstances.

Trademarks

Our trademark portfolio is designed to protect the brands of our products and services and any future products and services. As of January 12, 2024, we own and presently intend to maintain 10 United States trademark registrations for word marks and logos including for "DATA443", and "ALL THINGS DATA SECURITY", "CLASSIDOCs", "DATAEXPRESS", "ARALOC", "FILEFACETS", "ENTERPRISE ID", "ARCMail", "DATAHOUND" and "CYREN" in the USA and Europe.

We also make use of, manage, and otherwise enforce the use of several graphical implementations of our service marks in various capacities, including on our website, and with direct marketing and our product lines. These are also managed as part of our normal IP management processes.

For more information regarding the risks related to our intellectual property, please see "*Risk Factors—Failure to protect our proprietary technology and intellectual property rights could substantially harm our business.*"

Competition

The industry in which we compete is highly competitive. Many companies offer similar products and services for data security. We may be at a substantial disadvantage to our competitors, who have more capital than we do to carry out operations and marketing efforts. We hope to maintain our competitive advantage by offering quality at a competitive price and utilizing our management team's experience, knowledge, and expertise.

We will face competition from more established companies that have competitive advantages, such as greater name recognition, larger sales, marketing, research and acquisition resources, access to larger customer bases and channel partners, a longer operating history and lower labor and development costs, which may enable them to respond more quickly to new or emerging technologies and changes in customer requirements or devote greater resources to the development, promotion, and sale of their products than we do. Increased competition could result in us failing to attract customers or maintain them. It could also lead to price cuts, alternative pricing structures, or the introduction of products available for free or a nominal price, reduced gross margins, longer sales cycles, and loss of market share. If we are unable to compete successfully against current and future competitors, our business and financial condition may be harmed.

Employees

As of February 29, 2024, we had 21 full-time employees, two part-time employees, and 15 independent contractors. We have not experienced any work stoppages, and we consider our relations with our employees to be good. We believe that we will be successful in attracting experienced and capable personnel. Our employees are not represented by any labor union.

Government regulation

We are subject to the laws and regulations of the jurisdictions in which we operate, which may include business licensing requirements, income taxes and payroll taxes. In general, the development and operation of our business are not subject to special regulatory and/or supervisory requirements.

Implications of Being an Emerging Growth Company

We qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the “JOBS Act.” An emerging growth company may take advantage of certain reduced disclosure and other requirements that are otherwise generally applicable to public companies. As a result, the information that we provide to stockholders may be different than the information you may receive from other public companies in which you hold equity. For example, as long as we are an emerging growth company:

- we are not required to engage an auditor to report on our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act;
- we are not required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board, or the PCAOB, regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis);
- we are not required to submit certain executive compensation matters to stockholder advisory votes, such as “say-on-pay,” “say-on-frequency” and “say-on-golden parachutes”; and
- we are not required to comply with certain disclosure requirements related to executive compensation, such as the requirement to disclose the correlation between executive compensation and performance and the requirement to present a comparison of our Chief Executive Officer’s compensation to our median employee compensation.

We may take advantage of these reduced disclosure and other requirements until the last day of our fiscal year following the fifth anniversary of the completion of our IPO, or such earlier time that we are no longer an emerging growth company. For example, if certain events occur before the end of such five-year period, including if we have more than \$1.07 billion in annual revenue, have more than \$700 million in market value of our common stock held by non-affiliates, or issue more than \$1.0 billion of non-convertible debt over a three-year period, we will cease to be an emerging growth company.

As mentioned above, the JOBS Act permits us, as an emerging growth company, to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have elected not to opt out of the extended transition period which means that when an accounting standard is issued or revised, and it has different application dates for public or private companies, as an emerging growth company, we can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make it difficult or impossible because of the potential differences in accounting standards used to compare our financial statements with the financial statements of a public company that is not an emerging growth company, or the financial statements of an emerging growth company that has opted out of using the extended transition period.

Recent Developments

Acquisition of Certain Assets of Cyren Ltd.

On May 15, 2023 we entered into an agreement to purchase certain assets (the “Cyren Assets”) of Cyren Ltd. (“Cyren”) a company that provided emerging and high-volume risk mitigation services for some of the world’s largest name brand organizations prior to its bankruptcy filing in February 2023. Pursuant to a purchase agreement, the appointed receiver for the Cyren Assets (the “Receiver”) agreed to sell, transfer, assign, convey and deliver to us, and we agreed

to purchase from the Receiver, all right, title, and interest in and to the Cyren Assets, as further described in the purchase agreement, as amended on December 12, 2023 (as so amended, the “Purchase Agreement”). On December 15, 2023 we closed the transaction.

Under the terms of the Purchase Agreement, we acquired goodwill, clients, proprietary technology and intellectual property related to three services: threat intelligence, URL categorization and email security. We believe the transaction enhances our existing product portfolio and accelerates the development of next-generation solutions. Cyren’s technology is based on a combination of artificial intelligence, machine learning and big-data analytics, which we believe enables Cyren to identify and mitigate threats in real time, sooner than many competitors.

Cyren’s clients include some of the world’s largest name brand organizations and provides fast-breaking threat detection services and threat intelligence to major firewall vendors, email providers, leading cybersecurity vendors, and other industries such as gaming and e-commerce.

We believe that the Cyren technology, services and customers strengthen our competitive position by broadening our product offerings and enhancing our technological capabilities.

Amendment and Restatement of Articles of Incorporation

In connection with our plans to list our common stock on Nasdaq, our board of directors reviewed and evaluated our existing corporate governance documents, including our Amended and Restated Articles of Incorporation, and determined that an updated certificate of incorporation (the “Second A&R Certificate of Incorporation”) is advisable to clarify and modernize our governance documents and more closely align our governance with the current provisions of the Nevada Revised Statutes. Our board of directors believes that the Second A&R Charter also provides a governance structure that is more appropriate for a corporation with a class of shares listed on Nasdaq. On December 22, 2023 our board of directors approved, and recommended the approval by our stockholders, the Second A&R Certificate of Incorporation, and on the same date one stockholder holding the majority of the voting power of our common stock approved the Second A&R Certificate of Incorporation in lieu of a meeting of stockholders. The Second A&R Certificate of Incorporation became effective on January 26, 2024. A form of the Second A&R Certificate of Incorporation is incorporated by reference as Exhibit 3.2 hereto.

Amendment and Restatement of Bylaws

In connection with our plans to list our common stock on Nasdaq, our board of directors reviewed and evaluated our existing corporate governance documents, including our Bylaws and determined that updated Bylaws (the “New Bylaws”) are advisable to clarify and modernize our governance documents and more closely align our governance with the current provisions of the Nevada Revised Statutes. Our board of directors believes that the New Bylaws also provide a governance structure that is more appropriate for a corporation with a class of shares listed on Nasdaq than our Current Bylaws. On December 22, 2023 our board of directors approved the New Bylaws, and the New Bylaws became effective on January 25, 2024. A form of the New Bylaws is incorporated by reference as Exhibit 3.7 hereto.

Amendment to Certificate of Designation of Series A Preferred Stock

On December 20, 2023, we amended our Certificate of Designation of Series A Convertible Preferred Stock (“Series A Stock”) in order (i) to add a beneficial ownership limitation to the Series A Stock, such that a holder of Series A Stock may not convert such stock into common stock to the extent that the holder would beneficially own more than 9.99% of the common stock outstanding immediately after giving effect to the conversion of Series A Stock and (ii) to revert the conversion ratio of our Series A Stock to its pre-Reverse Stock Split conversion ratio of 1,000 shares of common stock, for each one share of Series A Stock. The foregoing is a summary only and is qualified in its entirety by the full text of the amendment, the form of which is incorporated by reference as Exhibit 3.5 hereto.

Approval and Adoption of Data443 Risk Mitigation, Inc. 2023 Equity Incentive Plan

On December 22, 2023 our board of directors approved, and recommended the approval by our stockholders, our 2023 Equity Incentive Plan (the “2023 Plan”) and on the same date, one stockholder holding the majority of the voting power of our common stock approved the 2023 Plan in lieu of a meeting of stockholders. The 2023 Plan became effective on January 22, 2024. The following is a summary of the material features of the 2023 Plan. The following summary of the 2023 Plan is qualified in its entirety by the full text of the 2023 Plan, the form of which is incorporated by reference as Exhibit 10.43 hereto.

Purpose

The purpose of the 2023 Plan is to enhance our ability to attract, retain and motivate persons who make (or are expected to make) important contributions to our company by providing these individuals with equity ownership opportunities and/or equity-linked compensatory opportunities.

Eligibility

Persons eligible to participate in the 2023 Plan will be the officers, employees, non-employee directors and consultants our company and our subsidiaries as selected from time to time by the plan administrator in its discretion.

Administration

The 2023 Plan will be administered by the compensation committee of our board of directors, our board of directors or such other similar committee pursuant to the terms of the 2023 Plan. The plan administrator, which initially will be the compensation committee of our board of directors, will have full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the 2023 Plan. The plan administrator may delegate to one or more of our officers the authority to grant awards to individuals who are not subject to the reporting and other provisions of Section 16 of the Exchange Act.

Share Reserve

An aggregate of 800,000 shares of Common Stock may be issued under the 2023 Plan. Shares underlying any awards under the 2023 Plan that are forfeited, cancelled, held back to cover the exercise price or tax withholding, satisfied without the issuance of stock or otherwise terminated (other than by exercise) will be added back to the shares available for issuance under the 2023 Plan. The payment of dividend equivalents in cash shall not count against the share reserve.

Annual Limitation on Awards to Non-Employee Directors

The 2023 Plan contains a limitation whereby the grant date value of all awards under the 2023 Plan and all other cash compensation paid by the Company to any non-employee director may not exceed \$250,000 in any calendar year, although the Company’s board of directors may, in its discretion, make exceptions to the limit in extraordinary circumstances.

Types of Awards

The 2023 Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, and other stock or cash based awards, or collectively, awards. Unless otherwise set forth in an individual award agreement, each award shall vest over a two-year period, with one-half of the award vesting on the first annual anniversary of the date of grant, with the remainder of the award vesting monthly thereafter.

Stock Options

The 2023 Plan permits the granting of both options to purchase shares of common stock intended to qualify as incentive stock options under Section 422 of the Code and options that do not so qualify. Options granted under the 2023 Plan will be nonqualified options if they fail to qualify as incentive stock options or exceed the annual limit on incentive stock options. Incentive stock options may only be granted to employees of the Company and its subsidiaries. Nonqualified options may be granted to any persons eligible to receive awards under the 2023 Plan.

The exercise price of each option will be determined by the plan administrator but generally may not be less than 100% of the fair market value of the Common Stock on the date of grant or, in the case of an incentive stock option granted to a 10% stockholder, 110% of such share's fair market value. The term of each option will be fixed by the plan administrator and may not exceed ten years from the date of grant (or five years for an incentive stock option granted to a 10% stockholder). The plan administrator will determine at what time or times each option may be exercised, including the ability to accelerate the vesting of such options.

Upon exercise of options, the exercise price must be paid in full either in cash, check, or, with the approval of the plan administrator, by delivery (or attestation to the ownership) of shares of Common Stock that are beneficially owned by the optionee free of restrictions or were purchased in the open market. Subject to applicable law and approval of the plan administrator, the exercise price may also be made by means of a broker-assisted cashless exercise. In addition, the plan administrator may permit nonqualified options to be exercised using a "net exercise" arrangement that reduces the number of shares issued to the optionee by the largest whole number of shares with fair market value that does not exceed the aggregate exercise price.

Stock Appreciation Rights

The plan administrator may award stock appreciation rights subject to such conditions and restrictions as it may determine. Stock appreciation rights entitle the recipient to shares of common stock, or cash, equal to the value of the appreciation in the Company's stock price over the exercise price. The exercise price generally may not be less than 100% of the fair market value of common stock on the date of grant. The term of each stock appreciation right will be fixed by the plan administrator and may not exceed ten years from the date of grant. The plan administrator will determine at what time or times each stock appreciation right may be exercised, including the ability to accelerate the vesting of such stock appreciation rights.

Restricted Stock

The plan administrator may award restricted shares of common stock subject to such conditions and restrictions as it may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with the Company or its subsidiaries through a specified vesting period. Unless otherwise provided in the applicable award agreement, the participant generally will have the rights and privileges of a stockholder as to such restricted shares, including without limitation the right to vote such restricted shares and the right to receive dividends, if applicable.

Restricted Stock Units and Dividend Equivalents

The plan administrator may award restricted stock units which represent the right to receive common stock at a future date in accordance with the terms of such grant upon the attainment of certain conditions specified by the plan administrator. Restrictions or conditions could include, but are not limited to, the attainment of performance goals, continuous service with the Company or its subsidiaries, the passage of time or other restrictions or conditions. The plan administrator determines the persons to whom grants of restricted stock units are made, the number of restricted stock units to be awarded, the time or times within which awards of restricted stock units may be subject to forfeiture, the vesting schedule, and rights to acceleration thereof, and all other terms and conditions of the restricted stock unit awards. The value of the restricted stock units may be paid in common stock, cash, other securities, other property, or a combination of the foregoing, as determined by the plan administrator.

A participant holding restricted stock units will have no voting rights as stockholders. Prior to settlement or forfeiture, restricted stock units awarded under the 2023 Plan may, at the plan administrator's discretion, provide for a right to dividend equivalents. Such right entitles the holder to be credited with an amount equal to all dividends paid on one share of common stock while each restricted stock unit is outstanding. Dividend equivalents may be converted into additional restricted stock units. Settlement of dividend equivalents may be made in the form of cash, common stock, other securities, other property, or a combination of the foregoing. Prior to distribution, any dividend equivalents will be subject to the same conditions and restrictions as the restricted stock units to which they attach.

Other Stock or Cash Based Awards

Other stock or cash based may be granted either alone, in addition to, or in tandem with, other awards granted under the 2023 Plan and/or cash awards made outside of the 2023 Plan. The plan administrator shall have authority to determine the persons to whom and the time or times at which such awards will be made, the amount of such awards, and all other conditions, including any dividend and/or voting rights.

Changes in Capital Structure

The 2023 Plan requires the plan administrator to make appropriate adjustments to the number of shares of Common Stock that are subject to the 2023 Plan, to certain limits in the 2023 Plan, and to any outstanding awards to reflect stock dividends, stock splits, extraordinary cash dividends and similar events.

Change in Control

Except as set forth in an award agreement issued under the 2023 Plan, in the event of a change in control (as defined in the 2023 Plan), each outstanding stock award (vested or unvested) will be treated as the plan administrator determines, which may include (i) the Company's continuation of such outstanding stock awards (if the Company is the surviving corporation); (ii) the assumption of such outstanding stock awards by the surviving corporation or its parent; (iii) the substitution by the surviving corporation or its parent of new stock options or other equity awards for such stock awards; (iv) the cancellation of such stock awards in exchange for a payment to the participants equal to the excess of (A) the fair market value of the shares subject to such stock awards as of the closing date of such corporate transaction over (B) the exercise price or purchase price paid or to be paid (if any) for the shares subject to the stock awards (which payment may be subject to the same conditions that apply to the consideration that will be paid to holders of shares in connection with the transaction, subject to applicable law); (v) provide that such award shall vest and, to the extent applicable, be exercisable as to all shares covered thereby, notwithstanding anything to the contrary in the 2023 Plan or the provisions of such Award; or (vi) provide that the award will terminate and cannot vest, be exercised or become payable after the applicable event.

The 2023 Plan provides that a stock award may be subject to additional acceleration of vesting and exercisability upon a change in control as may be provided in the award agreement for such stock award, but in the absence of such provision, no such acceleration will occur.

Tax Withholding

Participants in the 2023 Plan are responsible for the payment of any federal, state or local taxes that the Company or its subsidiaries are required by law to withhold upon the exercise of options or stock appreciation rights or vesting of other awards. The plan administrator may cause any tax withholding obligation of the Company or its subsidiaries to be satisfied, in whole or in part, by the applicable entity withholding from shares of Common Stock to be issued pursuant to an award a number of shares with an aggregate fair market value that would satisfy the withholding amount due. The plan administrator may also require any tax withholding obligation of the Company or its subsidiaries to be satisfied, in whole or in part, by an arrangement whereby a certain number of shares issued pursuant to any award are immediately sold and proceeds from such sale are remitted to the Company or its subsidiaries in an amount that would satisfy the withholding amount due.

Transferability of Awards

The 2023 Plan generally does not allow for the transfer or assignment of awards, other than by will or by the laws of descent and distribution; however, the plan administrator has the discretion to permit awards (other than incentive stock options) to be transferred by a participant.

Term

The 2023 Plan became effective on January 22, 2024, and unless terminated earlier, the 2023 Plan will continue in effect for a term of ten (10) years, after which time no awards may be granted under the 2023 Plan.

Amendment and Termination

The Company's board of directors and the plan administrator may each amend, suspend, or terminate the 2023 Plan and the plan administrator may amend or cancel outstanding awards, but no such action may materially and adversely affect rights under an award without the holder's consent. Certain amendments to the 2023 Plan will require the approval of the Company's stockholders. Generally, without stockholder approval, (i) no amendment or modification of the 2023 Plan may reduce the exercise price of any stock option or stock appreciation right, (ii) the plan administrator may not cancel any outstanding stock option or stock appreciation right where the fair market value of the common stock underlying such stock option or stock appreciation right is less than its exercise price and replace it with a new option or stock appreciation right, another award or cash and (iii) the plan administrator may not take any other action that is considered a "repricing" for purposes of the stockholder approval rules of the applicable securities exchange.

All stock awards granted under the 2023 Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Company's board of directors may impose such other clawback, recovery or recoupment provisions in a stock award agreement as the board of directors determines necessary or appropriate.

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information with the SEC. Any materials that we file with the SEC are available free of charge on the website maintained by the SEC. The Internet address of the SEC's website is <http://www.sec.gov>. We also make our reports and other information available, free of charge, on our website at www.data443.com. Our corporate offices are located at 4000 Sancar Drive, Suite 400, Research Triangle Park, North Carolina 27709. Our telephone number is 919-858-6542.

Item 1A. Risk Factors.

Investing in our Common Stock involves a high degree of risk. You should carefully consider the following risk factors, as well as other information in this Annual Report, before deciding whether to invest in the shares of our Common Stock. The occurrence of any of the events described below could have a material adverse effect on our business, financial condition or results of operations. In the case of such an event, the trading price of our Common Stock may decline and you may lose all or part of your investment.

Risk Factor Summary

Our business is subject to numerous risks and uncertainties, including those described in “Risk Factors” in this Annual Report, any of which could materially and adversely impact our business and operations, adversely impact our growth prospects, cause us to incur additional costs or liabilities and/or cause the price of our common stock to decline. You should carefully consider these risks and uncertainties when investing in our common stock. Some of the principal risks and uncertainties include the following:

- We will require additional funds in the future to achieve our current business strategy;
- Technology is constantly changing and evolving and the continued viability of our products and services requires that we keep up with an ever-changing technological landscape;
- We face intense competition in our market, especially from larger, well-established companies;
- We are dependent on the continued services and performance of our founder and Chief Executive Officer;
- We may be unable to attract new customers and/or expand sales to existing customers;
- We may be unable to maintain successful relationships with our channel partners;
- We may be subject to breaches in our security, cyberattacks or other cyber risks;
- We may be unable to protect our proprietary technology and intellectual property rights;
- We may be subject to real or perceived errors, failures, or bugs in our technology;
- We are subject to federal, state and industry privacy and data security regulations;
- Our business is susceptible to risks associated with international operations;
- Our business is subject to the risks of pandemic, fire, power outages, floods, earthquakes, and other catastrophic events, and to interruption by manmade problems such as terrorism and war;
- Our operations may continue to increase in complexity as we grow, which will add additional challenges to the management of our business in the future;
- We may be unable to secure necessary financing on acceptable terms and in a timely manner;
- There is no assurance that future financing from Mr. Remillard will be available or, if available, that it will be on terms that are satisfactory to us;
- We may not be able to identify suitable acquisition candidates or consummate acquisitions on acceptable terms, or we may be unable to successfully integrate acquisitions;
- The JOBS Act allows us to postpone the date by which we must comply with certain laws and regulations intended to protect investors and to reduce the amount of information we provide in reports filed with the SEC;
- Failure to implement proper and effective internal controls or to remediate weakness in internal accounting controls could result in material misstatements in our financial statements.
- We have secured debt, which could have adverse consequences to you;
- We may not be able to attract the attention of research analysts at major brokerage firms;

- In the event of a bankruptcy, liquidation or winding up of our assets, our common stock will rank junior to all of our liabilities to third party creditors, and to any class or series of our capital stock created after this offering that, by its terms, ranks senior to our common stock;
- The trading price of our common stock may be subject to rapid and substantial price volatility that may be unrelated to our actual or expected operating performance and financial condition or prospects.
- Conversions of our currently-outstanding debt into equity will have a dilutive effect and may adversely affect your investment;
- Future issuances of debt securities and preferred stock may adversely affect the return of your investment;
- Our common stock is subject to the SEC's penny stock rules;
- Our common stock has historically experienced low trading volume on the OTC Pink, and therefore the price may not accurately reflect our value and there can be no assurance that an active market for our common stock will develop, either now or in the future;
- We have had a history of losses and may incur future losses, which may prevent us from attaining profitability;
- There is substantial doubt about our ability to continue as a going concern;
- We currently have outstanding shares of preferred stock that have special rights that could limit our ability to undertake corporate transactions, inhibit potential changes of control and reduce the proceeds available to our common stockholders in the event of a change in control;
- Our Chief Executive Officer has the ability to control all matters submitted to stockholders for approval;
- We will continue to incur substantial costs as a result of operating as a public reporting company, and our management will be required to devote substantial time to compliance initiatives;
- We may issue additional shares of our common stock, which may dilute current stockholders;
- Our management will have broad discretion in the use of the net proceeds from this offering;
- We may not be able to continue to comply with the continued listing standards of the Nasdaq Capital Market;
- Adverse or uncertain macroeconomic or geopolitical conditions or reduced IT spending may adversely impact our business, revenues, and profitability; and
- Prolonged economic uncertainties or downturns could materially adversely affect our business.

Risks Related to Our Business and Industry

We will require additional funds in the future to achieve our current business strategy and an inability to obtain funding could cause our business to fail.

We will need to raise additional funds through public or private debt or equity financings in order to fund our future operations and fulfill our future contractual obligations. These financings may not be available when needed. Even if these financings are available, they may be on terms that we deem unacceptable or that are materially adverse to your interests with respect to dilution of book value, dividend preferences, liquidation preferences, or other terms.

Our inability to obtain financing could have an adverse effect on our ability to implement our business plan and develop our products, and as a result, could diminish our sales or require us to suspend our operations and possibly cease our existence.

Even if we are successful in raising capital in the future, we will likely need to raise additional capital to continue and/or expand our operations. If we do not raise the additional capital, the value of any investment in us may become worthless.

If we do raise additional capital but from other than conventional sources, we may need to scale back or otherwise adjust our growth strategy which may prevent us from fully implementing our business plan.

Technology is constantly changing and evolving and the continued viability of our products and services requires that we keep up with an ever-changing technological landscape.

Our industry is categorized by rapid technological progression, ever-increasing innovation, changes in customer requirements, and frequent new product introductions, and we may be subject to legal and regulatory compliance mandates as the relevant law develops in the fields in which our products are used. As a result, we must continually change and improve our products in response to such changes, and our products must also successfully interface with products from other vendors, which are also subject to constant change. While we believe we have the competency to aid our customers in all aspects of data privacy and security, we will need to constantly improve our current assets and offerings to keep up with technological advances that are expected to occur.

We cannot guarantee that we will be able to anticipate future market needs and opportunities or be able to develop new products and services or expand the functionality of our current products and services in a timely manner or at all. Even if we are able to anticipate, develop, and introduce new products and expand the functionality of our current products, there can be no assurance that enhancements or new products will achieve widespread market acceptance: If they do not, our business may be adversely affected and we may have to cease operations altogether.

We face intense competition in our market, especially from larger, well-established companies, and we may lack sufficient financial and other resources to maintain and improve our competitive position.

The market for data privacy and security and other data governance solutions is intensely competitive and is characterized by constant change and innovation. We face competition from both traditional, larger software vendors offering enterprise-wide software frameworks and services and smaller companies offering point solutions for specific identification and data governance issues. We also compete with IT equipment vendors and systems management solution providers whose products and services address data identification and classification and data governance requirements. Our principal competitors vary depending on the product. Many of our existing competitors have achieved, and some of our potential competitors could achieve, substantial competitive advantages due to:

- greater name recognition and longer operating histories;
- more comprehensive and varied products and services;

- broader market focus;
- greater resources to develop technologies or make acquisitions;
- intellectual property portfolios that may limit our ability to market or sell products and services in the United States or markets outside the United States;
- broader distribution capabilities and established relationships with distribution partners and customers;
- greater customer support resources; and
- substantially greater financial, technical, and other resources.

Our competitors may be able to compete and respond more effectively than we can to new or changing opportunities, technologies, standards, or customer requirements. Our competitors may also seek to extend or

supplement their existing products and services to provide data security and data governance solutions that more closely compete with our products and services offerings. Potential customers may also prefer to purchase, or incrementally add solutions, from their existing suppliers rather than to onboard with us as a new or additional supplier regardless of whether our products offer better performance or more features.

In addition, with the recent increase in large merger and acquisition transactions in the technology industry, particularly transactions involving cloud-based technologies, there is a greater likelihood that we will compete with other large technology companies in the future.

Some of our competitors have made acquisitions or entered into strategic relationships to offer more comprehensive product offerings in combination than they were previously able to offer alone. Companies resulting from these possible consolidations and partnerships may be able to offer more attractive pricing, making them more compelling to customers and more difficult for us to compete with effectively. In addition, continued industry consolidation may adversely impact customer perceptions of the viability of small- and medium-sized technology companies and consequently their willingness to purchase from those companies. Conditions in our market could change rapidly and significantly as a result of technological advancements, partnering among our competitors, or continuing market consolidation. These competitive pressures in our market or our potential inability to compete effectively may result in price reductions, fewer orders, reduced revenue and gross margins, increased net losses, and loss of market share. Any failure to meet and address these factors could adversely affect our business, financial condition, and operating results.

We are dependent on the continued services and performance of our founder and Chief Executive Officer, Jason Remillard, the loss of whom could adversely affect our business.

Our future performance depends in large part on the continued services and continuing contributions of our founder, Chief Executive Officer and president, Jason Remillard, to successfully manage the Company, to execute on our business plan, and to identify and pursue new opportunities and deliver product innovations. The loss of Mr. Remillard's services could significantly delay or prevent us from achieving our development and strategic objectives and adversely affect our business.

If we are unable to attract new customers and/or expand sales to existing customers, both domestically and internationally, our growth could be slower than we expect, and our business may be harmed.

Our future growth depends in part upon increasing our customer base. Our ability to achieve significant growth in revenues in the future will depend upon the effectiveness of our sales and marketing efforts, both domestically and internationally, and our ability to attract new customers. If we fail to attract new customers, our revenues may grow more slowly than expected, and our business may be harmed.

Our future growth also depends upon expanding sales of our products and services to existing customers and their organizations. If our customers do not purchase additional licenses or our other offerings related to complementary products and services, our revenues may grow more slowly than expected, may not grow at all, or may decline. There can be no assurance that our efforts will result in increased sales to existing customers and additional revenues. If our efforts are not successful, our business may suffer.

If we are unable to maintain successful relationships with our channel partners, our business could be adversely affected.

We intend to rely to some extent on channel partners, such as distribution partners and resellers, to sell licenses for our products and to sell our technical support and maintenance services. Our ability to achieve revenue growth in the future may depend in part on our success in maintaining successful relationships with our channel partners. Agreements with channel partners tend to be non-exclusive, meaning our channel partners may offer customers the products of several different companies. If our channel partners do not effectively market and sell our

products and services, choose to use greater efforts to market and sell their own products or those of others, or fail to meet the needs of our customers, our ability to grow our business may be adversely affected. Furthermore, agreements with channel partners generally allow them to terminate their agreements for any reason upon 30 days' notice. If we are unable to maintain our relationships with these channel partners, our business, results of operations, financial condition, or cash flows could be adversely affected.

Breaches in our security, cyberattacks, or other cyber risks could expose us to significant liability and cause our business and reputation to suffer.

Our operations may involve transmitting and processing the confidential, proprietary, and sensitive information of our customers. We have legal and contractual obligations to protect the confidentiality of and to appropriately use customer data. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks as a result of third-party action, employee error, or misconduct. Security risks, including, but not limited to, unauthorized use or disclosure of customer data, theft of proprietary information, loss or corruption of customer data, and computer hacking attacks or other cyberattacks, could expose us to substantial litigation expenses and damages, indemnity and other contractual obligations, government fines and penalties, mitigation expenses and other liabilities. We have been subject to attempted cyberattacks in the past and expect to be subject to such attacks in the future. We continuously work to improve our information technology systems, and to create security boundaries around our critical and sensitive assets. We perform activities to mitigate the risk of attacks and to increase our capabilities to responsibly handle any security violation or attack. However, because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until successfully launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures and our products could be harmed, we could lose potential sales and existing customers, our ability to operate our business could be impaired, and we may incur significant liabilities.

Failure to protect our proprietary technology and intellectual property rights could substantially harm our business.

The success of our business depends on our ability to obtain, protect, and enforce our trade secrets, patents, and other intellectual property rights such as copyrights and trademarks. We attempt to protect our intellectual property under trade secret, patent, copyright, and trademark laws, and through a combination of confidentiality procedures, contractual provisions and other methods, all of which offer only limited protection. The process of obtaining patent protection is expensive and time consuming, and we may choose not to seek patent protection for certain innovations and may choose not to pursue patent protection in certain jurisdictions in which we do or plan to do business. Not seeking patent protection may limit our options to exclude competitors from using those innovations altogether or in those jurisdictions.

Our policy is to require our employees to execute written agreements in which they assign to us their rights in potential inventions and other intellectual property created within the scope of their employment. We also require any consultants we engage to provide services that may result in intellectual property that would benefit us to contractually agree to assign their rights to their inventions or creations to us, in connection with the engagement. However, we cannot assure you that we have adequately protected our rights in every such agreement or that we have executed an agreement with every such party. Finally, in order to benefit from intellectual property protection, we must monitor, detect, and pursue infringement claims in certain circumstances in relevant jurisdictions, all of which is costly and time-consuming. As a result, we may not be able to adequately protect our intellectual property rights.

The data security, cybersecurity, data retention, and data governance industries are characterized by the existence of a large number of relevant patents and frequent claims and related litigation regarding patent and other intellectual property rights. From time to time, third parties have asserted and may assert their patent, copyright, trademark and other intellectual property rights against us, our channel partners, or our customers. Successful claims of infringement or misappropriation by a third party could prevent us from distributing certain products or performing

certain services or could require us to pay substantial damages (including, for example, treble damages if we are found to have willfully infringed patents and increased statutory damages if we are found to have willfully infringed copyrights), royalties or other fees. Such claims also could require us to cease making, licensing or using solutions that are alleged to infringe or misappropriate the intellectual property of others or to expend additional development resources to attempt to redesign our products or services or otherwise to develop non-infringing technology. Even if third parties may offer a license to their technology, the terms of any offered license may not be acceptable, and the failure to obtain a license or the costs associated with any license could cause our business, results of operations or financial condition to be materially and adversely affected. In some cases, we indemnify our channel partners and customers against claims that our products infringe the intellectual property of third parties. Defending against claims of infringement or being deemed to be infringing the intellectual property rights of others could impair our ability to innovate, develop, distribute, and sell our current and planned products and services. If we are unable to protect our intellectual property rights and ensure that we are not violating the intellectual property rights of others, we may find ourselves at a competitive disadvantage to others who need not incur the additional expense, time, and effort required to create the innovative products that have enabled us to be successful to date.

Real or perceived errors, failures, or bugs in our technology could adversely affect our growth prospects.

Because we develop, use, and provide complex technology, undetected errors, failures, or bugs may occur. Our technology is often installed and used in a variety of computing environments with different operating system management software, equipment, and networking configurations, which may cause errors or failures of our technology or other aspects of the computing environment into which it is deployed. In addition, deployment of our technology into computing environments may expose undetected errors, compatibility issues, failures, or bugs in our technology. Despite testing by us, errors, failures, or bugs may not be found until our technology is released to our customers. Moreover, our customers could incorrectly implement or inadvertently misuse our technology, which could result in customer dissatisfaction and adversely impact the perceived utility of our products. Any of these real or perceived errors, compatibility issues, failures, or bugs could result in negative publicity, reputational harm, loss of or delay in market acceptance, loss of competitive position, or claims by customers for losses sustained by them. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help correct the problem.

We are subject to federal, state and industry privacy and data security regulations, which could result in additional costs and liabilities to us or inhibit sales of our software.

The regulatory framework for privacy issues worldwide is rapidly evolving and is likely to remain fluid and unpredictable for the foreseeable future. Many federal, state, and foreign government bodies and agencies have adopted or are considering adopting privacy and data security laws and regulations. In addition, privacy advocates and industry groups may propose new and different self-regulatory standards. We also may determine that certain requirements or standards are best practices for us to implement. Because the interpretation and application of privacy and data protection laws can be uncertain, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our existing data security practices. If so, in addition to the possibility of fines, lawsuits and other claims, we could be required to fundamentally change our business activities and practices or modify our technology, which could have an adverse effect on our business. Any inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations and policies, could result in additional cost and liability to us, damage our reputation, inhibit sales and adversely affect our business.

Because our long-term success depends, in part, on our ability to expand the sales and marketing of our technology and solutions to customers located outside of the United States, our business is susceptible to risks associated with international operations.

We intend to expand our international sales and marketing operations. Conducting international operations subjects us to risks that we may not face in the United States or may prove more challenging to address. These risks include:

- pandemics, political instability, war, armed conflict, or terrorist activities;
- challenges developing, marketing, selling, and implementing our technology and solutions caused by language, cultural and ethical differences, and the competitive environment;
- heightened risks of unethical, unfair, or corrupt business practices, actual or claimed, in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and necessitate restatements of or result in irregularities in financial statements;
- competition from bigger and stronger companies in the new markets;
- laws imposing heightened restrictions on data use and increased penalties for failure to comply with applicable laws, particularly in countries within the European Union (EU);
- currency fluctuations;
- management communication and integration problems resulting from cultural differences and geographic dispersion;
- potentially adverse tax consequences, including multiple and possibly overlapping tax structures, the complexities of foreign value-added tax (VAT) systems, restrictions on the repatriation of earnings and changes in tax rates; and
- lack of familiarity with local laws, customs and practices, and laws and business practices favoring local competitors or commercial parties.

The occurrence of any one of these risks could harm our international business and, consequently, our operating results. Additionally, operating in international markets requires significant management attention and financial resources. We cannot be certain that the investment and additional resources required to operate in other countries will produce desired levels of revenue or net income.

Changes in financial accounting standards may cause adverse and unexpected revenue fluctuations and impact our results of operations.

A change in accounting standards or practices could harm our operating results and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may harm our operating results or the way we conduct our business. Additionally, the adoption of new or revised accounting principles may require that we make significant changes to our systems process and controls, which could be time consuming and costly.

Our business is subject to the risks of pandemic, fire, power outages, floods, earthquakes, and other catastrophic events, and to interruption by manmade problems such as terrorism and war.

A pandemic, significant natural disaster, such as a fire, flood or an earthquake, or a significant power outage could have a material adverse impact on our business, results of operations and financial condition. In the event our customers' information technology systems or our channel partners' selling or distribution abilities are hindered by any of these events, we may miss financial targets, such as revenues and sales targets, for a particular quarter. Furthermore, if a natural disaster occurs in a region from which we derive a significant portion of our revenue, customers in that region may delay or forego purchases of our products, which may materially and adversely impact our results of operations for a particular period. In addition, acts of terrorism or war could cause disruptions in our business or the business of channel partners, customers, or the economy as a whole. All of the aforementioned risks may be exacerbated if the disaster recovery plans for us and our channel partners prove to be inadequate. To the extent that any of the above results in delays or cancellations of customer orders, or delays in producing, deploying or shipping our products or delivering our services, our business, financial condition and results of operations would be adversely affected.

We anticipate that our operations will continue to increase in complexity as we grow, which will add additional challenges to the management of our business in the future.

We expect that our business will grow as we execute on our business plan, and that as we grow our operations will increase in complexity. To effectively manage this growth, we have made and continue to make substantial investments to improve our operational, financial and management controls as well as our reporting systems and procedures. Further, as our customer base grows, we will need to expand our professional services and other personnel. We also will need to effectively manage our direct and indirect sales processes as the number and type of our sales personnel and channel partners grows and becomes more complex, and as we expand into foreign markets. If we are unable to effectively manage the increasing complexity of our business and operations, the quality of our technology and customer service could suffer, and we may not be able to adequately address competitive challenges. These factors could all negatively impact our business, operations, operating results, and financial condition.

We require additional financing to sustain our operations and execute our business plan. If we fail to secure the required additional financing on acceptable terms and in a timely manner, our ability to implement our business plan will be compromised and we may be unable to sustain our operations.

We have limited capital resources and operations. To date, our operations have been funded largely from the proceeds of debt and equity financings. We will require substantial additional capital in the near future to operate our business. We may be unable to obtain additional financing on terms acceptable to us, or at all. Even if we obtain financing for our near-term operations, we expect that we will require additional capital thereafter. Our capital needs will depend on numerous factors including but not limited to (i) the scale of our marketing and sales activities, (ii) other expenditures of resources to maintain or increase revenue and (iii) the amount of our capital expenditures, including acquisitions. We cannot assure you that we will be able to obtain capital in the future to meet our needs. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership held by our existing shareholders will be reduced and our shareholders may experience significant dilution. In addition, new securities may contain rights, preferences, or privileges that are senior to those of our common stock. If we raise additional capital by incurring debt, this will result in increased interest expense. If we raise additional funds through the issuance of securities, market fluctuations in the price of our shares of common stock could limit our ability to obtain equity financing. We cannot give any assurance that any additional financing will be available to us, or if available, will be on terms favorable to us. If we are unable to raise capital when needed, our business, financial condition, and results of operations would be materially adversely affected, and we could be forced to reduce or discontinue our operations.

We have relied on funding from Jason Remillard for working capital to fund operations in the past, and there is no assurance that future financing from Mr. Remillard will be available or, if available, that it will be on terms that are satisfactory to us.

For the past several years, we have depended on our Chief Executive Officer, Jason Remillard, for working capital to fund our operations and to execute our business plan. In addition, we have in the past been and in the future be dependent upon Mr. Remillard to provide continued funding and capital resources. However, no assurance can be given that future financing from Mr. Remillard will be available or, if available, that it will be on terms that are satisfactory to us. In the absence of financing from other sources, the inability to obtain additional financing from Mr. Remillard could result in the scaling back or discontinuance of our operations or our inability to successfully implement our plan of operations.

We have made and expect to continue to make acquisitions as a primary component of our growth strategy. We may not be able to identify suitable acquisition candidates or consummate acquisitions on acceptable terms, or we may be unable to successfully integrate acquisitions, which could disrupt our operations and adversely impact our business and operating results.

A primary component of our growth strategy is to acquire complementary businesses. We intend to continue to pursue acquisitions of complementary technologies, products, and businesses as a primary component of our growth strategy to enhance the features and functionality of our offerings, to expand our customer base and access to new

markets, and to increase benefits of scale. Acquisitions involve certain known and unknown risks that could cause our actual growth or operating results to differ from our expectations. For example:

- we may not be able to identify suitable acquisition candidates or to consummate acquisitions on acceptable terms;
- we may pursue international acquisitions, which inherently pose more risks than domestic acquisitions;
- we compete with others to acquire complementary products, technologies, and businesses, which may result in decreased availability of, or increased price for, suitable acquisition candidates;
- we may not be able to obtain the necessary financing on favorable terms or at all, to finance our potential acquisitions;
- we may ultimately fail to consummate an acquisition even if we announce that we plan to acquire a technology, product, or business; and
- acquired technologies, products, or businesses may not perform as we expect and we may fail to realize anticipated revenue and profits.

In addition, our acquisition strategy may divert management's attention away from our existing business, resulting in the loss of key customers or employees, and expose us to unanticipated problems or legal liabilities, including responsibility as a successor for undisclosed or contingent liabilities of acquired businesses or assets.

If we fail to conduct due diligence on our potential targets effectively, we may, for example, not identify problems at target companies or fail to recognize incompatibilities or other obstacles to successful integration. Our inability to successfully integrate future acquisitions could impede us from realizing all of the benefits of those acquisitions and could severely weaken our business operations. The integration process may disrupt our business and, if new technologies, products, or businesses are not implemented effectively, may preclude the realization of the full benefits expected by us and could harm our results of operations. In addition, the overall integration of new technologies, products, or businesses may result in unanticipated problems, expenses, liabilities, and competitive responses.

In addition, even if the operations of an acquisition are integrated successfully, we may not realize the full benefits of the acquisition, including the synergies, cost savings, or growth opportunities that we expect. The benefits we do realize may not be achieved within the anticipated time frame.

The JOBS Act allows us to postpone the date by which we must comply with certain laws and regulations intended to protect investors and to reduce the amount of information we provide in reports filed with the SEC.

The JOBS Act is intended to reduce the regulatory burden on "emerging growth companies." We meet the definition of an emerging growth company and so long as we qualify as an emerging growth company, we are, among other things:

- not required to comply with the auditor attestation requirements of the Sarbanes-Oxley Act, which include having an independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting;
- subject to reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exempt from the requirement to hold a nonbinding advisory vote on executive compensation and stockholder approval of any "golden parachute" payments not previously approved;

- permitted to present only two years of audited financial statements and only two years of management’s discussion and analysis of financial condition and results of operations disclosure in this Annual Report; and
- not required to comply with any rules that may be adopted by the PCAOB requiring mandatory audit firm rotation or a supplement to the auditor’s report on our financial statements.

We have taken advantage of all of these reduced burdens in this Annual Report, and currently intend to do so in future filings. As a result, the information we provide stockholders may be different from, and less fulsome than information you might receive from other public companies in which you hold equity. In addition, the JOBS Act provides that an emerging growth company can delay adopting new or revised accounting standards until those standards apply to private companies. We have elected to avail ourselves of this exemption. We will remain an emerging growth company until the earliest to occur of (i) the last day of the fiscal year in which we have more than \$1.07 billion in annual revenue; (ii) the last day of the fiscal year in which we qualify as a “large accelerated filer”, (iii) the date on which we have, during the previous three-year period, issued more than \$1 billion in non-convertible debt securities; and (iv) the last day of the fiscal year in which the fifth anniversary of this offering occurs.

We are also currently a “smaller reporting company,” meaning that the market value of our stock held by non-affiliates plus the proposed aggregate amount of gross proceeds to us as a result of this offering is less than \$700 million and our annual revenue was less than \$100 million during the most recently completed fiscal year. We are not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent company that is not a smaller reporting company. We may continue to be a smaller reporting company after this offering if either (i) the market value of our stock held by non-affiliates is less than \$250 million as of the last business day of the second fiscal quarter or (ii) our annual revenue is less than \$100 million during the most recently completed fiscal year and the market value of our stock held by non-affiliates is less than \$700 million as of the last business day of the second fiscal quarter. In the event that we are still considered a smaller reporting company, at the time we cease being an emerging growth company, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K and, similar to emerging growth companies, smaller reporting companies have reduced disclosure obligations regarding executive compensation.

Decreased disclosures in our SEC filings due to our status as an emerging growth company or smaller reporting company may make it harder for investors to analyze our results of operations and financial prospects.

Failure to remediate weakness in internal accounting controls could result in material misstatements in our financial statements and may result in a lack of certain protections typically afforded to investors.

As a reporting company we are required, pursuant to the Sarbanes-Oxley Act, to include in our Annual Report on Form 10-K our assessment of the effectiveness of our internal control over financial reporting. Our assessment must include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, and when we cease to be an emerging growth company, we will need to provide a statement that our independent registered public accounting firm has issued an opinion on the effectiveness of our internal control over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our consolidated financial statements will not be prevented or detected on a timely basis. Our management has identified a material weakness in our internal control over financial reporting related to lack of segregation of duties resulting from our limited personnel and has concluded that, due to such weakness, our disclosure controls and procedures were not effective as of December 31, 2023. We do not have a sufficient number of employees to segregate responsibilities and may be unable to afford increasing our staff or engaging outside consultants or professionals to overcome our lack of employees, and we do not expect to be able to remediate this weakness until after the offering. If not remediated, or if we identify

further weaknesses in our internal controls, our failure to establish and maintain effective disclosure controls and procedures and internal control over financial reporting could result in material misstatements in our financial statements and a failure to meet our reporting and financial obligations, each of which could have a material adverse effect on our financial condition and the trading price of our common stock.

We do not have a majority of independent directors on our board of directors, and we have not voluntarily implemented various corporate governance measures, in the absence of which stockholders may have more limited protections against interested director transactions, conflicts of interest and similar matters.

Federal legislation, including the Sarbanes-Oxley Act, has resulted in the adoption of various corporate governance measures designed to promote the integrity of the corporate management and the securities markets. Some of these measures have been adopted in response to legal requirements. Others have been adopted by companies in response to the requirements of national securities exchanges, such as the NYSE or the NASDAQ Stock Market, on which their securities are listed. Among the corporate governance measures that are required under the rules of national securities exchanges are those that address the board of directors' independence, audit committee oversight, and the adoption of a code of ethics. Although we plan to adopt these corporate governance measures upon our listing on The Nasdaq Capital Market, we have not yet adopted any of these other corporate governance measures and since our securities are not yet listed on a national securities exchange, we are not required to do so.

Our Board of Directors is comprised of one individual, who is also our executive officer. As a result, we do not have independent directors on our Board of Directors. Upon our listing on The Nasdaq Capital Market, we plan to establish audit and compensation committees comprised only of independent directors. However, until that date, our current sole director has the ability, among other things, to determine his own level of compensation and to unilaterally make certain other governance decisions. and the prior absence of such standards of corporate governance may leave our stockholders without protections against interested-director transactions, conflicts of interest, and similar matters.

We have secured debt, which could have adverse consequences to you.

The terms of the secured debt we have incurred could result in adverse consequences, including but not limited to the following:

- limiting our ability to obtain additional financing for working capital, capital expenditures, acquisitions, and other general corporate requirements;
- limiting our flexibility in planning for or reacting to changes in our business and the industry in which we operate; and
- placing us at a competitive disadvantage compared to competitors that may have proportionately less debt and greater financial resources.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell material assets or operations, obtain additional capital, or restructure our debt. In the event that we are required to dispose of material assets or operations to service our debt and to meet our other obligations, the value realized on such assets or operations will depend on market conditions and the availability of buyers. Accordingly, any such sale may not, among other things, be for a sufficient dollar amount. Certain of our obligations are secured by a security interest in all of our assets. The foregoing encumbrances may limit our ability to dispose of material assets or operations. We also may not be able to restructure our indebtedness on favorable economic terms, if at all.

Our common stock will rank junior to all our liabilities to third party creditors, and to any class or series of our capital stock created after this offering specifically ranking by its terms senior to our Common Stock, in the event of a bankruptcy, liquidation or winding up of our assets.

In the event of bankruptcy, liquidation or winding up, our assets will be available to pay obligations on our common stock only after all our liabilities have been paid. Our common stock will effectively rank junior to all existing and future liabilities held by third party creditors. The terms of our common stock do not restrict our ability to raise additional capital in the future through the issuance of debt or senior series of preferred stock. Our common stock will also rank junior to our existing Series A Preferred Stock and any Series B Preferred Stock we may issue, as well as any class or series of our capital stock created after this offering specifically ranking by its terms senior to our Common Stock. In the event of bankruptcy, liquidation or winding up, there may not be sufficient assets remaining, after paying our liabilities, to pay amounts due on any or all of our common stock then outstanding.

Conversions of our currently-outstanding debt into equity will have a dilutive effect and may adversely affect your investment.

We are currently in discussions with several of our noteholders to convert their currently held debt into equity. If such exchanges occur, they could have a significantly dilutive effect, which may have a material adverse impact on your investment.

Future issuances of debt securities, which would rank senior to our common stock upon our bankruptcy or liquidation, and future issuances of preferred stock, which could rank senior to our common stock for the purposes of dividends and liquidating distributions, may adversely affect the level of return you may be able to achieve from an investment in our common stock.

In the future, we may attempt to increase our capital resources by offering debt securities. Upon bankruptcy or liquidation, holders of our debt securities, and lenders with respect to other borrowings we may make, would receive distributions of our available assets prior to any distributions being made to holders of our common stock. Moreover, if we issue preferred stock, the holders of such preferred stock could be entitled to preferences over holders of common stock in respect of the payment of dividends and the payment of liquidating distributions. Because our decision to issue debt or preferred stock in any future offering, or borrow money from lenders, will depend in part on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, or nature of any such future offerings or borrowings. Holders of our common stock must bear the risk that any future offerings we conduct or borrowings we make may adversely affect the level of return, if any, they may be able to achieve from an investment in our Common Stock.

Our common stock is subject to the SEC's penny stock rules, which may make it difficult for broker-dealers to complete customer transactions and could adversely affect trading activity in our securities.

The SEC has adopted regulations which generally define "penny stock" to be an equity security that has a market price of less than \$5.00 per share, subject to specific exemptions. The market price of our common stock may be less than \$5.00 per share for some period of time and therefore would be a penny stock according to SEC rules, unless we are listed on a national securities exchange. Under the SEC penny stock rules, broker-dealers who recommend such securities to persons other than institutional accredited investors must:

- make a special written suitability determination for the purchaser;
- receive the purchaser's prior written agreement to the transaction;
- provide the purchaser with risk disclosure documents which identify certain risks associated with investing in penny stocks and which describe the market for these penny stocks as well as a purchaser's legal remedies; and
- obtain a signed and dated acknowledgment from the purchaser demonstrating that the purchaser has actually received the required risk disclosure document before a transaction in a penny stock can be completed.

When complying with these rules, broker-dealers may find it difficult to effectuate customer transactions and trading activity in our securities may be adversely affected.

Our common stock has historically experienced low trading volume on the OTC Pink, and therefore the price may not accurately reflect our value. There can be no assurance that an active market for our common stock will develop, either now or in the future.

Our shares of common stock have been thinly traded on the OTC Pink. Only a small percentage of our common stock is available to be traded and is held by a small number of holders and the price, if traded, may not reflect our actual or perceived value. There can be no assurance that there will be an active market for our shares of Common Stock either now or in the future. The market liquidity will be dependent on the perception of our operating business, among other things. We will take certain steps that may include any or all of investor awareness campaigns, press releases, road shows and conferences to increase awareness of our business and any steps that we might take to bring us to the awareness of investors may require that we compensate consultants with cash and/or stock.

In addition, the trading volume of stocks quoted on the OTC Pink is often low and is often characterized by wide fluctuations in trading prices due to many factors that may have little to do with a company's operations or business prospects. Because our common stock is only quoted on the OTC Pink, trading is only possible through broker-dealers, and the trading volume of our common stock has been low. Because we are quoted on the OTC Pink and were not a privately-held company, you may experience difficulty liquidating your investment in our common stock or liquidating it at a price that reflects the value of our business. As a result, holders of our securities may not find purchasers for our securities should they desire to sell them. Accordingly, our securities should be purchased only by investors having no need for liquidity in their investment and who can hold our securities for an indefinite period of time.

We have had a history of losses and may incur future losses, which may prevent us from attaining profitability.

We have had a history of operating losses since our inception and, as of December 31, 2023, we had an accumulated deficit of \$55,656,836. We may incur operating losses in the future, and these losses could be substantial and impact our ability to attain profitability. If we cannot increase revenue growth, we will not achieve or sustain profitability or positive operating cash flows. Even if we achieve profitability and positive operating cash flows, we may not be able to sustain or increase profitability or positive operating cash flows on a quarterly or annual basis.

There is substantial doubt about our ability to continue as a going concern.

Our independent registered public accounting firm has included an explanatory paragraph in their report in our audited financial statements for the fiscal year ended December 31, 2023 to the effect that our losses from operations and our negative cash flows from operations raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern within one year after the date that the financial statements are issued. We may be required to cease operations which could result in our stockholders losing all or almost all of their investment. As of December 31, 2023, we had cash balance of \$84,570 and our principal sources of liquidity were trade accounts receivable of \$309,768 and other current assets of \$29,467, as compared to cash of \$1,712, trade accounts receivable of \$31,978 and prepaid and other current assets of \$91,204 as of December 31, 2022.

The market price of our common stock may be volatile and may fluctuate in a way that is disproportionate to our operating performance.

Our stock price may experience substantial volatility as a result of a number of factors, including:

- sales or potential sales of substantial amounts of our Common Stock;
- the success of competitive products or technologies;
- announcements about us or about our competitors, including new product introductions and commercial results;
- the recruitment or departure of key personnel;

- litigation and other developments;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us; and
- general economic, industry and market conditions.

Many of these factors are beyond our control. The stock markets in general, and the market for companies whose shares are quoted on the OTC Pink in particular have historically experienced extreme price and volume fluctuations. These fluctuations often have been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors could reduce the market price of our common stock, regardless of our actual operating performance.

We currently have outstanding shares of preferred stock that have special rights that could limit our ability to undertake corporate transactions, inhibit potential changes of control and reduce the proceeds available to our common stockholders in the event of a change in control.

We currently have common stock and preferred stock outstanding. Our preferred stockholders have special rights that holders of our common stock do not have. Currently, we have two types of preferred stock: Series A Preferred Stock and Series B Preferred Stock. Examples of special rights that holders of our Series A Preferred Stock have are (i) the ability to vote on all matters submitted to holders of common stock with 15,000 votes for each share of Series A Preferred Stock and (ii) the ability to convert one share of Series A Preferred Stock into 1,000 shares of common stock. Each share of Series B Preferred Stock (i) has a stated value of \$10.00 per share; (ii) is convertible into common stock at a price per share equal to 61% of the lowest price of our common stock during the 20 day of trading preceding the date of the conversion; (iii) earns dividends at the rate of 9% per annum; and (iv) has no voting rights. Our Series A Preferred Stock and Series B Preferred Stock each rank senior to holders of our common stock as to dividend rights and liquidation preference. We currently have 149,892 shares of Series A Preferred Stock outstanding, all of which are held by our Chief Executive Officer and no shares of Series B Preferred Stock outstanding.

As a result of the rights our preferred stockholders have, we may not be able to undertake certain corporate transactions, including equity or debt transactions necessary to raise sufficient capital to run our business, change of control transactions or other transactions that may be beneficial to our businesses. The holdings of the preferred stockholders may discourage, delay, or prevent a merger, acquisition, or other change in control of us that stockholders may consider favorable, including transactions in which our Common Stockholders might otherwise receive a premium for their shares. The market price of our Common Stock could be adversely affected by the rights of our preferred stockholders.

We have never paid and do not currently intend to pay cash dividends.

We have never paid cash dividends on any of our Common Stock and we currently intend to retain future earnings, if any, to fund the development and growth of our business. As a result, capital appreciation, if any, of our Common Stock will be our common stockholders' sole source of gain for the foreseeable future. Under the terms of our existing Articles of Incorporation, we cannot declare, pay, or set aside any dividends on shares of any class or series of our capital stock, other than dividends on shares of Common Stock payable in shares of Common Stock, unless we pay dividends to the holders of our preferred stock. Additionally, without special stockholder and sole director approvals, we cannot currently pay or declare dividends and will be limited in our ability to do so until such time, if ever, that we are listed on a stock exchange.

Our Chief Executive Officer has the ability to control all matters submitted to stockholders for approval, which limits stockholders' ability to influence corporate affairs.

Our Chief Executive Officer, Jason Remillard, holds 149,892 shares of our Series A Preferred Stock. Each share of Series A Preferred Stock is entitled to 15,000 votes on all matters submitted for a vote to common stockholders and

is convertible into 1,000 shares of common stock (subject to a 9.99% ownership limitation, such that a holder of Series A Preferred Stock may not convert such stock into common stock to the extent that the holder would beneficially own more than 9.99% of our common stock outstanding immediately after giving effect to the issuance of Common Stock upon conversion of the Series A Preferred Stock). As such, Mr. Remillard can control all matters submitted to our stockholders for approval, as well as our management and affairs. For example, Mr. Remillard controls the election of directors and approval of any merger, consolidation, or sale of all or substantially all of our assets.

This concentration of voting power could delay or prevent a change of control of our company on terms that other stockholders may desire, which could deprive our stockholders from receiving a premium for their Common Stock. Concentrated ownership and control by Mr. Remillard could adversely affect the price of our Common Stock. Any material sales of Common Stock by Mr. Remillard, for example, could adversely affect the price of our Common Stock.

The interests of Mr. Remillard and his affiliates may differ from the interests of other stockholders with respect to the issuance of shares, business transactions with and/or sales to other companies, selection of officers and directors, and other business decisions. The non-controlling stockholders are severely limited in their ability to override the decisions of Mr. Remillard.

Provisions in our articles of incorporation and bylaws and under Nevada law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our articles of incorporation and bylaws, respectively, may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including transactions in which our common stockholders might otherwise receive a premium price for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our Common Stock, thereby depressing the market price of our Common Stock. In addition, because our sole director is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace our sole director.

We will continue to incur substantial costs as a result of operating as a public reporting company, and our management will be required to devote substantial time to compliance initiatives.

As a public reporting company, we incur significant legal, accounting, and other expenses that private companies do not incur. In addition, the Sarbanes-Oxley Act and rules subsequently implemented by the SEC have imposed various requirements on public companies, including establishing and maintaining effective disclosure, financial controls, and corporate governance practices. Complying with these laws and regulations will require the time and attention of our Board of Directors and management and will increase our expenses. We estimate that we will incur approximately \$350,000 to \$600,000 in 2023 to comply with public company compliance requirements, with many of those costs recurring annually thereafter.

Among other things, we will be required to:

- maintain and evaluate a system of internal controls over financial reporting in compliance with the requirements of the Sarbanes-Oxley Act and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board;
- maintain adequate insurance coverage to attract and retain directors and officers;
- provide adequate compensation to attract qualified directors;
- maintain policies relating to disclosure controls and procedures;
- prepare and distribute periodic reports in compliance with our obligations under federal securities laws;
- institute a more comprehensive compliance function, including corporate governance; and
- involve, to a greater degree, our outside legal counsel and accountants in the above activities.

The costs of preparing and filing annual and quarterly reports, proxy statements and other information with the SEC and furnishing audited reports to stockholders are significant and much greater for a publicly-held company than for a privately-held company, and compliance with these rules and regulations may require us to hire additional financial reporting, internal controls and other finance personnel, and will involve a material increase in regulatory, legal and accounting expenses, and the attention of management. There can be no assurance that we will be able to comply with the applicable regulations in a timely manner, if at all. In addition, being a public company may make it more expensive for us to obtain director and officer liability insurance. In the future, we may be required to accept reduced coverage or incur substantially higher costs to obtain this coverage.

We currently have outstanding, and we may in the future issue, instruments which are convertible into shares of Common Stock, which will result in additional dilution to you.

We currently have outstanding instruments which are convertible into shares of Common Stock, and we may need to issue similar instruments in the future. If these convertible instruments are converted into shares of Common Stock, or if we issue other convertible or exchangeable securities, you could experience additional dilution. Furthermore, we cannot assure you that we will be able to issue shares or other securities in any other offering at a price per share that is equal to or greater than the price per share you pay or the then-current market price.

We may, in the future, issue additional shares of our Common Stock, which may have a dilutive effect on our current stockholders.

Our articles of incorporation authorize the issuance of 500,000,000 shares of common stock, of which 286,343 shares were issued and outstanding as of April 15, 2024. The future issuance of shares of our common stock may result in substantial dilution in the percentage of our common stock held by our then-existing stockholders. We may value any common stock issued in the future on an arbitrary basis. The issuance of common stock for future services or acquisitions or other corporate actions may have the effect of diluting the value of the shares held by our investors and might have an adverse effect on any trading market for our common stock.

An investment in our Common Stock is speculative and there can be no assurance of any return on any such investment.

An investment in our Common Stock is speculative and there is no assurance that investors will obtain any return on their investment. Investors will be subject to substantial risks involved in an investment in us, including the risk of losing their entire investment.

If we fail to establish and maintain an effective system of internal controls, we may not be able to report our financial results accurately or prevent fraud. Any inability to report and file our financial results accurately and on a timely basis could harm our reputation and adversely impact the trading price of our Common Stock.

Effective internal control is necessary for us to provide reliable financial reports and prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we may not be able to manage our business as effectively as we would if an effective control environment existed, and our business and reputation with investors may be harmed. As a result, our small size and any current internal control deficiencies may adversely affect our financial condition, results of operation, and access to capital. We have not performed an in-depth analysis to determine if historical undiscovered failures of internal controls exist, and we may in the future discover areas of our internal control that need improvement.

We must ensure that we have adequate internal financial and accounting controls and procedures in place to produce accurate financial statements on a timely basis. We have tested our internal controls and identified a weakness and may find additional areas for improvement in the future. Remediating this weakness will require us to hire and train additional personnel. Implementing any future changes to our internal controls may require compliance training of

our directors, officers, and employees, entail substantial costs to modify our accounting systems and take a significant period of time to complete. Such changes may not, however, be effective in establishing the adequacy of our internal control over financial reporting, and our failure to produce accurate financial statements on a timely basis could increase our operating costs and could materially impair our ability to operate our business. In addition, investor perception that our internal control over financial reporting is inadequate or that we are unable to produce accurate financial statements may materially adversely affect our stock price.

Offers or availability for sale of a substantial number of shares of our Common Stock may cause the price of our Common Stock to decline.

If our stockholders sell substantial amounts of our Common Stock in the public market, or upon the expiration of any statutory holding period under Rule 144 or upon the exercise of outstanding options or warrants, such sale could create a circumstance commonly referred to as an “overhang”. In anticipation of an overhang, the market price of our Common Stock could decline. The existence of an overhang, whether or not sales have occurred or are occurring, also could make more difficult our ability to raise additional funds through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

Our management has broad discretion in the use of the net proceeds from any offerings or other financing activities and may invest or spend the proceeds in ways with which you do not agree and in ways that may not yield a return.

Our management will have broad discretion in the application of the net proceeds from any offering of shares of our Common Stock or warrants or from other financing activities, such as convertible debt and you will not have the opportunity as part of any investment decision to assess whether the net proceeds are being used appropriately. The failure by our management to apply these funds effectively could harm our business.

Our Common Stock may not attract new investors, including institutional investors, and may not satisfy the investing requirements of those investors. Consequently, the liquidity of our Common Stock may not improve.

Although we believe that a higher market price of our Common Stock may help generate greater or broader investor interest, there can be no assurance that our share price will rise to a price that will attract new investors, including institutional investors. In addition, there can be no assurance that the market price of our Common Stock will satisfy the investing requirements of those investors.

Adverse or uncertain macroeconomic or geopolitical conditions or reduced IT spending may adversely impact our business, revenues, and profitability.

Our business, operations and performance are dependent in part on worldwide economic conditions and events that may be outside of our control, such as political and social unrest, terrorist attacks, hostilities, malicious human acts, climate change, natural disasters (including extreme weather), pandemics or other major public health concerns and other similar events, and the impact these conditions and events have on the overall demand for enterprise computing infrastructure solutions and on the economic health and general willingness of our current and prospective end customers to purchase our solutions and to continue spending on IT in general. The global macroeconomic environment has been, and may continue to be, inconsistent, challenging and unpredictable due to international trade disputes, tariffs, including those recently imposed by the U.S. government on Chinese imports to the U.S., restrictions on sales and technology transfers, uncertainties related to changes in public policies such as domestic and international regulations, taxes, or international trade agreements, elections, geopolitical turmoil and civil unrests, instability in the global credit markets, uncertainties regarding the effects of the United Kingdom’s separation from the European Union, commonly known as “Brexit”, actual or potential government shutdowns, and other disruptions to global and regional economies and markets. Specifically, pandemics have caused and may in the future cause travel bans or disruptions, supply chain delays and disruptions, and additional macroeconomic uncertainty, and could cause various negative effects, including an inability to meet with actual or potential customers, our customers deciding to delay or abandon their planned purchases, us deciding to delay, cancel, or withdraw from user and industry conferences and

other marketing events, and delays or disruptions in our or our partners' supply chains, including delays or disruptions in procuring and shipping the hardware appliances on which our software solutions run. As a result, we may experience extended sales cycles, our ability to close transactions with new and existing customers and partners may be negatively impacted, potentially significantly, our ability to recognize revenue from software transactions we do close may be negatively impacted, potentially significantly, our demand generation activities, and the efficiency and effect of those activities, may be negatively affected, our ability to provide 24x7 worldwide support to our customers may be effected, and it may continue to be more difficult for us to forecast our operating results. Any of these global economic conditions could have the effect of reducing overall IT spending and could cause our customers to modify spending priorities or delay or abandon purchasing decisions, thereby lengthening sales cycles and potentially lowering prices for our solutions and product and services offerings, and may make it difficult for us to forecast our sales and operating results and to make decisions about future investments, any of which could materially harm our business, operating results and financial condition.

Public health threats or outbreaks of communicable diseases could have a material adverse effect on our operations and overall financial performance.

We may face risks related to public health threats or outbreaks of communicable diseases. A global health crisis could adversely affect the United States and global economies and limit the ability of enterprises to conduct business for an indefinite period. Such crisis may also cause disrupted financial markets, and international trade, resulted in increased unemployment levels and significantly impacted global supply chains, all of which have the potential to impact our business.

As we cannot predict the duration or scope of a global health crisis, the anticipated negative financial impact to our operating results cannot be reasonably estimated but could be material and could last for an extended period of time.

Prolonged economic uncertainty or downturns could materially adversely affect our business.

Our business depends on our current and prospective customers' ability and willingness to invest money in IT services, and more importantly cybersecurity projects, which in turn is dependent upon their overall economic health. Negative conditions in the general economy both in the United States and abroad, which are beyond our control, could cause a decrease in business investments, including corporate spending on enterprise software in general, and could negatively affect the rate of growth of our business. Uncertainty in the global economy makes it difficult for our customers and us to forecast and plan future business activities accurately. This could cause our customers to reevaluate decisions to purchase our product or to delay their purchasing decisions, which could lengthen our sales cycles.

Prolonged economic uncertainty or downturns may cause our customers to reduce our customers' spending on IT, delay or cancel IT projects, focus on in-house development efforts or seek to lower their costs by renegotiating maintenance and support agreements. To the extent purchases of licenses for our software and services are perceived by customers and potential customers to be discretionary, our revenues may be disproportionately affected by delays or reductions in general IT spending. If the economic conditions of the general economy or industries in which we operate worsen from present levels, our business, results of operations and financial condition could be adversely affected.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our corporate office is located at 4000 Sancar Drive, Suite 400, Research Triangle Park, NC 27709. In July 2022, Data443 NC, our wholly-owned subsidiary, entered into a five-year lease for approximately 13,867 square feet of

office space at this address. We believe that the office facilities are sufficient for the foreseeable future and this arrangement will remain until we determine there is a need for a change.

Items 3. Legal Proceedings.

We may from time to time be involved in various claims and legal proceedings of a nature we believe are normal and incidental to our business. These matters may include product liability, intellectual property, employment, personal injury cause by our employees, and other general claims. We are not presently a party to any legal proceedings that, in the opinion of management, are likely to have a material adverse effect on our business. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

There is no established public trading market for our Common Stock. Our Common Stock is currently quoted on the OTC Pink under the trading symbol “ATDS”. For the periods indicated, the following table sets forth the high and low bid prices per share of Common Stock based on inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. All per share amounts are adjusted for the reverse stock split of 1-for-600 shares of Common Stock, which became effective on September 20, 2023.

Fiscal Year 2023	High Bid	Low Bid
First Quarter	\$ 258.00	\$ 15.00
Second Quarter	\$ 48.60	\$ 10.89
Third Quarter	\$ 16.80	\$ 10.50
Fourth Quarter	\$ 12.12	\$ 2.80

Fiscal Year 2022	High Bid	Low Bid
First Quarter	\$ 18.40	\$ 1.41
Second Quarter	\$ 7.50	\$ 1.55
Third Quarter	\$ 6.99	\$ 1.44
Fourth Quarter	\$ 2.80	\$.28

Penny Stock Rules

The Securities and Exchange Commission has also adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system).

A purchaser is purchasing penny stock which limits the ability to sell the stock. Our shares constitute penny stock under the Securities and Exchange Act. The shares will remain penny stocks for the foreseeable future. The classification of penny stock makes it more difficult for a broker-dealer to sell the stock into a secondary market, which makes it more difficult for a purchaser to liquidate his/her investment. Any broker-dealer engaged by the purchaser for the purpose of selling his or her shares in us will be subject to Rules 15g-1 through 15g-10 of the Securities and Exchange Act. Rather than creating a need to comply with those rules, some broker-dealers will refuse to attempt to sell penny stock.

The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document, which:

- contains a description of the nature and level of risk in the market for penny stock in both public offerings and secondary trading;
- contains a brief, clear, narrative description of a dealer market, including “bid” and “ask” price for the penny stock and the significance of the spread between the bid and ask price;
- contains a toll-free telephone number for inquiries on disciplinary actions;
- defines significant terms in the disclosure document or in the conduct of trading penny stocks; and
- contains such other information and is in such form (including language, type, size and format) as the SEC shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, to the customer:

- the bid and offer quotations for the penny stock;
- the compensation of the broker-dealer and its salesperson in the transaction;
- the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and
- monthly account statements showing the market value of each penny stock held in the customer’s account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement. These disclosure requirements will have the effect of reducing the trading activity in the secondary market for our stock because it will be subject to these penny stock rules. Therefore, stockholders may have difficulty selling their securities.

Reports

We are subject to certain filing requirements and will furnish annual financial reports to our stockholders, audited by our independent registered public accounting firm, and will furnish un-audited quarterly financial reports in our quarterly reports filed electronically with the SEC. All reports and information filed by us can be found at the SEC website, www.sec.gov.

Transfer Agent

Our transfer agent is Madison Stock Transfer Inc., located at 2500 Coney Island Ave, Sub Level Brooklyn, New York 11223, with a telephone number of 718-627-4453.

Number of Equity Security Holders

As of April 16, 2024 there were 606 holders of record of our Common Stock. This does not include beneficial owners holding Common Stock in street name, and as such, the number of beneficial holders of our shares may be larger than the number of stockholders of record.

Dividend Policy

Holders of our Common Stock are entitled to receive dividends as may be declared from time to time by our sole director. We have not paid any cash dividends on our Common Stock since inception and do not anticipate paying any in the foreseeable future. Our current policy is to retain earnings, if any, for use in our operations.

Recent Sales of Unregistered Securities

The following information represents securities sold by us within the past year which were not registered under the Securities Act. Included are sales of reacquired securities, as well as new issues, securities issued in exchange for property, services, or other securities, and new securities resulting from the modification of outstanding securities. All issuances were exempt under Section 4(a)(2) of the Securities Act unless otherwise noted.

- On January 4, 2023, we issued 163 shares of Common Stock to GS Capital Partners LLC pursuant to an agreement with GS Capital Partners LLC, in exchange for \$15,000 in note payable principal and \$1,384 of accrued interest.
- On January 9, 2023, we issued 139 shares of Common Stock to Westland Properties, LLC pursuant to an agreement with Westland Properties, LLC, in exchange for \$15,000 in note payable principal.
- On January 16, 2023, we issued 233 shares of Common Stock to Root Ventures, LLC pursuant to an agreement with Root Ventures, LLC, in exchange for \$23,027 in note payable principal.
- On January 19, 2023, we issued 233 shares of Common Stock to Fast Capital LLC pursuant to an agreement with Fast Capital LLC, in exchange for \$20,000 in note payable principal.
- On January 20, 2023, we issued 204 shares of Common Stock to GS Capital Partners LLC pursuant to an agreement with GS Capital Partners LLC, in exchange for \$16,000 in note payable principal and \$1,524 of accrued interest.
- On January 25, 2023, we issued 186 shares of Common Stock to Westland Properties, LLC pursuant to an agreement with Westland Properties, LLC, in exchange for \$15,000 in note payable principal.
- On February 1, 2023, we issued 275 shares of Common Stock to Mast Hill Fund pursuant to an agreement with Mast Hill Fund, in exchange for \$13,023 in note payable principal and \$10,792 of accrued interest.

- On February 6, 2023, we issued 198 shares of Common Stock to Westland Properties, LLC pursuant to an agreement with Westland Properties, LLC, in exchange for \$15,000 in note payable principal.
- On February 17, 2023, we issued 298 shares of Common Stock to Mast Hill Fund pursuant to an agreement with Mast Hill Fund, in exchange for \$21,638 in note payable principal and \$4,197 of accrued interest.
- On February 21, 2023, we issued 291 shares of Common Stock to One44 Capital, LLC pursuant to an agreement with One44 Capital, LLC, in exchange for \$6,900 in note payable principal and \$638 of accrued interest.

- On February 21, 2023, we issued 299 shares of Common Stock to Root Ventures, LLC pursuant to an agreement with Root Ventures, LLC, in exchange for \$7,711 in note payable principal.
- On February 23, 2023, we issued 321 shares of Common Stock to GS Capital Partners LLC pursuant to an agreement with GS Capital Partners LLC, in exchange for \$5,200 in note payable principal and \$503 of accrued interest.
- On February 23, 2023, we issued 334 shares of Common Stock to One44 Capital, LLC pursuant to an agreement with One44 Capital, LLC, in exchange for \$5,600 in note payable principal and \$521 of accrued interest.
- On February 28, 2023, we issued 298 shares of Common Stock to Mast Hill Fund pursuant to an agreement with Mast Hill Fund, in exchange for \$356 in note payable principal and \$1,434 of accrued interest.
- On February 28, 2023, we issued 361 shares of Common Stock to One44 Capital, LLC pursuant to an agreement with One44 Capital, LLC, in exchange for \$3,800 in note payable principal and \$358 of accrued interest.
- On March 2, 2023, we issued 408 shares of Common Stock to Mast Hill Fund pursuant to an agreement with Mast Hill Fund, in exchange for \$2,020 in note payable principal and \$430 of accrued interest.
- On March 3, 2023, we issued 367 shares of Common Stock to GS Capital Partners LLC pursuant to an agreement with GS Capital Partners LLC, in exchange for \$2,900 in note payable principal and \$471 of accrued interest.
- On March 3, 2023, we issued 393 shares of Common Stock to One44 Capital, LLC pursuant to an agreement with One44 Capital, LLC, in exchange for \$3,300 in note payable principal and \$313 of accrued interest.
- On March 7, 2023, we issued 455 shares of Common Stock to One44 Capital, LLC pursuant to an agreement with One44 Capital, LLC, in exchange for \$3,800 in note payable principal and \$364 of accrued interest.
- On March 9, 2023, we issued 408 shares of Common Stock to Mast Hill Fund pursuant to an agreement with Mast Hill Fund, in exchange for \$2,205 in note payable principal and \$997 of accrued interest.
- On March 10, 2023, we issued 503 shares of Common Stock to One44 Capital, LLC pursuant to an agreement with One44 Capital, LLC, in exchange for \$4,200 in note payable principal and \$406 of accrued interest.
- On March 23, 2023, we issued 517 shares of Common Stock to One44 Capital, LLC pursuant to an agreement with One44 Capital, LLC, in exchange for \$4,300 in note payable principal and \$429 of accrued interest.

- On May 1, 2023, we issued 548 shares of Common Stock to One44 Capital, LLC pursuant to an agreement with One44 Capital, LLC, in exchange for \$6,300 in note payable principal and \$690 of accrued interest.
- On May 1, 2023, we issued 561 shares of Common Stock to Root Ventures, LLC pursuant to an agreement with Root Ventures, LLC, in exchange for \$7,137 in note payable principal.
- On May 8, 2023, we issued 605 shares of Common Stock to One44 Capital, LLC pursuant to an agreement with One44 Capital, LLC, in exchange for \$6,000 in note payable principal and \$556 of accrued interest.
- On May 19, 2023, we issued 657 shares of Common Stock to One44 Capital, LLC pursuant to an agreement with One44 Capital, LLC, in exchange for \$5,400 in note payable principal and \$615 of accrued interest.

- On May 26, 2023, we issued 2,741 shares of Common Stock to Root Ventures, LLC pursuant to an agreement with Root Ventures, LLC, in exchange for \$25,000 in note payable principal.
- On May 26, 2023, we issued 3,889 shares of Common Stock to Fast Capital LLC pursuant to an agreement with Fast Capital LLC, in exchange for \$35,000 in note payable principal.
- On May 31, 2023, we issued 709 shares of Common Stock to GS Capital Partners LLC pursuant to an agreement with GS Capital Partners LLC, in exchange for \$5,442 in note payable principal and \$873 of accrued interest.
- On June 16, 2023, we issued 1,417 shares of Common Stock to One44 Capital, LLC pursuant to an agreement with One44 Capital, LLC, in exchange for \$8,400 in note payable principal and \$1,015 of accrued interest.
- On July 7, 2023, we issued 3,415 shares of Common Stock to Root Ventures, LLC pursuant to an agreement with Root Ventures, LLC, in exchange for \$25,000 in note payable principal.

Repurchase of Equity Securities

None.

Information About Our Equity Compensation Plans

The information required under this heading is incorporated herein by reference to the applicable information set forth in Item 12 of this Annual Report on Form 10-K.

Item 6. [Reserved]

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of the results of operations and financial condition for the years ended December 31, 2023 and 2022 should be read in conjunction with our consolidated financial statements, and the notes to those financial statements that are included elsewhere in this Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions, or projections regarding future events or future results and therefore are, or may be deemed to be, “forward-looking statements.” All statements other than statements of historical facts contained in this annual report may be forward-looking statements. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms “believes,” “estimates,” “continues,” “anticipates,” “expects,” “seeks,” “projects,” “intends,” “plans,” “may,” “will,” “would” or “should” or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout this annual report, and include statements regarding our intentions, beliefs, or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies, future acquisitions, and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described in the “Risk Factors” section of this annual report, which include, but are not limited to, the following:

- *we will need additional capital to fund our operations;*

- *there is substantial doubt about our ability to continue as a going concern;*
- *we will face intense competition in our market, and we may lack sufficient financial and other resources to maintain and improve our competitive position;*
- *we are dependent on the continued services and performance of our founder and Chief Executive Officer, Jason Remillard;*
- *our Common Stock is currently quoted on the OTC Pink and is thinly traded, reducing your ability to liquidate your investment in us;*
- *we have had a history of losses and may incur future losses, which may prevent us from attaining profitability;*
- *the market price of our Common Stock may be volatile and may fluctuate in a way that is disproportionate to our operating performance;*

- *we have shares of preferred stock that have special rights that could limit our ability to undertake corporate transactions, inhibit potential changes of control, and reduce the proceeds available to our common stockholders in the event of a change in control;*
- *we have never paid and do not intend to pay cash dividends;*
- *our Chief Executive Officer has the ability to control all matters submitted to stockholders for approval, which limits our stockholders' ability to influence corporate affairs; and*
- *the other factors described in "Risk Factors."*

Those factors should not be construed as exhaustive and should be read with the other cautionary statements in this annual report.

Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and industry developments may differ materially from statements made in or suggested by the forward-looking statements contained in this annual report. The matters summarized under "Overview", "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and elsewhere in this annual report could cause our actual results to differ significantly from those contained in our forward-looking statements. In addition, even if our results of operations, financial condition and liquidity, and industry developments are consistent with the forward-looking statements contained in this annual report, those results or developments may not be indicative of results or developments in subsequent periods.

In light of these risks and uncertainties, we caution you not to place undue reliance on these forward-looking statements. Any forward-looking statement that we make in this annual report speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statement or to publicly announce the results of any revision to any of those statements to reflect future events or developments, except as required by applicable law. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

Overview

We provide data security and privacy management solutions across the enterprise and in the cloud. With over 10,000 customers, we provide the visibility and control needed to protect data at scale, regardless of format, location, or consumer, and to facilitate compliance with fast-changing global data privacy requirements. Our customers include established leaders and up-and-coming businesses spanning the private and public/government sectors across diverse industries and fields, including financial services, healthcare, manufacturing, retail, technology, and telecommunications. We also provide threat detection, brand protection and email phishing, spam and virus solutions for some of the world's largest security providers, managed service providers, e-gaming and media and ecommerce vendors on an Original Equipment Manufacturer (OEM) basis.

The mounting ransomware landscape and other threats to data have accelerated the rate at which businesses are adopting data security solutions and we believe that our portfolio of data security and privacy products provides a comprehensive solution set that we believe positions us to capitalize on that increased adoption rate and to establish our products as new data privacy and security standards. Our offerings are anchored in reliable and comprehensive privacy management and equip organizations with a seamless approach to safeguard data, protect against attacks, and otherwise mitigate the most critical risks.

Sector-specific US laws, state-level legislation, and outside-the-United States (OUS) regulations are confounding enterprises of all sizes for whom safeguarding and stewarding data is key, but for whom becoming specialists in privacy and security is not an element of their strategic roadmap. For many of these enterprises, we can bridge the gap between their need to protect data and their need to use their resources to grow their core business by offering turnkey solutions and related counseling and technical support to offset risks from data breaches and security incidents of various types. We provide products and services for the marketplace that are designed to protect data that is stored in the cloud, on-premises, and in hybrid cloud/on-premises environments, and data that is transmitted throughout the enterprise, including but not limited to by remote employees. Our suite of security products focuses on protecting sensitive files and email, confidential customer, patient and employee data, financial records, strategic and product plans, intellectual property and other proprietary information, allowing our customers to create, share, and protect their sensitive data wherever it is stored and however it is used.

We deliver solutions and capabilities that businesses can use in conjunction with their use of established cloud vendors such as Microsoft® Azure, Google® Cloud Platform (GCP), and Amazon® Web Services (AWS), as well as with on-premises databases and database applications and with virtualization platforms, such as those hosted or configured using VMWare®, Citrix®, and Oracle® products. In order to deliver our services, we also operate two data centers in the United States, two data centers in Germany and one data center in Israel.

We sell or plan to sell substantially all of our products and services through a sales model that combines the leverage of a channel sales model or direct account management, thereby providing us with opportunities to grow our current customer base and deliver our value proposition for data privacy and security. We endeavor to use subscription models to license products and services, commonly for a paid in-advance, multiyear term that is auto-renewing. We also make use of channel partners, distributors, and resellers which sell to end-users of the products and services. This approach allows us to maintain close relationships with our customers and benefit from the global reach of our partners. Additionally, we are enhancing our product offerings and go-to-market strategy by establishing technology alliances within the IT infrastructure and security vendor ecosystem. Our sales and marketing focus for new organic growth is on organizations with 500 or more users who are adopting cloud services and can make larger purchases with us over time and have a greater potential lifetime value.

We continue to onboard to cloud-native technology adoption portals such as the Microsoft® Azure Marketplace and the Amazon® AWS Marketplace. Vendors may offer incentives to us as a software and services provider to onboard and market via their marketplace portals.

We strive to create new and innovative products and to improve existing products, proactively identifying and solving the data security needs of our customers.

As cloud adoption continues to accelerate, data privacy requirements get more complex, and data security becomes more challenging, we believe we are well positioned to capture more market share, continue to lead in strategic data security technology development, and prepare organizations for the next epoch in IT data privacy services.

Our Products

Each of our major product lines provides features and functionality which we believe enable our customers to optimally secure their data. The products are modular, giving our customers the flexibility to select what they require for their business needs and the flexibility to expand their usage simply by adding a license. We currently offer the following products and services:

- **Cyren® Threat Intelligence Service (TIS)**, a well-established offering in emerging and active threats occurring around the world. With large, velocity-based data sets, TIS provides unique data products for some of the world's leading security, response, software and service providers. Capabilities delivered within the Threat Intelligence suite include:
 - **Email Security Engine**, protects against phishing, malware, and inbound and outbound spam. Our industry-leading detection provides real-time blocking of email threats and abuse in any language or format with virtually no false positives.
 - **Threat InDepth**, receives early threat information with real-time technical threat intelligence feeds of emerging malware and phishing threats.
 - **Web Security Engine**, an AI-driven tool that makes decisions aided by advanced heuristics and 24×7 analysts; covers 82 threat categories, including web threats such as phishing, fraud. Malware integration options include an SDK, cloud API, daemon, and container.
 - **Malware Detection**, a feature with approximately 100 mini engines that scan unique objects within a file, unpack files and defeat obfuscation used by malware authors. This tool spots threats with heuristic analysis, advanced emulation, and intelligent signatures.
 - **Hybrid Analyzer**, a feature that combines static malware analysis and advanced emulation technology that quickly uncovers behaviors without executing files. File properties and behaviors are scored to indicate likelihood of maliciousness. Equally effective in connected and air-gapped environments.
- **Cyren Inbox Security for Microsoft 365**, a powerful, automated incident response that removes 97% of attacks from all affected mailboxes, which we believe saves security teams thousands of hours each year. Automatically combines similar incidents into a single case and removes threats from every mailbox. Prevents user access to malicious links and attachments, which we believe reduces email incident response costs by approximately 91%.
- **Data443® Ransomware Recovery Manager** (also known as SmartShield™), a unique offering designed to recover a workstation immediately upon infection to the last known business-operable state, without requiring any end user or IT administrator intervention.
- **Data443® Data Identification Manager** (also known as ClassiDocs® and FileFacets®), our data classification and governance technology, which supports CCPA (California), LGPD (Brazil) and GDPR (Europe) compliance in a Software-as-a-Service (SaaS) platform that performs sophisticated data discovery and content searching of structured and unstructured data within corporate networks, servers, content management systems, email, desktops, and laptops.
- **Data443® Data Archive Manager** (also known as ArcMail®), a simple, secure, and cost-effective enterprise data retention management and archiving.
- **Data443® Sensitive Content Manager** (also known as ARALOC®), a secure, cloud-based platform for managing, protecting and distributing digital content to desktop and mobile devices, which protects an

organization's confidential content and intellectual property assets from accidental leakage or intentional misappropriation - without impeding all other authorized users of the content and other stakeholder from collaborating.

- **Data443® Data Placement Manager** (also known as DATAEXPRESS®), a data transport, transformation, and delivery product trusted by leading financial organizations worldwide.

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- **Data443® Access Control Manager** (also known as “Resilient Access”), enables fine-grained access controls across a wide variety of platforms at scale for internal client systems and commercial public cloud platforms like Salesforce®, Box.Net, Google® G Suite, Microsoft® OneDrive, and others.
- **Data443® Blockchain Protection Manager** (also known as ClassiDocs® for Blockchain), provides an active implementation for the Ripple XRP that protects blockchain transactions from inadvertent disclosure and data leaks.
- **Data443® Global Privacy Manager**, the privacy compliance and consumer loss mitigation platform which is integrated with Data443® Data Identification Manager to do the delivery portions of GDPR and CCPA as well as process privacy-related requests under such laws, and therefore enables customers to manage the full range of privacy-law driven requirements, such as responding to permitted consumer demands for access or removal, as well as to remediate issues and monitor and report on status and compliance.
- **Data443® IntellyWP**, products for enhancing the user experience for the world's largest content management platform, WordPress.
- **Data443® Chat History Scanner**, which scans chat messages for compliance, security, personally identifiable information (PII), personal information (PI), payment card industry (PCI) information as well as any custom keywords selected by the customer, and which can be used with third party platforms such as the Zoom Video Communications, Inc. video conferencing platform.
- **Data443® - GDPR Framework, CCPA Framework, and LGPD Framework WordPress® Plugins**, which help organizations of all sizes comply with Europe, California and Brazil privacy rules and regulations and are currently used by over 30,000 active site owners. We offer the plugins with a “freemium” business model, i.e., basic features at no cost and additional or more advanced features at a premium.

Outlook

Our objective is to further integrate our suite of data security, ransomware protection, and privacy products and offer the products alone or in combination to enterprise customers directly and via our partner channels. We aim to position our products to meet the challenges our customers face - data privacy concerns grow in lockstep with security breaches, the need to continually expand data storage, and to meet telework, telehealth, and remote learning requirements.

We have relied on and expect to continue to benefit from strategic acquisitions of products, talent, and an established customer base to contribute to our long-term growth objectives.

Key elements of our growth strategy may be summarized as follows:

Acquisitions. We intend to aggressively pursue acquisitions of other cybersecurity software and service providers focused on the data security sector. We target companies with a developed and/or steady client base, as well as companies with offerings that complement our existing suite of products.

Research & Development; Innovation. We intend to increase our spending on research and development to create new and innovative products and to improve existing products, proactively identifying and solving the data security needs of our clients.

Grow Our Customer Base. We believe the continued challenges businesses face in managing their enterprise data and the ever-evolving landscape of cybersecurity threats will keep the demand high for the type of products and services we offer. We intend to capitalize on this demand by continually developing and curating a collection of products and services that are attractive and relevant to both our established revenue base and to new customers.

Expand Our Sales Capacity. We believe that continuing to expand our sales force will be a key to achieving our expansion and growth. We intend to expand our sales capacity by adding sales and marketing employees, with a heavy focus on customer success and on leveraging our existing customer relationships.

Management's Plans

Our plan is to continue to grow our business through strategic acquisitions, and then expand selling across our subsidiaries and affiliated companies. During the next twelve months, we anticipate incurring costs related to (i) filing of Exchange Act reports; and (ii) operating our businesses. We will require additional operating capital to maintain and continue operations. We will need to raise additional capital through debt or equity financing, and there is no assurance we will be able to raise the necessary capital.

While we primarily report income based on recognized and deferred revenue, another measurement internally for the business is booked revenues. Management uses this measure to track numerous indicators such as: contract value growth; initial contract value per customer; and certain other values that change quarter-over-quarter. These results may also be subject to, and impacted by, sales compensation plans, internal performance objectives, and other activities. We continue to increase revenue from our existing operations. We generally recognize revenue from customers ratably over the terms of their subscription, which is generally one year at a time. As a result, a substantial portion of the revenue we report in each period is attributable to the recognition of deferred revenue relating to agreements that we executed during previous periods. Consequently, any increase or decline in new sales or renewals in any one period will not be immediately reflected in our revenue for that period. Any such change, however, would affect our revenue in future periods. Accordingly, the effect of downturns or upturns in new sales and potential changes in our rate of renewals may not be fully reflected in our results of operations until future periods.

Results of Operations for the Year Ended December 31, 2023 Compared to the Year Ended December 31, 2022

Our operations for the year ended December 31, 2023 and 2022 are outlined below:

	Years Ended December 31,		Change	%
	2023	2022		
Revenue	\$ 5,578,942	2,627,123	\$ 2,951,819	112%
Cost of revenue	1,726,187	518,843	1,207,344	233%
Gross Profit	3,852,755	2,108,280	1,744,475	83%
Gross Profit Percentage	69%	80%		
Operating expense	6,637,214	5,784,408	852,806	15%
Other expense	(1,460,249)	(6,037,339)	4,577,090	(76)%
Net loss	(4,244,708)	(9,713,467)	5,468,759	(56)%

Revenue

The increase in revenue is due to our acquisition of intellectual property, accounts receivable, and other assets from the Appointed Receiver for the Assets of Cyren Ltd. We also believe that some customers and prospective customers were reluctant to consider deals regarding new business opportunities due to concerns based on economic uncertainty and other global events. However, we continue to see organic growth in increased consumption of our services that contain storage or volume components, matching our expectations and as is reflected in our continuing Annual Recurring Revenue (“ARR”) growth.

Cost of revenue

Cost of revenue consists of direct expenses, such as labor, shipping, and supplies. The increase in cost of revenue is a result of the additional costs associated with our acquisition of intellectual property, accounts receivable, and other assets from the Appointed Receiver for the Assets of Cyren Ltd.

For the years ended December 31, 2023 and 2022 our operating expenses are as follows:

	Years Ended		Change	%
	December 31,			
	2023	2022		
Operating expenses				
General and administrative	6,149,243	5,552,936	596,307	11%
Sales and marketing	487,971	231,472	256,499	111%
Total operating expenses	<u>6,637,214</u>	<u>5,784,408</u>	<u>852,806</u>	<u>15%</u>

General and Administrative Expenses

The general and administrative expenses primarily consisted of management costs, costs to integrate assets we acquired and to expand sales, product enhancements, audit and review fees, filing fees, professional fees, and other expenses related to SEC reporting, including the re-classification of sales-related management expenses, in connection with the projected growth of our business. Additionally, we continue to incur specific one-time costs in relation to our planned Nasdaq Capital Markets uplist, additional financing activities and related functions. The increase in general and administrative expense was primarily due to an increase in professional service fees.

Sales and Marketing Expenses

The sales and marketing expenses primarily consisted of continuing to shift our sales operation toward an inbound model, continued high focus on renewals and customer success operations as well as our focus on re-engaging former customers of the Cyren products that we acquired. The increase in sales and marketing expense was primarily due to hiring a contract head of sales and a full-time sales support employee to assist in the renewal and selling process.

Other income (expense)

Other income (expenses) for the year ended December 31, 2023 consisted primarily of interest expense and an forgiveness of debt on note payable of \$4,724,299. Other expenses for the year ended December 31, 2022 consisted of interest expense and loss on change in fair value of derivative. The increase in other expenses was primarily due to the forgiveness of debt.

Net Loss

Net loss decreased 56% from \$9,713,467 for the year ended December 31, 2022 to \$4,244,708 for year ended December 31, 2023. The net loss was mainly derived from an operating loss of \$2,784,459 and interest expense of \$6,417,407 and settlement of debt of \$4,913,181. The net loss for the year ended December 31, 2022 was mainly

derived from an operating loss of \$3,676,128, and interest expense of \$5,979,456 and loss on change in fair value of derivative liability of \$57,883.

Cash Flow for the Year Ended December 31, 2023 Compared to the Year Ended December 31, 2022

Liquidity and Capital Resources

The following table provides selected financial data about us as of December 31, 2023 and 2022, respectively.

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Working Capital

The following table provides selected financial data about us as of December 31, 2023 and 2022, respectively.

	December 31, 2023	December 31, 2022	Change	%
Current assets	\$ 423,805	\$ 124,894	\$ 298,911	239%
Current liabilities	\$ 13,801,416	\$ 8,604,066	\$ 5,197,350	60%
Working capital deficiency	<u>\$ (13,377,611)</u>	<u>\$ (8,479,172)</u>	<u>\$ (4,898,439)</u>	<u>(58)%</u>

We require cash to fund our operating expenses and working capital requirements, including outlays for capital expenditures. As of December 31, 2023, our principal sources of liquidity were cash of \$84,570, trade accounts receivable of \$309,768 and prepaid and other current assets of \$29,467, as compared to cash of \$1,712 and trade accounts receivable of \$31,978 and prepaid and other current assets of \$91,204 as of December 31, 2022.

During the last two years, and through the date of this Report, we have faced an increasingly challenging liquidity situation that has limited our ability to execute our operating plan. We will need to obtain capital to continue operations. There is no assurance that we will be able to secure such funding on acceptable terms. During the year ended December 31, 2023 and 2022, we reported a loss from operations of \$2,784,459, and \$3,676,128, respectively, and had net cash flows provided by operating activities of \$782,101 and \$1,252,650, respectively, for the same periods.

As of December 31, 2023, we had assets of cash in the amount of \$84,570 and other current assets in the amount of \$339,235. As of December 31, 2023, we had current liabilities of \$13,801,416. We accumulated deficit as of December 31, 2023 was \$55,656,836.

As of December 31, 2022, we had assets of cash in the amount of \$1,712 and other current assets in the amount of \$123,182. As of December 31, 2022, we had current liabilities of \$8,604,066. We accumulated deficit as of December 31, 2023 was \$51,412,128.

The revenues, if any, generated from our acquisitions alone will not be sufficient to fund our operations or planned growth. We will require additional capital to continue to operate our business, and to further expand our business. Sources of additional capital through various financing transactions or arrangements with third parties may include equity or debt financing, bank loans or revolving credit facilities. We may not be successful in locating suitable financing transactions in the time period required or at all, and we may not obtain the capital we require by other means. Unless we can attract additional investment, our future operating as a going concern is in serious doubt.

We are now obligated to file annual, quarterly and current reports with the SEC pursuant to the Exchange Act. In addition, the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”) and the rules subsequently implemented by the SEC and the Public Company Accounting Oversight Board have imposed various requirements on public companies, including requiring changes in corporate governance practices. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities of ours more time-consuming and costly. In order to meet the needs to comply with the requirements of the Exchange Act, we will need an investment of capital.

Management has determined that additional capital will be required in the form of equity or debt securities. There is no assurance that management will be able to raise capital on terms acceptable to us.

If we are unable to obtain sufficient amounts of additional capital, we may have to cease filing the required reports and cease operations completely. If we obtain additional funds by selling any of our equity securities or by issuing Common Stock to pay current or future obligations, the percentage ownership of our stockholders will be reduced, stockholders may experience additional dilution, or the equity securities may have rights preferences or privileges senior to the Common Stock.

Cash Flow

	Years Ended December 31,		Change
	2023	2022	
Cash used in operating activities	\$ 782,101	\$ (1,252,650)	\$ 2,034,751
Cash used in investing activities	\$ (1,685,523)	\$ (561,128)	\$ (1,124,395)
Cash provided by financing activities	\$ 986,280	\$ 610,557	\$ 375,723
Cash on hand	\$ 84,570	\$ 1,712	\$ 82,858

Operating Activities

During the year ended December 31, 2023, we provided \$782,101 in operating activities, compared to using \$1,252,650 during the year ended December 31, 2022. The increase in cash used in operating activities was primarily due to a decrease in operating liabilities.

Investing Activities

During the year ended December 31, 2023, we used funds in investing activities of \$1,685,523 to acquire intellectual property and to acquire property and equipment. During the year ended December 31, 2022, we used funds in investing activities of \$561,128 to acquire intellectual property and to acquire property and equipment.

Financing Activities

During the year ended December 31, 2023, we raised \$1,067,631 from the issuance of convertible debt; \$1,689,868 from the issuance of notes payable; and, \$422,935 from loans from a related party; repayment of convertible note payable of \$438,059; repayment of \$1,562,535 on notes payable; and repayment to a related party of \$193,560. By comparison, during the year ended December 31, 2022, we raised \$931,000 through the issuance of Common stock; \$75,000 through the issuance of Series B Preferred Stock; \$2,027,570 from the issuance of convertible debt; \$3,458,247 from the issuance of notes payable; and, \$299,280 from a loan from a related party, offset in part through the redemption of Series B Preferred Stock of \$487,730; repayment of convertible note payable of \$771,718; repayment of \$4,408,240 on notes payable; repayment to a related party of \$434,584 and, \$78,268 of capital lease payments.

We depend upon receiving capital investment or other financing to fund our ongoing operations and execute our business plan. In addition, we are dependent upon our controlling stockholder to provide continued funding and capital resources. If continued funding and capital resources are unavailable at reasonable terms, we may not be able to implement our plan of operations.

Going Concern

The consolidated financial statements accompanying this Annual Report have been prepared on a going concern basis, which implies that we will continue to realize its assets and discharge its liabilities and commitments in the normal course of business. We have generated very limited revenues since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. Our continuation as a going concern is dependent upon our ability to obtain necessary financing to achieve our operating objectives, and the attainment of profitable operations. As of December 31, 2023, we had an accumulated deficit and working capital deficiency. We do not have sufficient working capital to enable us to carry out our plan of operation for the next twelve months.

Due to the uncertainty of our ability to meet our current operating expenses and the capital expenses noted above in their report on the consolidated financial statements for the year ended December 31, 2023, our independent auditors included an explanatory paragraph regarding concerns about our ability to continue as a going concern. Our consolidated financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

The continuation of our business is dependent upon us raising additional financial support. The issuance of additional equity or debt securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments. There can be no assurance that we will be able to raise any additional capital.

Management's Plans

Our plan is to continue to grow our business through strategic acquisitions, and then expand selling across our subsidiaries and affiliated companies. We continue to focus heavily on our renewals business that we inherit from our acquisitions. During the next twelve months, we anticipate incurring costs related to (i) filing of Exchange Act reports; and, (ii) operating our businesses. We will require additional operating capital to maintain and continue operations. We will need to raise additional capital through debt or equity financing, and there is no assurance we will be able to raise the necessary capital. We expect our cost basis for fundraising to be significantly less if we are able to be listed on a major stock exchange. We also expect our equity components to have more value as part of our acquisitions and by virtue be less costly for us.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Contractual Obligations

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act, and are not required to provide the information under this Item.

Critical Accounting Policies

Critical Accounting Policies and Significant Judgments and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of income and expense during the reporting periods presented.

Our critical estimates include revenue recognition and intangible assets. Although we believe that these estimates are reasonable, actual results could differ from those estimates given a change in conditions or assumptions that have been consistently applied. We also have other policies that we consider key accounting policies, such as our policy for revenue recognition, however, the application of these policies does not require us to make significant estimates or judgments that are difficult or subjective.

The critical accounting policies used by management and the methodology for its estimates and assumptions are as follows:

Convertible Financial Instruments

We bifurcate conversion options from their host instruments and accounts for them as free standing derivative financial instruments if certain criteria are met. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. An exception to this rule is when the host instrument is deemed to be conventional, as that term is described under applicable GAAP.

When we have determined that the embedded conversion options should not be bifurcated from their host instruments, discounts are recorded for the intrinsic value of conversion options embedded in the instruments based upon the differences between the fair value of the underlying Common Stock at the commitment date of the transaction and the effective conversion price embedded in the instrument.

Beneficial Conversion Feature

The issuance of the convertible debt described in Note 9, below, generated a beneficial conversion feature (“BCF”), which arises when a debt or equity security is issued with an embedded conversion option that is beneficial to the investor or in the money at inception because the conversion option has an effective strike price that is less than the market price of the underlying stock at the commitment date. We recognized the BCF by allocating the intrinsic value of the conversion option, which is the number of shares of Common Stock available upon conversion multiplied by the difference between the effective conversion price per share and the fair value of Common Stock per share on the commitment date, resulting in a discount on the convertible debt (recorded as a component of additional paid-in capital). The discount is amortized to interest expense over the term of the convertible debt.

Stock-Based Compensation

We measure the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees and directors, the fair value of the award is measured on the grant date. For non-employees, as per ASU No. 2018-7, *Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, remeasurement is not required. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. Stock-based compensation expense is recorded by us in the same expense classifications in the consolidated statements of operations, as if such amounts were paid in cash. Also, refer to Note 1 – Summary of Significant Accounting Policies, in the consolidated financial statements that are included in this Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act, and are not required to provide the information under this Item.

Item 8. Financial Statements and Supplemental Data.

The information required by this Item is incorporated herein by reference to the consolidated financial statements and supplementary data set forth in *Item 15. Exhibits, Financial Statement Schedules* of Part IV of this Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2023. The term “disclosure controls and procedures,” as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures. Based on its evaluation, management concluded as of December 31, 2023 that our disclosure controls and procedures were not effective because of material weaknesses in our internal control over financial reporting, described below in Management’s Report on Internal Control Over Financial Reporting. Notwithstanding the identified material weaknesses, management believes the consolidated financial statements included in this Annual Report on Form 10-K fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Management’s Report on Internal Control Over Financial Reporting

Our Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) under the Exchange Act. An evaluation was performed of the effectiveness of our internal control over financial reporting. The evaluation was based on the framework in 2013 Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our evaluation under the criteria set forth in 2013 Internal Control — Integrated Framework, our management concluded that, as of December 31, 2023 our internal control over financial reporting was not effective because of the identification of material weaknesses described as follows:

- We did not have controls designed to validate the completeness and accuracy of underlying data used in the determination of accounting transactions. Accordingly, we believe we have a material weakness because there is a reasonable possibility that a material misstatement to the interim or annual consolidated financial statements would not be prevented or detected on a timely basis.
- We do not have written documentation of our internal control policies and procedures. Written documentation of key internal controls over financial reporting is a requirement of Section 404 of the Sarbanes-Oxley Act

which is applicable to us. Management evaluated the impact of our failure to have written documentation of our internal controls and procedures on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.

- We do not have sufficient segregation of duties within accounting functions, which is a basic internal control. Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, the initiation of transactions, the custody of assets and the recording of transactions should be performed by separate individuals. Management evaluated the impact of our failure to have segregation of duties on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.
- We do not have a functioning audit committee or outside directors on our board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures.

Remediation Plan for Material Weaknesses in Internal Control over Financial Reporting

Our management is committed to improving its internal controls when we have adequate resources to do so. We appointed a full-time Chief Financial Officer in September 2022, but do not currently have independent directors or an audit committee. Until there are independent directors and an audit committee, we will mitigate the lack of segregation of duties by (i) continuing to use third party specialists to assist us with accounting and finance matters; and (ii) commissioning frequent reconciliations of significant accounts using independent auditors.

Our management has discussed the material weaknesses noted above with our independent registered public accounting firm. Due to the nature of these material weaknesses, it is reasonably possible that misstatements which could be material to the annual or interim consolidated financial statements could occur that would not be prevented or detected during our financial close and reporting process.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this annual report.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our last fiscal year that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

Item 9C. Disclosures Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors and Executive Officers

Each of our directors holds office until the next annual meeting of our stockholders or until his or her successor has been elected and qualified, or until his or her earlier death, resignation, or removal. Our executive officers are appointed by our Board and serve until their respective successors are elected and appointed and qualify until their earlier resignation or removal from office.

Our current director and executive officers, their ages, positions held, and duration of such, are as follows:

Name	Position	Age	Date First Elected or Appointed
Jason Remillard	President; Chief Executive Officer; Chairman; Secretary	50	November 2017
Greg McCraw	Chief Financial Officer	60	September 2022

Business Experience

Jason Remillard

Jason Remillard is our President, Chief Executive Officer and Director, positions he has held since November 2017.

Mr. Remillard has led software organizations of all sizes throughout his career. In addition to product management, development, and marketing, he has delivered strategic consulting for leading organizations worldwide in both cyber-security and IT operations capabilities. He has had a distinguished career of over 25 years in the enterprise information technology business, providing services worldwide. He has been in all three of the recognized aspects of information technology: (i) as a vendor; (ii) as an implementer; and (iii) as a customer. Mr. Remillard has developed, delivered, and sold pervasive solutions and products for companies culminating in four successful market exits.

Immediately prior to forming our company, from 2016 until 2017, Mr. Remillard built ClassiDocs™, an award-winning data privacy and compliance product. During this period, he focused on enterprise customer relationships, strategic industry partnerships, and setting the foundation for a new and unique entry into the global and growing data privacy and compliance marketplace. Prior to this, he served as VP of Security Architecture and Engineering for Deutsche Bank and managed a large and complex portfolio of technology and staff globally, including risk management, data security, and enterprise compliance programs. From 2011 to 2014, Mr. Remillard led a large global diversified security products portfolio for Dell Software (formerly Quest Software), with over 4,000 active customers, development & marketing teams, and international distribution channels. From 2003 to 2009, Mr. Remillard was a management consultant for IBM Corporation. Prior to his time at IBM, he developed, marketed, and successfully managed five other startups in the cybersecurity space.

Mr. Remillard holds an MBA from the Richard Ivey School of Business (London, ON, Canada). He is also a Certified Information Systems Security Professional (CISSP). Mr. Remillard is a founding member of the Blockchain Executive Group; former VP of CISO Global Security Architecture and Engineering at Deutsche Bank; Senior Product Manager for Dell/Quest Software; Management Consultant for IBM; and Strategic Consultant for RBC Bank, TD Bank. Based on his experience and expertise in data security, we believe Mr. Remillard is qualified to serve as our President, Chief Executive Officer and Director.

Greg McCraw

Effective September 6, 2022, Greg McCraw was appointed as our Chief Financial Officer. Mr. McCraw, 59, has more than 30 years of experience in public and corporate accounting and finance for US and international publicly listed companies, specializing in US GAAP financial reporting requirements. He advised and assisted public companies, government-sponsored entities, and federal agencies in restating and filing timely reporting as well as monitoring

regulatory compliance. Immediately prior to joining Data443 Data Risk Mitigation, Inc, Mr. McCraw was the Vice President of Finance for Light Wave Dental Management from January 2021 through August 2022. From August 2016 until January 2021, he was Managing Director of FMAC Group, LLC, a finance and accounting consulting firm providing services to top 100 financial institutions. Mr. McCraw is a North Carolina State University graduate with a BA in Accounting, Certified Public Accountant licensed in NC, and Certified in Financial Forensics by the AICPA.

Family Relationships

There are no family relationships between any of our officers and directors.

Legal Proceedings

To our knowledge, (i) no director or executive officer has been a director or executive officer of any business which has filed a bankruptcy petition or had a bankruptcy petition filed against it during the past ten years; (ii) no director or executive officer has been convicted of a criminal offense or is the subject of a pending criminal proceeding during the past ten years; (iii) no director or executive officer has been the subject of any order, judgment or decree of any court permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities during the past ten years; and (iv) no director or officer has been found by a court to have violated a federal or state securities or commodities law during the past ten years.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires our directors, executive officers, and persons who beneficially own 10% or more of a class of securities registered under Section 12 of the Exchange Act to file reports of beneficial ownership and changes in beneficial ownership with the SEC. Directors, executive officers, and greater than 10% stockholders are required by the rules and regulations of the SEC to furnish us with copies of all reports filed by them in compliance with Section 16(a). We are required to disclose delinquent filings of reports by such persons.

Based solely on our review of certain reports filed with the SEC pursuant to Section 16(a) of the Exchange Act, we believe that all Section 16(a) filing requirements applicable to our executive officers, directors, and 10% or greater beneficial stockholders were met during the fiscal years ended December 31, 2023 and 2022.

Corporate Governance

Board Committees and Charters

Our board of directors does not maintain a separate audit, nominating and corporate governance or compensation committee. Functions customarily performed by such committees are performed by our board of directors as a whole. We do not currently have an “audit committee financial expert” since we currently do not have an audit committee.

Code of Business Conduct

We have adopted a Code of Conduct and Business Ethics that applies to our our directors, officers, employees and independent contractors The Code of Conduct and Business Ethics is filed as an exhibit to this Annual Report.

Board Diversity

While we do not have a formal policy on diversity, our board of directors considers diversity to include the skill set, background, reputation, type and length of business experience of our board of directors members, as well as, a particular nominee’s contributions to that mix. Our board of directors believes that diversity brings a variety of ideas, judgments, and considerations that can benefit our stockholders and us.

Stockholder Communications

We do not have a formal policy regarding communications with our board of directors, or for the consideration of director candidates recommended by stockholders. To date, no stockholders have made any such recommendations.

Item 11. Executive Compensation.

Summary Compensation Table

The following table sets forth certain compensation awarded to, earned by, or paid to the following “named executive officers,” which is defined as follows:

- (a) all individuals serving as our principal executive officer during the years ended December 31, 2022 and 2021; and
- (b) all individuals serving as our principal financial officer during the years ended December 31, 2022 and 2021.

We did not have any individuals for whom disclosure would have been required but for the fact that the individual was not serving as an executive officer as of the fiscal year ended December 31, 2023.

Name and Principal Position	Fiscal Year	Salary (\$)	Stock Awards (\$)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
Jason Remillard	2023	\$180,000	\$180,000	\$140,000	-	\$500,000
Chief Executive Officer and Director ⁽¹⁾	2022	171,006	-	412,000	-	\$583,006
Greg McCraw	2023	\$180,000	\$180,000	\$140,000	-	\$500,000
Chief Financial Officer ⁽²⁾	2022	49,842	-	41,180	-	91,026

(1) Mr. Remillard served as our Chief Financial Officer from January 24, 2020 until December 3, 2021.

(2) Mr. McCraw serves as our Chief Financial Officer since September 6, 2022.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information regarding outstanding stock options and stock awards held by our Named Executive Officers as of December 31, 2023:

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options: Exercisable	Number of Securities Underlying Unexercised Options: Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have	Equity Incentive Plan Awards: Number of Shares, Units or	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or

							Not Vested	That Have Not Vested	Other Rights That Have Not Vested
Jason Remillard	3	-	- \$ 37,440,000	12/30/2028	-	-	-	-	-
	-	1	- \$ 6,037,200	02/09/2031	-	-	-	-	-
	530	-	- \$ 1,122	11/15/2027	-	-	-	-	-
	176	-	- \$ 198	01/03/2033	-	-	-	-	-
	1,458	-	- \$ 24	04/09/2033	-	-	-	-	-
	2,188	-	- \$ 15.99	07/03/2033	-	-	-	-	-
	2,626	-	- \$ 13.13	10/09/2033	-	-	-	-	-
	-	-	-	-	-	1 \$ 157	-	-*	-
	-	-	-	-	-	11,85	-	-	-
	-	-	-	-	-	3,750 \$ 0	-	-	-
	-	-	-	-	-	11,73	-	-	-
	-	-	-	-	-	3,713 \$ 3	-	-	-
Greg McCraw	70	-	- \$ 1,020	11/15/2027	-	-	-	-	-
	194	-	- \$ 180	01/03/2033	-	-	-	-	-
	1,458	-	- \$ 24	04/09/2033	-	-	-	-	-
	2,845	-	- \$ 12.30	07/03/2033	-	-	-	-	-
	2,888	-	- \$ 12.12	10/09/2033	-	-	-	-	-
						61,71	-	-	-
						321 \$ 4	-	-	-
						11,85	-	-	-
						3,750 \$ 0	-	-	-
						11,73	-	-	-
						3,713 \$ 3	-	-	-

Employment Agreements

Jason M. Remillard Employment Agreement

Effective March 1, 2019, we and Mr. Remillard entered into an employment agreement (the “Remillard Employment Agreement”) providing for at-will employment, each party having the right to terminate the employment relationship at any time for any reason or no reason.

The Remillard Employment Agreement provides that Mr. Remillard will be employed by us as President and Chief Executive Officer. Under the Remillard Employment Agreement, Mr. Remillard receives a base salary of \$180,000 annually. Mr. Remillard is also entitled to receive restricted stock units (“RSUs”) every three months until such time as Mr. Remillard is no longer employed by us. Each RSA consists of a number of shares of our Common Stock equal

to the value of \$45,000 under our 2019 Omnibus Incentive Plan (the “2019 Plan”). The RSUs vest in full six months from date of grant.

Each quarter, Mr. Remillard is also entitled to receive incentive stock options to purchase Common Stock up to a value of \$35,000, in accordance with the vesting schedule determined by the administrator of the 2019 Plan.

Under the Remillard Employment Agreement, Mr. Remillard is entitled to participate in all employee benefit programs that we establish and make available to our employees from time to time, including our health and dental plans.

Greg McCraw Employment Agreement

Effective September 6, 2022, Mr. McCraw and the Company entered into an employment agreement (the “McCraw Employment Agreement”) providing for at-will employment, each party having the right to terminate the employment relationship at any time for any reason or no reason.

The McCraw Employment Agreement provides that Mr. McCraw will be employed by the Company as Chief Financial Officer. Under the McCraw Employment Agreement, Mr. McCraw’s receives a base salary of \$180,000 annually. Mr. McCraw is also entitled to receive RSUs every three months until such time as Mr. McCraw is no longer employed by the Company. Each RSU consists of a number of shares of Common Stock equal to the value of \$45,000 under the 2019 Plan. The RSUs vest in full six months from date of grant.

Each quarter, Mr. McCraw is also entitled to receive incentive stock options to purchase Common Stock up to a value of \$35,000, in accordance with the vesting schedule determined by the administrator of the 2019 Plan.

Under the McCraw Employment Agreement, Mr. McCraw is entitled to participate in all employee benefit programs that we establish and make available to our employees from time to time, including our health and dental plans

Director Compensation

Our board of directors does not currently receive any consideration for their services as members of our board of directors. Our board of directors reserves the right in the future to award the members of the board of directors cash or stock based consideration for their services to us, which awards, if granted shall be in the sole determination of the board of directors.

Executive Compensation Philosophy

Our board of directors determines the compensation given to our executive officers in their sole determination. Our board of directors reserves the right to pay our executive or any future executives a salary, and/or issue them shares of Common Stock in consideration for services rendered and/or to award incentive bonuses which are linked to our performance, as well as to the individual executive officer’s performance. This package may also include long-term stock based compensation to certain executives, which is intended to align the performance of our executives with our long-term business strategies. Additionally, while our board of directors has not granted any performance base stock options to date, the board of directors reserves the right to grant such options in the future, if the board of directors in its sole determination believes such grants would be in our best interests.

Incentive Bonus

Our board of directors may grant incentive bonuses to our executive officers and/or future executive officers in its sole discretion, if the board of directors believes such bonuses are in our best interests, after analyzing our current business objectives and growth, if any, and the amount of revenue we are able to generate each month, which revenue is a direct result of the actions and ability of such executives.

Employee Benefit Plans – 2023 Equity Incentive Plan

In order to attract, retain and motivate executive talent necessary to support our long-term business strategy we may award our executives and any future executives with long-term, stock-based compensation in the future, at the sole discretion of our Board of Directors. In December 2023, our Board of Directors and the majority of our stockholders approved our 2023 Equity Incentive Plan (the “2023 Plan”). The 2023 Plan became effective on January 22, 2024. The following is a summary of the material features of the 2023 Plan is qualified in its entirety by the full text of the 2023 Plan, which is filed as an exhibit to the registration statement of which this prospectus forms a part.

Purpose

The purpose of the 2023 Plan is to enhance our ability to attract, retain and motivate persons who make (or are expected to make) important contributions to our company by providing these individuals with equity ownership opportunities and/or equity-linked compensatory opportunities.

Eligibility

Persons eligible to participate in the 2023 Plan will be the officers, employees, non-employee directors and consultants our company and our subsidiaries as selected from time to time by the plan administrator in its discretion.

Administration

The 2023 Plan will be administered by the compensation committee of our board of directors, our board of directors or such other similar committee pursuant to the terms of the 2023 Plan. The plan administrator, which initially will be the compensation committee of our board of directors, will have full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the 2023 Plan. The plan administrator may delegate to one or more of our officers the authority to grant awards to individuals who are not subject to the reporting and other provisions of Section 16 of the Exchange Act.

Share Reserve

An aggregate of 800,000 shares of Common Stock may be issued under the 2023 Plan. Shares underlying any awards under the 2023 Plan that are forfeited, cancelled, held back to cover the exercise price or tax withholding, satisfied without the issuance of stock or otherwise terminated (other than by exercise) will be added back to the shares available for issuance under the 2023 Plan. The payment of dividend equivalents in cash shall not count against the share reserve.

Annual Limitation on Awards to Non-Employee Directors

The 2023 Plan contains a limitation whereby the grant date value of all awards under the 2023 Plan and all other cash compensation paid by the Company to any non-employee director may not exceed \$250,000 in any calendar year, although the Company’s board of directors may, in its discretion, make exceptions to the limit in extraordinary circumstances.

Types of Awards

The 2023 Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, and other stock or cash based awards, or collectively, awards. Unless otherwise set forth in an individual award agreement, each award shall vest over a two-year period, with one-half of the award vesting on the first annual anniversary of the date of grant, with the remainder of the award vesting monthly thereafter.

Stock Options

The 2023 Plan permits the granting of both options to purchase shares of common stock intended to qualify as incentive stock options under Section 422 of the Code and options that do not so qualify. Options granted under the 2023 Plan will be nonqualified options if they fail to qualify as incentive stock options or exceed the annual limit on incentive stock options. Incentive stock options may only be granted to employees of the Company and its subsidiaries. Nonqualified options may be granted to any persons eligible to receive awards under the 2023 Plan.

The exercise price of each option will be determined by the plan administrator but generally may not be less than 100% of the fair market value of the Common Stock on the date of grant or, in the case of an incentive stock option granted to a 10% stockholder, 110% of such share's fair market value. The term of each option will be fixed by the plan administrator and may not exceed ten years from the date of grant (or five years for an incentive stock option granted to a 10% stockholder). The plan administrator will determine at what time or times each option may be exercised, including the ability to accelerate the vesting of such options.

Upon exercise of options, the exercise price must be paid in full either in cash, check, or, with the approval of the plan administrator, by delivery (or attestation to the ownership) of shares of Common Stock that are beneficially owned by the optionee free of restrictions or were purchased in the open market. Subject to applicable law and approval of the plan administrator, the exercise price may also be made by means of a broker-assisted cashless exercise. In addition, the plan administrator may permit nonqualified options to be exercised using a "net exercise" arrangement that reduces the number of shares issued to the optionee by the largest whole number of shares with fair market value that does not exceed the aggregate exercise price.

Stock Appreciation Rights

The plan administrator may award stock appreciation rights subject to such conditions and restrictions as it may determine. Stock appreciation rights entitle the recipient to shares of common stock, or cash, equal to the value of the appreciation in the Company's stock price over the exercise price. The exercise price generally may not be less than 100% of the fair market value of common stock on the date of grant. The term of each stock appreciation right will be fixed by the plan administrator and may not exceed ten years from the date of grant. The plan administrator will determine at what time or times each stock appreciation right may be exercised, including the ability to accelerate the vesting of such stock appreciation rights.

Restricted Stock

The plan administrator may award restricted shares of common stock subject to such conditions and restrictions as it may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with the Company or its subsidiaries through a specified vesting period. Unless otherwise provided in the applicable award agreement, the participant generally will have the rights and privileges of a stockholder as to such restricted shares, including without limitation the right to vote such restricted shares and the right to receive dividends, if applicable.

Restricted Stock Units and Dividend Equivalents

The plan administrator may award restricted stock units which represent the right to receive common stock at a future date in accordance with the terms of such grant upon the attainment of certain conditions specified by the plan administrator. Restrictions or conditions could include, but are not limited to, the attainment of performance goals, continuous service with the Company or its subsidiaries, the passage of time or other restrictions or conditions. The plan administrator determines the persons to whom grants of restricted stock units are made, the number of restricted stock units to be awarded, the time or times within which awards of restricted stock units may be subject to forfeiture, the vesting schedule, and rights to acceleration thereof, and all other terms and conditions of the restricted stock unit awards. The value of the restricted stock units may be paid in common stock, cash, other securities, other property, or a combination of the foregoing, as determined by the plan administrator.

A participant holding restricted stock units will have no voting rights as stockholders. Prior to settlement or forfeiture, restricted stock units awarded under the 2023 Plan may, at the plan administrator's discretion, provide for a right to dividend equivalents. Such right entitles the holder to be credited with an amount equal to all dividends paid on one share of common stock while each restricted stock unit is outstanding. Dividend equivalents may be converted into additional restricted stock units. Settlement of dividend equivalents may be made in the form of cash, common stock, other securities, other property, or a combination of the foregoing. Prior to distribution, any dividend equivalents will be subject to the same conditions and restrictions as the restricted stock units to which they attach.

Other Stock or Cash Based Awards

Other stock or cash based may be granted either alone, in addition to, or in tandem with, other awards granted under the 2023 Plan and/or cash awards made outside of the 2023 Plan. The plan administrator shall have authority to determine the persons to whom and the time or times at which such awards will be made, the amount of such awards, and all other conditions, including any dividend and/or voting rights.

Changes in Capital Structure

The 2023 Plan requires the plan administrator to make appropriate adjustments to the number of shares of Common Stock that are subject to the 2023 Plan, to certain limits in the 2023 Plan, and to any outstanding awards to reflect stock dividends, stock splits, extraordinary cash dividends and similar events.

Change in Control

Except as set forth in an award agreement issued under the 2023 Plan, in the event of a change in control (as defined in the 2023 Plan), each outstanding stock award (vested or unvested) will be treated as the plan administrator determines, which may include (i) the Company's continuation of such outstanding stock awards (if the Company is the surviving corporation); (ii) the assumption of such outstanding stock awards by the surviving corporation or its parent; (iii) the substitution by the surviving corporation or its parent of new stock options or other equity awards for such stock awards; (iv) the cancellation of such stock awards in exchange for a payment to the participants equal to the excess of (A) the fair market value of the shares subject to such stock awards as of the closing date of such corporate transaction over (B) the exercise price or purchase price paid or to be paid (if any) for the shares subject to the stock awards (which payment may be subject to the same conditions that apply to the consideration that will be paid to holders of shares in connection with the transaction, subject to applicable law); (v) provide that such award shall vest and, to the extent applicable, be exercisable as to all shares covered thereby, notwithstanding anything to the contrary in the 2023 Plan or the provisions of such Award; or (vi) provide that the award will terminate and cannot vest, be exercised or become payable after the applicable event.

The 2023 Plan provides that a stock award may be subject to additional acceleration of vesting and exercisability upon a change in control as may be provided in the award agreement for such stock award, but in the absence of such provision, no such acceleration will occur.

Tax Withholding

Participants in the 2023 Plan are responsible for the payment of any federal, state or local taxes that the Company or its subsidiaries are required by law to withhold upon the exercise of options or stock appreciation rights or vesting of other awards. The plan administrator may cause any tax withholding obligation of the Company or its subsidiaries to be satisfied, in whole or in part, by the applicable entity withholding from shares of Common Stock to be issued pursuant to an award a number of shares with an aggregate fair market value that would satisfy the withholding amount due. The plan administrator may also require any tax withholding obligation of the Company or its subsidiaries to be satisfied, in whole or in part, by an arrangement whereby a certain number of shares issued pursuant to any award are

immediately sold and proceeds from such sale are remitted to the Company or its subsidiaries in an amount that would satisfy the withholding amount due.

Transferability of Awards

The 2023 Plan generally does not allow for the transfer or assignment of awards, other than by will or by the laws of descent and distribution; however, the plan administrator has the discretion to permit awards (other than incentive stock options) to be transferred by a participant.

Term

The 2023 Plan became effective on January 22, 2024, and unless terminated earlier, the 2023 Plan will continue in effect for a term of ten years, after which time no awards may be granted under the 2023 Plan.

Amendment and Termination

The Company's board of directors and the plan administrator may each amend, suspend, or terminate the 2023 Plan and the plan administrator may amend or cancel outstanding awards, but no such action may materially and adversely affect rights under an award without the holder's consent. Certain amendments to the 2023 Plan will require the approval of the Company's stockholders. Generally, without stockholder approval, (i) no amendment or modification of the 2023 Plan may reduce the exercise price of any stock option or stock appreciation right, (ii) the plan administrator may not cancel any outstanding stock option or stock appreciation right where the fair market value of the common stock underlying such stock option or stock appreciation right is less than its exercise price and replace it with a new option or stock appreciation right, another award or cash and (iii) the plan administrator may not take any other action that is considered a "repricing" for purposes of the stockholder approval rules of the applicable securities exchange.

All stock awards granted under the 2023 Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Company's board of directors may impose such other clawback, recovery or recoupment provisions in a stock award agreement as the board of directors determines necessary or appropriate.

Material United States Federal Income Tax Considerations

The following is a summary of the material U.S. federal income tax considerations related to awards and certain transactions under the 2023 Plan, based upon the current provisions of the Code and regulations promulgated thereunder. The rules governing the tax treatment of such awards are quite technical, so the following discussion of tax consequences is necessarily general in nature and is not complete. In addition, statutory provisions are subject to change, as are their interpretations, and their application may vary in individual circumstances. This summary does not describe all federal tax consequences under the 2023 Plan, nor does it describe state, local, or foreign income tax consequences or federal employment tax consequences. This summary is not intended as tax advice to participants, who should consult their own tax advisors.

The 2023 Plan is not qualified under the provisions of Section 401(a) of the Code and is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974, as amended. The Company's ability to realize the benefit of any tax deductions described below depends on our generation of taxable income as well as the requirement of reasonableness and the satisfaction of our tax reporting obligations.

Incentive Stock Options

No taxable income is generally realized by the optionee upon the grant or exercise of an incentive stock option. If shares of common stock issued to an optionee pursuant to the exercise of an incentive stock option are sold or transferred after two years from the date of grant and after one year from the date of exercise, then generally (i) upon sale of such shares, any amount realized in excess of the exercise price (the amount paid for the shares) will be taxed

to the optionee as a long-term capital gain, and any loss sustained will be a long-term capital loss, and (ii) neither the Company nor its subsidiaries will be entitled to any deduction for federal income tax purposes; provided that such incentive stock option otherwise meets all of the technical requirements of an incentive stock option. The exercise of an incentive stock option will give rise to an item of tax preference that may result in alternative minimum tax liability for the optionee.

If shares of common stock acquired upon the exercise of an incentive stock option are disposed of prior to the expiration of the two-year and one-year holding periods described above (a “disqualifying disposition”), generally (i) the optionee will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of the shares of common stock at exercise (or, if less, the amount realized on a sale of such shares of common stock) over the exercise price thereof, and (ii) the Company or its subsidiaries will be entitled to deduct such amount. Special rules will apply where all or a portion of the exercise price of the incentive stock option is paid by tendering shares of common stock.

If an incentive stock option is exercised at a time when it no longer qualifies for the tax treatment described above, the option is treated as a nonqualified option. Generally, an incentive stock option will not be eligible for the tax treatment described above if it is exercised more than three months following termination of employment (or one year in the case of termination of employment by reason of disability). In the case of termination of employment by reason of death, the three-month rule does not apply.

Nonqualified Options

No income is generally realized by the optionee at the time a nonqualified option is granted. Generally (i) at exercise, ordinary income is realized by the optionee in an amount equal to the difference between the exercise price and the fair market value of the shares of common stock on the date of exercise, and the Company or its subsidiaries receives a tax deduction for the same amount, and (ii) at disposition, appreciation or depreciation after the date of exercise is treated as either short-term or long-term capital gain or loss depending on how long the shares of common stock have been held. Special rules will apply where all or a portion of the exercise price of the nonqualified option is paid by tendering shares of common stock. Upon exercise, the optionee will also be subject to Social Security taxes on the excess of the fair market value over the exercise price of the option.

Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Dividend Equivalents, and Other Stock or Cash Based

The current federal income tax consequences of other awards authorized under the 2023 Plan generally follow certain basic patterns: (i) stock appreciation rights are taxed and deductible in substantially the same manner as nonqualified options; (ii) nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value over the price paid, if any, only at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the date of grant through a Section 83(b) election); and (iii) restricted stock units, dividend equivalents and other stock or cash based awards are generally subject to tax at the time of payment. The Company or its subsidiaries generally should be entitled to a federal income tax deduction in an amount equal to the ordinary income recognized by the participant at the time the participant recognizes such income.

The participant’s basis for the determination of gain or loss upon the subsequent disposition of common stock acquired from a stock appreciation right, restricted stock, restricted stock unit, or other stock or cash based award will be the amount paid for such shares plus any ordinary income recognized when the shares of common stock were originally delivered, and the participant’s capital gain holding period for those shares will begin on the day after they are transferred to the participant.

Parachute Payments

The vesting of any portion of an award that is accelerated due to the occurrence of a change in control (such as a sale event) may cause all or a portion of the payments with respect to such accelerated awards to be treated as “parachute payments” as defined in the Code. Any such parachute payments may be non-deductible to either the Company or its subsidiaries, in whole or in part, and may subject the recipient to a non-deductible 20% federal excise tax on all or a portion of such payment (in addition to other taxes ordinarily payable).

Section 409A

The foregoing description assumes that Section 409A of the Code does not apply to an award under the 2023 Plan. In general, stock options and stock appreciation rights are exempt from Section 409A if the exercise price per share is at least equal to the fair market value per share of the underlying stock at the time the option or stock appreciation right was granted. Restricted stock awards are not generally subject to Section 409A. Restricted stock units are subject to Section 409A unless they are settled within two-and-one-half months after the end of the later of (1) the end of the Company’s fiscal year in which vesting occurs or (2) the end of the calendar year in which vesting occurs. If an award is subject to Section 409A and the provisions for the exercise or settlement of that award do not comply with Section 409A, then the participant would be required to recognize ordinary income whenever a portion of the award vested (regardless of whether it had been exercised or settled). This amount would also be subject to a 20% U.S. federal tax and premium interest in addition to the U.S. federal income tax at the participant’s usual marginal rate for ordinary income.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth, as of January 31, 2023, certain information with regard to the record and beneficial ownership of our Common Stock by (i) each person known to us to be the record or beneficial owner of more than 5% of our Common Stock, (ii) each of our directors, (iii) each of the named executive officers, and (iv) all of our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Beneficial ownership also includes shares of stock subject to options and warrants currently exercisable or exercisable within 60-days of the date of this table. In determining the percent of Common Stock owned by a person or entity as of the date of this Annual Report (a) the numerator is the number of shares of the class beneficially owned by such person or entity, including shares which may be acquired within 60 days on exercise of warrants or options and conversion of convertible securities, and (b) the denominator is the sum of (i) the total shares of Common Stock outstanding as of the date of this Annual Report, which is 286,343 shares, and (ii) the total number of shares of Common Stock that the beneficial owner may acquire upon exercise of the derivative securities. Unless otherwise stated, each beneficial owner has sole power to vote and dispose of its shares.

Name (1)	Common Stock (3)		Series A Preferred Stock (2)		Voting (2) Percent of Voting Capital Stock
	Number of Shares	Percent of Class	Number of Shares	Percent of Class	
Jason Remillard	29,627	9.99%	149,865	100%	99.99%
Greg McCraw	2,339	0.86%	-	-	-
<i>All beneficial owners as a group (2 persons)</i>	31,966	10.85%	149,865	100%	99.99%

- (1) The mailing address for each officer and director is c/o Data443 Risk Mitigation, Inc., PO Box 12235, Durham, North Carolina 27709.
- (2) Each share of Series A Preferred Stock is entitled to 15,000 votes per share, and each is convertible into 1,000 shares of Common Stock, subject to a 9.99% beneficial ownership limitation such that a holder of Series A Preferred Stock may not convert such stock into Common Stock to the extent that the holder would beneficially own more than 9.99% of the Common Stock outstanding immediately after giving effect to the issuance of Common Stock upon conversion of the Series A Preferred Stock. The numbers in this column

assume that the number of shares of Series A Preferred Stock that would result in the holder beneficially owning 9.99% of the Common Stock outstanding immediately after giving effect to the conversion of the Series A Preferred Stock have been converted into Common Stock. Includes (i) 752 shares of Common Stock, (ii) 149,892,000 shares of Common Stock issuable to Mr. Remillard upon full conversion of all of his 149,892 Series A Shares, (iii) 1,875 restricted stock units that vest on October 1, 2023 and (iv) 1,458 options to purchase shares of Common Stock.

- (3) Includes (i) 464 shares of Common Stock, (ii) 1,875 restricted stock units that vest on October 1, 2023 and (iii) 1,458 options to purchase common stock that vest on October 1, 2023.

Changes in Control

We are not aware of any arrangements that may result in “changes in control” as that term is defined by the provisions of Item 403 of Regulation S.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Certain Relationships and Related Transactions

Jason Remillard is our president and Chief Executive Officer and the sole director. Through his ownership of Series A Preferred Shares, Mr. Remillard has voting control over all matters to be submitted to a vote of our shareholders.

On September 16, 2019, we entered into an Asset Purchase Agreement with DMB Group, LLC (“DMB Group”). A significant part of the purchase price was in the form of our Common stock. As a direct result of this transaction and our Common stock issued to DMB Group, we determined that DMB Group was a related party. Amounts owed to DMB Group, including the note payable of \$940,000 and member loans of \$97,689 were recorded as amounts due to a related party. During the year ended December 31, 2022, we repaid a note payable of \$124,985 including interest expense of \$1,240. As of December 31, 2022 and December 31, 2021, we had recorded a liability to DMB Group totaling \$0 and \$123,745, respectively.

During the year ended December 31, 2023, we received cash from our Chief Executive Officer of \$299,281, our CEO paid operating expenses of \$167,653, and repaid \$602,237 to our Chief Executive Officer.

As of December 31, 2023 and December 31, 2022, we had due to related party transactions in the amounts of \$112,064 and \$247,366, respectively.

Review, Approval and Ratification of Related Party Transactions

Given our small size and limited financial resources, we have not adopted formal policies and procedures for the review, approval or ratification of transactions, such as those described above, with our executive officer(s), Director(s) and significant stockholders. We intend to establish formal policies and procedures in the future, once we have sufficient resources and have appointed additional Directors, so that such transactions will be subject to the review, approval or ratification of our Board of Directors, or an appropriate committee thereof. On a moving forward basis, our director will continue to approve any related party transaction.

Director Independence

Our Board of Directors is currently composed of a single member, Jason Remillard, who does not qualify as an independent director in accordance with the NASDAQ Listing Rule 5605(a)(2).

Item 14. Principal Accountant Fees and Services.

The following table provides information regarding the fees billed to us by TPS Thayer in the years ended December 31, 2023 and 2022. All fees described below were approved by Board:

	For the years ended	
	December 31,	
	2023	2022
Audit Fees (1)	\$ 87,500	\$ 82,500
Audit Related Fees (2)	-	-
Tax Fees (3)	<u>1,100</u>	<u>1,000</u>
All Other Fees (4)	<u>-</u>	<u>-</u>
Total Fees:	<u>\$ 88,600</u>	<u>\$ 83,500</u>

- (1) Audit Fees include fees for services rendered for the audit of our consolidated financial statements, included in our Annual Report on Form 10-K.
- (2) Audit Related Fees consists of assurance and related services by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported above under "Audit Fees." The services for the fees disclosed under this category include consultation regarding our correspondence with the SEC and other accounting consulting.
- (3) Tax Fees consists of professional services rendered by our independent registered public accounting firm for tax compliance and tax advice. The services for the fees disclosed under this category include tax return preparation and technical tax advice.
- (4) All Other Fees consists of fees for other miscellaneous items.

Pre-Approval Policies and Procedures

The policy of our Board is to pre-approve all audit and permissible non-audit services provided by our independent auditors. These services may include audit services, audit-related services, tax services, and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services. The independent auditor and management are required to periodically report to the Board regarding the extent of services provided by the independent auditor in accordance with this pre-approval. Any proposed services not included within the list of pre-approved services or any proposed services that will cause us to exceed the pre-approved aggregate amount requires specific pre-approval by the Board.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

- (a) The following documents are filed as part of this Annual Report on Form 10-K:
 - (1) Financial Statements – See Index on page F-1 of this report
- (b) The following exhibits are filed herewith as a part of this report

Exhibit

Incorporated by Reference

Number	Exhibit Description	Form	Exhibit	Filing Date/ Period End Date
3.1	Amended and Restated Articles of Incorporation of the Company, dated May 1, 2018.	10-12G	3.2	1/11/2019
3.2+	Second Amended and Restated Articles of Incorporation of the Company			
3.3	Certificate of Designation for Preferred Series A Stock of the Company, dated May 28, 2008.	10-12G	3.4	1/11/2019
3.4	Amendment to Certificate of Designation for Preferred Series A Stock of the Company, dated April 27, 2018.	10-12G	3.4	1/11/2019
3.5	Amendment to Certificate of Designation for Preferred Series A Stock of the Company, dated December 20, 2023.	8-K	3.1	12/26/2023
3.6	Bylaws of the Company.	10-SB	I	1/4/2000
3.7	Amended and Restated Bylaws of the Company.	8-K	3.2	1/29/2024
3.8	Certificate of Amendment to the Company's Articles of Incorporation dated October 29, 2019.	8-K	3.1	10/15/2019
3.9	Certificate of Amendment to the Company's Articles of Incorporation dated August 17, 2020.	8-K	3.1	8/21/2020
3.10	Certificate of Designation for Preferred Series B Stock of the Company, dated November 25, 2020.	8-K	3.1	12/2/2020
3.11	Certificate of Amendment to the Company's Articles of Incorporation dated December 15, 2020, increasing the number of authorized shares of Common Stock to 1.8 billion.	8-K	3.1	12/17/2020
3.12	Certificate of Amendment to the Company's Articles of Incorporation dated April 21, 2021.	8-K	3.1	4/27/2021
3.13	Certificate of Amendment to the Company's Articles of Incorporation dated January 10, 2021.	8-K	3.1	6/21/2021
3.14	Certificate of Change to the Company's Articles of Incorporation dated January 6, 2022.	8-K	3.1	3/11/2022
3.15	Certificate of Change to the Company's Articles of Incorporation dated May 25, 2023.	8-K	3.1	05/26/2023
3.16	Certificate of Change to the Company's Articles of Incorporation dated September 14, 2023	8-K	3.1	09/20/2023
4.1	Warrant Exchange Notes issued as of 17 November 2020 in the total original principal amount of \$100,000.	10-K	4.7	3/23/2021
4.2	Common Stock Purchase Warrant issued in favor of Triton Funds LP on December 11, 2020.	8-K	4.1	12/17/2020

4.3	<u>Common Stock Purchase Warrant (the “First Warrant”) issued in favor of Auctus Fund, LLC on 23 April 2021.</u>	8-K	4.1	4/27/2021
4.4	<u>Common Stock Purchase Warrant (the “Second Warrant”) issued in favor of Auctus Fund, LLC on April 22, 2021.</u>	8-K	4.2	4/27/2021
4.5	<u>Common Stock Purchase Warrant (the “First Warrant”) issued in favor of Auctus Fund, LLC on 30 July 2021 for the purchase of 62,667 shares of Common Stock at \$4.50 per share.</u>	10-Q	4.11	8/03/2021
4.6	<u>Common Stock Purchase Warrant (the “Second Warrant”) issued in favor of Auctus Fund, LLC on 30 July 2021 for the purchase of 62,667 shares of Common Stock at \$4.50 per share.</u>	10-Q	4.12	8/03/2021
4.7	<u>Common Stock Purchase Warrant (the “First Warrant”) issued in favor of Jefferson Street Capital LLC on 28 September 2021.</u>	10-K	4.8	03/31/2022
4.8	<u>Common Stock Purchase Warrant (the “Second Warrant”) issued in favor of Jefferson Street Capital LLC on 28 September 2021.</u>	10-K	4.9	03/31/2022
4.9	<u>Convertible Promissory Note issued the Company in favor of Jefferson Street Capital LLC on 28 September 2021 in the original principal amount of \$110,000.</u>	10-K	4.10	03/31/2022
4.10	<u>Common Stock Purchase Warrant (the “First Warrant”) issued in favor of Mast Hill Fund, LP on 19 October 2021.</u>	10-Q	4.13	10/26/2021
4.11	<u>Common Stock Purchase Warrant (the “Second Warrant”) issued in favor of Mast Hill Fund, LP on 19 October 2021.</u>	10-Q	4.14	10/26/2021
4.12	<u>Common Stock Purchase Warrant issued in favor of Westland Properties, LLC on 21 December 2021.</u>	10-K	4.13	03/31/2022
4.13	<u>Convertible Promissory Note issued the Company in favor of Westland Properties, LLC on 21 December 2021 in the original principal amount of \$555,555.</u>	10-K	4.14	03/31/2022
4.14	<u>Convertible Promissory Note issued the Company in favor of GS Capital Partners, LLC on 11 February 2022 in the original principal amount of \$207,500.</u>	10-K	4.15	03/31/2022
4.15	<u>Convertible Promissory Note issued the Company in favor of One44 Capital LLC on 11 February 2022 in the original principal amount of \$160,000.</u>	10-K	4.16	03/31/2022
4.16	<u>Convertible Promissory Note issued the Company in favor of Fast Capital, LLC on 14 February 2022 in the original principal amount of \$207,500.</u>	10-K	4.17	03/31/2022

4.17	<u>Convertible Promissory Note issued the Company in favor of Root Ventures, LLC on 1 March 2022 in the original principal amount of \$207,500.</u>	10-K	4.18	03/31/2022
4.18	<u>Convertible Promissory Note issued the Company in favor of Red Road Holdings Corporation on 9 March 2022 in the original principal amount of \$176,813.</u>	10-K	4.19	03/31/2022
4.19	<u>Convertible Promissory Note issued by the Company in favor of 1800 Diagonal Lending LLC, dated May 16, 2022.</u>	10-Q	4.1	08/14/2023

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4.20	<u>Form of Note, between the Company and Walleye Opportunities Master Fund Ltd on December 7, 2022.</u>	8-K	4.1	12/12/2022
4.21	<u>Form of Warrant, between the Company and Walleye Opportunities Master Fund Ltd on December 7, 2022.</u>	8-K	4.2	12/12/2022
4.22	<u>Form of Note, between the Company and Walleye Opportunities Master Fund Ltd on January 24, 2023.</u>	8-K	4.1	01/30/2023
4.23	<u>Form of Warrant, between the Company and Walleye Opportunities Master Fund Ltd on January 24, 2023.</u>	8-K	4.2	01/30/2023
4.24	<u>Convertible Promissory Note issued by the Company in favor of Jefferson Street Capital LLC on May 9, 2022.</u>	10-K	4.24	02/24/2023
4.25	<u>Common Stock Purchase Warrant issued to Moody Capital Solutions Inc. on May 9, 2022.</u>	10-K	4.25	02/24/2023
4.26	<u>Convertible Promissory Note issued by the Company in favor of 1800 Diagonal Lending LLC on January 4, 2023.</u>	10-K	4.26	02/24/2023
4.27	<u>Form of Note, between the Company and Investor #1.</u>	8-K	4.1	07/24/2023
4.28	<u>Form of Warrant, between the Company and Investor #1.</u>	8-K	4.2	07/24/2023
4.29	<u>Form of Note, between the Company and Investor #2.</u>	8-K	4.3	07/24/2023
4.30	<u>Form of Warrant, between the Company and Investor #2.</u>	8-K	4.4	07/24/2023
4.31	<u>Form of Warrant, between the Company and the Placement Agent</u>	8-K	4.5	07/24/2023
4.32	<u>Form of Warrant, between the Company and Investor.</u>	8-K	4.6	07/24/2023
4.33	<u>Form of New Note, between the Company and the Noteholder.</u>	8-K	4.7	07/24/2023

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10.1	<u>Asset Purchase Agreement dated January 26, 2018 by and between Myriad Software Productions, LLC and Data443 Risk Management, Inc.</u>	10-12G	10.1	1/11/2019
10.2	<u>Secured Promissory Note dated January 26, 2018 issued by Data443 Risk Management, Inc. in favor of Myriad Software Productions, LLC in the original principal amount of \$250,000.</u>	10-12G	10.2	1/11/2019
10.3	<u>Security Agreement dated January 26, 2018 executed by Data443 Risk Management, Inc. in favor of Myriad Software Productions, LLC.</u>	10-12G	10.3	1/11/2019
10.4†	<u>2019 Omnibus Stock Incentive Plan dated May 16, 2019</u>	8-K	10.1	5/19/2019
10.5	<u>Letter Agreement effective August 26, 2020, between the Company and Maxim Group, LLC.</u>	10-Q	10.23	11/16/2020
10.6	<u>Asset Sale Agreement effective January 31, 2021, between the Company and the secured creditors of Wala, Inc.</u>	10-K	10.28	3/23/2021
10.7	<u>Three Secured Promissory Notes, each effective January 31, 2021 and issued by the Company in favor of the secured creditors of Wala, Inc.</u>	10-K	10.29	3/23/2021
10.8	<u>Security Agreement effective January 31, 2021, between the Company and the secured creditors of Wala, Inc.</u>	10-K	4.6	3/23/2021
10.9	<u>Form of Securities Purchase Agreement entered into with Auctus Fund, LLC on April 23, 2021.</u>	8-K	10.1	4/27/2021
10.10	<u>Form of Senior Secured Promissory Note issued in favor of Auctus Fund, LLC on April 23, 2021.</u>	8-K	10.2	4/27/2021
10.11	<u>Form of Security Agreement entered into with Auctus Fund, LLC on April 23, 2021.</u>	8-K	10.3	4/27/2021
10.12†	<u>Employment Agreement, Effective March 1, 2019 between the Company and Jason Remillard</u>	10-K	10.13	03/31/2022
10.13†	<u>Employment Agreement, effective December 1, 2021 between the Company and Nanuk Warman</u>	10-K	10.14	03/31/2022
10.14	<u>Form of Securities Purchase Agreement entered into with Auctus Fund, LLC on 29 July 2021.</u>	10-Q	10.34	8/3/2021

10.15	<u>Form of Senior Secured Promissory Note issued in favor of Auctus Fund, LLC on 29 July 2021.</u>	10-Q	10.35	8/3/2021
10.16	<u>Form of Security Agreement entered into with Auctus Fund, LLC on 29 July 2021.</u>	10-Q	10.36	8/3/2021

10.17	<u>Form of Securities Purchase Agreement entered into with Jefferson Street Capital LLC on 28 September 2021.</u>	10-K	10.18	03/31/2022
10.18	<u>Form of Securities Purchase Agreement entered into with Mast Hill Fund, LP on 19 October 2021.</u>	10-Q	10.37	10/26/2021
10.19	<u>Form of Promissory Note issued in favor of Mast Hill Fund, LP on 19 October 2021.</u>	10-Q	10.38	10/26/2021
10.20	<u>Form of Securities Purchase Agreement entered into with Westland Properties, LLC on 21 December 2021.</u>	10-K	10.21	03/31/2022
10.21	<u>Centurion Holdings I, LLC asset purchase agreement dated January 19, 2022</u>	8-K	10.1	1/19/2022
10.22	<u>Form of Securities Purchase Agreement entered into with GS Capital Partners, LLC on 11 February 2022.</u>	10-K	10.23	03/31/2022
10.23	<u>Form of Securities Purchase Agreement entered into with One44 Capital LLC on 11 February 2022.</u>	10-K	10.24	03/31/2022
10.24	<u>Form of Securities Purchase Agreement entered into with Fast Capital, LLC on 14 February 2022.</u>	10-K	10.25	03/31/2022
10.25	<u>Form of Securities Purchase Agreement entered into with Root Ventures, LLC on 1 March 2022.</u>	10-K	10.26	03/31/2022
10.26	<u>Form of Securities Purchase Agreement entered into with Red Road Holdings Corporation on 9 March 2022.</u>	10-K	10.27	03/31/2022
10.27	<u>Form of Securities Purchase Agreement, between the Company and Walleye Opportunities Master Fund Ltd on December 7, 2022.</u>	8-K	10.1	12/12/2022
10.28	<u>Form of Securities Purchase Agreement, between the Company and Walleye Opportunities Master Fund Ltd, dated January 30, 2023.</u>	8-K	10.1	01/30/2023
10.29	<u>Form of Securities Purchase Agreement between the Company and Jefferson Street Capital LLC, dated May 9, 2022, 2022.</u>	10-K	10.30	02/24/2023
10.30	<u>Form of Securities Purchase Agreement between the Company and 1800 Diagonal Lending LLC, dated January 4, 2023.</u>	10-K	10.31	02/24/2023
10.31	<u>Asset Sale Agreement, between the Company and Wala, Inc., dated January 31, 2021.</u>	10-K	10.32	02/24/2023
10.32	<u>Bill of Sale, between the Company and the sellers listed therein, date January 31, 2021.</u>	10-K	10.33	02/24/2023
10.33	<u>I.P. Assignment and Assumption Agreement, between the Company and certain noteholders of the Company, dated January 31, 2021.</u>	10-K	10.34	02/24/2023
10.34	<u>Security Agreement, between the Company and certain secured parties listed therein, dated January 31, 2021.</u>	10-K	10.35	02/24/2023

10.35	Form of Amendment dated March 23, 2023 to Securities Purchase Agreement dated November 4, 2022, between the Company and the Investor.	8-K	10.1	03/23/2023
10.36	Form of Purchase Agreement, dated May 11, 2023, between the Company and the Appointed Receiver for the Assets of Cyren Ltd.	8-K	10.1	05/15/2023
10.37	Form of Securities Purchase Agreement between the Company and Investor #1.	8-K	10.1	07/24/2023
10.38	Form of Securities Purchase Agreement between the Company and Investor #2.	8-K	10.2	07/24/2023
10.39	Form of Security Agreement between the Company and the Investors.	8-K	10.3	07/24/2023
10.40	Form of Amendment, between the Company and Auctus Fund, LLC	8-K	10.4	07/24/2023
10.41	Form of Note Exchange Agreement, between the Company and the Noteholder.	8-K	10.5	07/24/2023
10.42	Form of Amendment to Purchase Agreement, dated December 12, 2023, between the Company and the Appointed Receiver for the Assets of Cyren Ltd.	8-K	10.1	12/18/2023
10.43†	Data443 Risk Mitigation, Inc. 2023 Equity Incentive Plan	S-8	99.1	12/27/2023
10.44†	Form of Incentive Stock Option Award Agreement	S-1	10.44	01/23/2024
10.45†	Form of Non-Qualified Stock Option Agreement	S-1	10.45	01/23/2024
10.46†	Form of Restricted Stock Unit Agreement	S-1	10.46	01/23/2024
10.47†	Form of Restricted Stock Award Agreement	S-1	10.47	01/23/2024
14.1	Code of Conduct and Business Ethics	S-1	14.1	8/25/2023
21.1	Subsidiaries of the Registrant	10-K	21.1	3/31/2022
31.1*	Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer.			
31.2*	Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer.			
32.1**	Section 1350 Certification of Chief Executive Officer.			
32.2**	Section 1350 Certification of Chief Financial Officer.			

- 101* Inline XBRL Document Set for the consolidated financial statements and accompanying notes in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.
- 104* Inline XBRL for the cover page of this Annual Report on Form 10-K, included in the Exhibit 101 Inline XBRL Document Set.

† Indicates management contract or compensatory plan or arrangement

* Filed herewith.

** Furnished herewith.

Item 16. Form 10-K Summary

None.

**DATA443 RISK MITIGATION, INC.
Consolidated Financial Statements**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder’s

Data443 Risk Mitigation

Opinion on the Financial

We have audited the accompanying consolidated balance sheets of Data443 Risk Mitigation, Inc. (the Company) as of December 31, 2023 and 2022, and the related statements of operations, stockholders’ deficit, and cash flows for each of the years in the period ended December 31, 2023, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 3 to the financial statements, the Company has suffered recurring losses from operations and has negative working capital and a stockholders' deficit that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

TPS Thayer, LLC

We have served as the Company's auditor since 2020.
Sugar Land, Texas
April 16, 2024

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DATA443 RISK MITIGATION, INC. CONSOLIDATED BALANCE SHEETS

	As of	
	December 31, 2023	December 31, 2022
Assets		
Current assets		
Cash	\$ 84,570	\$ 1,712
Accounts receivable, net	309,768	31,978
Prepaid expense and other current assets	29,467	91,204
Total current assets	423,805	124,894
Property and equipment, net	409,525	427,031
Operating lease right-of-use assets, net	322,616	405,148
Advance payment for acquisition	2,726,188	2,726,188
Intellectual property, net of accumulated amortization	3,525,816	454,331

Deposits	45,673	45,673
Total Assets	\$ 7,453,623	\$ 4,183,265

Liabilities and Stockholders' Deficit

Current Liabilities		
Accounts payable and accrued liabilities	\$ 3,360,469	1,031,931
Deferred revenue	1,627,572	1,704,249
Interest payable	1,352,227	478,712
Notes payable, net of unamortized discount	3,704,326	918,785
Convertible notes payable, net of unamortized discount	3,047,388	4,134,155
Due to a related party	341,437	112,062
Operating lease liability	357,656	213,831
Finance lease liability	10,341	10,341
Total Current Liabilities	13,801,416	8,604,066
Series B Preferred Stock, 80,000 shares designated; \$0.001 par value; Stated value \$10.00, 0 and 29,750 shares issued and outstanding, net of discount, respectively		
	-	-
Notes payable, net of unamortized discount - non-current	1,355,132	3,104,573
Convertible notes payable, net of unamortized discount - non-current	97,946	97,946
Deferred revenues - non-current	195,997	788,902
Operating lease liability - non-current	-	354,631
Total Liabilities	15,450,491	12,950,118
Commitments and Contingencies		
	-	-
Stockholders' Deficit		
Preferred stock: 337,500 authorized; \$0.001 par value Series A Preferred Stock, 150,000 shares designated; \$0.001 par value; 149,892 and 149,892 shares issued and outstanding, respectively		
	150	150
Common stock: 500,000,000 authorized; \$0.001 par value; 272,874 and 4,360 shares issued and outstanding, respectively (1)		
	61,564	2,611
Additional paid in capital	47,598,254	42,642,514
Accumulated deficit	(55,656,836)	(51,412,128)
Total Stockholders' Deficit	(7,996,868)	(8,766,853)
Total Liabilities and Stockholders' Deficit	\$ 7,453,623	\$ 4,183,265

(1) Reflects retrospectively the 1-for-600 reverse stock split that became effective September 20, 2023. Refer to Note 1, "Summary of Business Operations and Significant Accounting Policies"

See the accompanying notes, which are an integral part of these consolidated financial statements.

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DATA443 RISK MITIGATION, INC. CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	2023	2022
Revenue	\$ 5,578,942	\$ 2,627,123
Cost of revenue	1,726,187	518,843

Gross profit	3,852,755	2,108,280
Operating expenses		
General and administrative	6,149,243	5,552,936
Sales and marketing	487,971	231,472
Total operating expenses	<u>6,637,214</u>	<u>5,784,408</u>
Net loss from operations	(2,784,459)	(3,676,128)
Other income (expense)		
Interest expense	(6,417,407)	(5,979,456)
Other Income	43,977	-
Gain (loss) on settlement of debt	4,913,181	-
Change in fair value of derivative liability	-	(57,883)
Total other expense	<u>(1,460,249)</u>	<u>(6,037,339)</u>
Loss before income taxes	(4,244,708)	(9,713,467)
Provision for income taxes	-	-
Net loss	<u>\$ (4,244,708)</u>	<u>\$ (9,713,467)</u>
Dividend on Series B Preferred Stock	-	(104,631)
Net loss attributable to common stockholders	<u>\$ (4,244,708)</u>	<u>\$ (9,818,098)</u>
Basic and diluted loss per Common Share	<u>\$ (15.56)</u>	<u>\$ (2,752.48)</u>
Basic and diluted weighted average number of common shares outstanding (1)	<u>272,874</u>	<u>3,567</u>

(1) Reflects retrospectively the 1-for-600 reverse stock split that became effective September 20, 2023. Refer to Note 1, "Summary of Business Operations and Significant Accounting Policies"

See the accompanying notes, which are an integral part of these consolidated financial statements.

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**DATA443 RISK MITIGATION, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**

	Series A		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Preferred Stock Shares	Amount	Shares	Amount			
Balance - December 31, 2021 ⁽¹⁾	150,000	\$ 150	203	\$ 122	\$37,810,380	\$ (42,033,887)	\$ (4,223,235)
Cumulative-effect adjustment from adoption of ASU 2020-06	-	-	-	-	(517,500)	439,857	(77,643)
Common stock issued for acquisition of Centurion assets	-	-	636	380	2,475,808	-	2,476,188

Subscription for share issuance ⁽ⁱ⁾	-	-	1,552	931	930,069	-	931,000
Common stock issued for conversion of preferred stock ⁽ⁱ⁾	(108)	-	180	108	(108)	-	-
Common stock issued for conversion of debt ⁽ⁱ⁾	-	-	1,665	995	652,801	-	653,796
Common stock issued in conjunction with convertible notes	-	-	30	18	140,919	-	140,937
Common stock issued for exercised cashless warrants ⁽ⁱ⁾	-	-	11	7	(7)	-	-
Common stock issued for service ⁽ⁱ⁾	-	-	83	50	164,970	-	165,020
Resolution of derivative liability upon exercise of warrants	-	-	-	-	57,883	-	57,883
Warrants issued in conjunction with debts	-	-	-	-	47,628	-	47,628
Stock-based compensation	-	-	-	-	879,671	-	879,671
Net loss	-	-	-	-	-	(9,818,098)	(9,818,098)
Balance - December 31, 2022 ⁽ⁱ⁾	149,892	\$ 150	4,360	\$ 2,611	\$42,642,514	\$ (51,412,128)	\$ (8,766,853)
Common Stock issued for acquisition of Cyren Assets ⁽ⁱ⁾	-	-	165,290	165	1,999,835	-	2,000,000
Common Stock issued for conversion of debt ⁽ⁱ⁾	-	-	21,428	12,857	344,735	-	357,592
Common Stock issued for adjustment to investors in private placement ⁽ⁱ⁾	-	-	77,010	45,619	(45,619)	-	-
Warrant issued in conjunction with debts ⁽ⁱ⁾	-	-	-	-	1,682,499	-	1,682,499
Stock-based compensation ⁽ⁱ⁾	-	-	4,786	312	974,290	-	974,602
Net loss	-	-	-	-	-	(4,244,708)	(4,244,708)
Balance – December, 2023 ⁽ⁱ⁾	149,892	\$ 150	272,874	\$ 61,564	\$47,598,254	\$ (55,656,836)	\$ (7,996,868)

(1) Reflects retrospectively the 1-for-600 reverse stock split that became effective September 20, 2023. Refer to Note 1, “Summary of Business Operations and Significant Accounting Policies”

See the accompanying notes, which are an integral part of these consolidated financial statements.

**DATA443 RISK MITIGATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years Ended
December 31,**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (4,244,708)	\$ (9,713,467)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in fair value of derivative liability		57,883
(Gain) loss on settlement of debt	(4,904,081)	-
Stock-based compensation expense	974,602	1,044,680
Depreciation and amortization	631,544	987,991
Amortization of debt discount	1,858,655	2,321,011
Lease liability amortization	(128,274)	99,634
Changes in operating assets and liabilities		
Accounts receivable	(277,790)	(10,409)
Prepaid expenses and other current assets	61,737	(20,402)
Accounts payable and accrued liabilities	2,328,538	916,254
Deferred revenue	(669,582)	884,555
Interest payable	5,151,460	2,193,853
Deposit	-	(14,233)
Net Cash provided by (used in) Operating Activities	<u>782,101</u>	<u>(1,252,650)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Advance payment for acquisition	(1,500,000)	(250,000)
Purchase of property and equipment	(185,523)	(311,128)
Net Cash used in Investing Activities	<u>(1,685,523)</u>	<u>(561,128)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of convertible notes payable	1,067,631	2,027,570
Repayment of convertible notes payable	(438,059)	(771,718)
Proceeds from issuance of common stock	-	931,000
Proceeds from issuance of Series B Preferred Stock	-	75,000
Redemption of Series B Preferred Stock	-	(487,730)
Finance lease payments	-	(78,268)
Proceeds from issuance of notes payable	1,689,868	3,458,247
Repayment of notes payable	(1,562,535)	(4,408,240)
Proceeds from related parties	422,935	299,280
Repayment to related parties	(193,560)	(434,584)
Net Cash provided by Financing Activities	<u>986,280</u>	<u>610,557</u>
Net change in cash	82,858	(1,203,221)
Cash, beginning of period	1,712	1,204,933
Cash, end of period	<u>\$ 84,750</u>	<u>\$ 1,712</u>
Supplemental cash flow information		
Cash paid for interest	\$ 701,427	\$ 5,979,456
Cash paid for taxes	\$ -	\$ -
Non-cash transactions:		
Common stock issued for acquisition of subsidiary	\$ 2,000,000	\$ 2,476,188
Common stock issued for exercised cashless warrant	\$ -	\$ 7
Gain on settlement of debt	\$ 4,904,081	-
Settlement of convertible notes payable through issuance of common stock	\$ 357,592	\$ 653,796
Common stock issued in conjunction with convertible note	\$ -	\$ 140,937

Warrant issued in conjunction with debts	\$ 1,682,499	\$ 47,628
Dividend Series B preferred stock	-	104,631
Resolution of derivative liability upon exercise of warrant	\$ -	\$ 57,883
Cumulative-effect adjustment from adoption of ASU 2020-06	\$ -	\$ 77,643

See the accompanying notes, which are an integral part of these consolidated financial statements.

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**DATA443 RISK MITIGATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1: BUSINESS DESCRIPTION

Description of Business

Data443 Risk Mitigation, Inc. (the “Company”) was incorporated as a Nevada corporation on May 4, 1998. On October 15, 2019, the Company changed its name from LandStar, Inc. to Data443 Risk Mitigation, Inc. within the state of Nevada.

We deliver solutions and capabilities that businesses can use in conjunction with their use of established cloud vendors such as Microsoft® Azure, Google® Cloud Platform (GCP) and Amazon® Web Services (AWS), as well as with on-premises databases and database applications with virtualization platforms, such as those hosted or configured using VMWare®, Citrix® and Oracle® clouds/products).

Advance Payment for Acquisition

On January 19, 2022, we entered into an Asset Purchase Agreement with Centurion Holdings I, LLC (“Centurion”) to acquire the intellectual property rights and certain assets collectively known as Centurion SmartShield Home and SmartShield Enterprise, patented technology that protects and recovers devices in the event of ransomware attacks. The total purchase price of \$3,400,000 consists of: (i) a \$250,000 cash payment at closing; (ii) a \$2,900,000 promissory note issued by Data443 in favor of Centurion (“Centurion Note”); and (iii) \$250,000 in the form of a contingent payment. The Centurion Note matures January 19, 2027 but provides that Data443’s repayment obligation would accelerate on the occurrence of certain events. One of those events was a financing event that did not occur within the originally anticipated timeframe. If that event had occurred, then Data443’s repayment obligation would have been to repay the balance of the outstanding principal and interest as follows: (i) \$500,000 of the then-outstanding amount due in cash; and (ii) the remaining balance, at Data443’s option, in Common stock or a combination of Common stock and cash, with the number of shares of Common stock to be determined according to a specified formula. In April 2022, Data443 and Centurion agreed that, even though the trigger for this acceleration event did not occur, Data443 would issue shares of Common stock to Centurion in an amount then-equivalent to \$2,400,000, as partial repayment of the obligation due under the Centurion Note. The number of shares of Common stock Data443 issued to Centurion on April 20, 2022, was 380,952. Because Data443 still has some repayment obligations to fulfill under the Centurion Note, as of the filing date of these financial statements, the acquisition that is the subject of the Centurion Asset Purchase Agreement is still not completed, and is expected to be completed in 2024.

Reverse Stock Splits

Effective September 20, 2023 and March 7, 2022, we effected an 600 for 1 and 8 for 1 reverse stock split, respectively, of our issued and outstanding common stock (the “Reverse Stock Splits”). All references to shares of our common stock in this annual report refers to the number of shares of common stock after giving retrospective effect to these Reverse Stock Splits (unless otherwise indicated).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements as of December 31, 2023 and 2022 include the accounts of the Company and its wholly-owned subsidiary, Data 443 Risk Mitigation, Inc., a North Carolina operating company. All intercompany accounts and activities have been eliminated upon consolidation. These consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”).

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Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

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

Revenue Recognition

The Company derives revenue primarily from contracts for subscription to access our SaaS platforms and, to a much lesser degree, ancillary services provided in connection with subscription services. The Company’s contracts include the performance obligations that require us to provide access to the platforms, usually on an annual subscription. The Company’s contracts are for subscriptions to our data classification, movement, governance, encryption, access control and distribution software and related services. We also perform professional services consulting with specific deliverables managed primarily by statements of work. Customers typically enter into our services subscription and various statements of work concurrently. Most of the Company’s performance obligations are not considered to be distinct from the subscriptions to our software or hosting platforms and related services and are combined into a single performance obligation. New statements of work and modifications of contracts are reviewed each reporting period and to assess the nature and characteristics of the new or modified performance obligations on a contract by contract basis.

Revenue related to contracts with customers is evaluated utilizing the following steps: (i) Identify the contract, or contracts, with a customer; (ii) Identify the performance obligations in the contract; (iii) Determine the transaction price; (iv) Allocate the transaction price to the performance obligations in the contract; (v) Recognize revenue when the Company satisfies a performance obligation.

Revenues from professional services consist mostly of time and material services. The performance obligations are satisfied, and revenues are recognized, when the services are provided or over the time of the service term until it expires.

Subscription software that is sold on-premises is recognized at the point of time when the software license has been delivered and the benefit of the asset has transferred. Maintenance associated with subscription licenses is recognized ratably over the term of the agreement. Our SaaS offerings allow customers to use hosted software, and our revenue is recognized ratably over the associated contract time period.

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Cash and Cash Equivalents

For purposes of balance sheet presentation and reporting of cash flows, the Company considers all unrestricted demand deposits, money market funds and highly liquid debt instruments with an original maturity of less than 90 days to be cash and cash equivalents. The Company had no cash equivalents at December 31, 2023 and 2022.

Accounts Receivable

Accounts receivable are recorded in accordance with ASC 310, "Receivables." Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in its existing accounts receivable.

Deferred Revenue

Deferred revenue mostly consists of service subscriptions received from users in advance of revenue recognition. The increase in the deferred revenue balance for the year ended December 31, 2023 and 2022 was driven by cash payments from customers in advance of satisfying our performance obligations, offset by revenue recognized that was included in the deferred revenue balance at the beginning of the period.

Convertible Financial Instruments

The Company account for our convertible financial instruments in accordance with ASC 470-20 "Debt with Conversion and Other Options." Prior to the adoption of ASU 2020-06 on January 1, 2022, we separated the convertible notes into liability and equity components. The carrying amounts of the liability component of the convertible notes were calculated by measuring the fair value of similar debt instruments that do not have an associated convertible feature. The carrying amounts of the equity components, representing the conversion option, were determined by deducting the fair value of the liability components from the par value of the convertible notes. This difference represents the debt discount that is amortized to interest expense over the terms of the convertible notes using the effective interest rate method.

Following the adoption of ASU 2020-06 on January 1, 2022, which we elected to adopt using a modified retrospective approach, we no longer separate the convertible notes into liability and equity components. Now convertible notes are recorded and disclosed as convertible notes payable, net of unamortized discount.

Share-Based Compensation

Employees - The Company accounts for share-based compensation under the fair value method which requires all such compensation to employees, including the grant of employee stock options, to be calculated based on its fair value at the measurement date (generally the grant date), and recognized in the consolidated statement of operations over the requisite service period.

Nonemployees - During June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-07, *Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* ("ASU 2018-07") to simplify the accounting for share-based payments to nonemployees by aligning it with the accounting for share-based payments to employees. The Company elected to adopt ASU 2018-07 early. Under the requirements of ASU 2018-07, the Company accounts for share-based compensation to non-employees under the fair value method which requires all such compensation to be calculated based on the fair value at the measurement date (generally the grant date), and recognized in the statement of operations over the requisite service period.

The Company recorded approximately \$974,602 in share-based compensation expense for the year ended December 31, 2023, compared to approximately \$879,671 in share-based compensation expense for the year ended December 31, 2022.

Determining the appropriate fair value model and the related assumptions requires judgment. During the year ended December 31, 2023 and 2022, the fair value of each option grant was estimated using a Black-Scholes option-pricing model.

The expected volatility represents the historical volatility of the Company's publicly traded common stock. Due to limited historical data, the Company calculates the expected life based on the mid-point between the vesting date and the contractual term which is in accordance with the simplified method. The expected term for options granted to nonemployees is the contractual life. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected life of stock options. The Company has not paid and does not anticipate paying cash dividends on its shares of common stock; therefore, the expected dividend yield is assumed to be zero.

Income Taxes

The asset and liability method is used in the Company's accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

Deferred tax assets and liabilities are determined based on the temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities using the enacted tax rates in effect in the years in which the differences are expected to reverse. In estimating future tax consequences, all expected future events are considered other than enactment of changes in the tax law or rates.

The Company adopted ASC 740 "Income Taxes," which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent (50%) likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. The Company had no material adjustments to its liabilities for unrecognized income tax benefits.

The determination of recording or releasing tax valuation allowance is made, in part, pursuant to an assessment performed by management regarding the likelihood that the Company will generate future taxable income against which benefits of its deferred tax assets may or may not be realized.

Intellectual Property

The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed on a straight-line basis over the estimated periods benefited. Patents, technology and other intangibles with contractual terms are generally amortized over their respective legal or contractual lives. When certain events or changes in operating conditions occur, an impairment assessment is performed and lives of intangible assets with determinable lives may be adjusted.

Long-Lived Assets

Long-lived assets are evaluated for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer

appropriate. Each impairment test is based on a comparison of the undiscounted future cash flows to the recorded value of the asset. If impairment is indicated, the asset is written down to its estimated fair value.

Property and Equipment

Property and equipment, consisting mostly of computer equipment, is recorded at cost reduced by accumulated depreciation and impairment, if any. Depreciation expense is recognized over the assets' estimated useful lives of three - seven years using the straight-line method. Major additions and improvements are capitalized as additions to the property and equipment accounts, while replacements, maintenance and repairs that do not improve or extend the life of the respective assets, are expensed as incurred. Estimated useful lives are periodically reviewed and, when appropriate, changes are made prospectively. When certain events or changes in operating conditions occur, asset lives may be adjusted and an impairment assessment may be performed on the recoverability of the carrying amounts.

Fair Value Measurements

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. The hierarchy requires the Company to use observable inputs when available, and to minimize the use of unobservable inputs, when determining fair value. The three tiers are defined as follows:

- Level 1—Observable inputs that reflect quoted market prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2—Observable inputs other than quoted prices in active markets that are observable either directly or indirectly in the marketplace for identical or similar assets and liabilities; and
- Level 3—Unobservable inputs that are supported by little or no market data, which require the Company to develop its own assumptions.

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. The carrying amounts of cash and cash equivalents, marketable securities, trade receivables, short-term deposits and trade payables approximate their fair value due to the short-term maturity of such instruments. This valuation technique involves management's estimates and judgment based on unobservable inputs and is classified in level 3.

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Basic and Diluted Net Loss Per Common Share

Basic earnings per share ("EPS") is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted EPS is computed based on the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method and as if converted method. Dilutive potential common shares include outstanding stock options, warrant and convertible notes.

For the year ended December 31, 2023 and 2022, respectively, the following common stock equivalents were excluded from the computation of diluted net loss per share as the result of the computation was anti-dilutive.

	Years Ended December 31,	
	2023	2022
	(Shares)	(Shares)
Series A Preferred Stock	149,892,000	149,892,000
Stock options	9,765	1,445

Warrants	616,933	267
Total	<u>150,518,698</u>	<u>149,893,712</u>

Leases

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets, operating lease liabilities - current, and operating lease liabilities - noncurrent on the balance sheets. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in our balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we generally use our incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Segments

Operating segments are defined as components of an enterprise engaging in business activities for which discrete financial information is available and regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company operates and manages its business as one operating segment and all of the Company’s revenues and operations are currently in the United States.

Recently Adopted Accounting Guidance

In August 2020, the FASB issued ASU 2020-06, ASC Subtopic 470-20 “Debt—Debt with Conversion and Other Options” and ASC subtopic 815-40 “Hedging—Contracts in Entity’s Own Equity”. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. Convertible instruments that continue to be subject to separation models are (1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting; and (2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as paid-in capital. The amendments in this update are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Due to adoption of this accounting policy on January 1, 2022, we recognized a cumulative effect adjustment to increase the opening retained earnings as of January 1, 2022 by \$77,643.

In March 2022, the FASB issued ASU 2022-02, ASC Subtopic 326 “Credit Losses”: Troubled Debt Restructurings and Vintage Disclosures. Since the issuance of Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, the Board has provided resources to monitor and assist stakeholders with the implementation of Topic 326. Post-Implementation Review (PIR) activities have included forming a Credit Losses Transition Resource Group, conducting outreach with stakeholders of all types, developing educational materials and staff question-and-answer guidance, conducting educational workshops, and performing an archival review of financial reports. ASU No. 2022-02 is effective for annual and interim periods beginning after December 15, 2022. The adoption of this standard did not have a significant impact on the Company’s consolidated financial statements.

Recently Issued Accounting Pronouncements

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.

NOTE 3: LIQUIDITY AND GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming that we will continue as a going concern. As reflected in the financial statements, we have incurred significant current period losses and we have negative working capital and an accumulated deficit. We have relied upon loans and issuances of our equity to fund our operations. These conditions, among others, raise substantial doubt about our ability to continue as a going concern. Management’s plans regarding these matters, include raising additional debt or equity financing, the terms of which might not be acceptable. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 4: PROPERTY AND EQUIPMENT

The following table summarizes the components of the Company’s property and equipment as of the dates presented:

	December 31, 2023	December 31, 2022
Furniture and Fixtures	\$ 6,103	\$ 6,103
Computer Equipment	1,053,193	867,670
	<u>1,059,296</u>	<u>873,773</u>
Accumulated depreciation	(649,771)	(446,742)
Property and equipment, net of accumulated depreciation	<u>\$ 409,525</u>	<u>\$ 427,031</u>

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Depreciation expense for the years ended December 31, 2023 and 2022, was \$203,029 and \$172,503, respectively, and recorded in general and administrative expenses.

During the years ended December 31, 2023 and 2022, the Company acquired property and equipment of \$185,523 and \$311,128, respectively.

NOTE 5: INTELLECTUAL PROPERTY

On February 7, 2019, the Company entered into an Exclusive License and Management Agreement (the “License Agreement”) with WALA, INC., which conducts business under the name ArcMail Technology (“ArcMail”). Under the License Agreement, the Company was granted the exclusive right and license to receive all benefits from the marketing, selling and licensing, of the ArcMail business products, including, without limitation, the good will of the business. The term of the License Agreement is twenty-seven (27) months, with the following payments to be made by the Company to ArcMail: (i) \$200,000 upon signing the License Agreement; (ii) monthly payments starting 30 days after the execution of the License Agreement in the amount of \$25,000 per month during months 1-6; (iii) monthly payments in the amount of \$30,000 per month during months 7-17; and (iii) in month 18, final payment in the amount of \$765,000. As of December 31, 2019, the balance of payments due under the License Agreement was \$1,094,691. In connection with the execution of the License Agreement, two other agreements were also executed: (a) a Stock Purchase Rights Agreement, under which the Company has the right, though not the obligation, to acquire 100% of the issued and outstanding shares of stock of ArcMail from Rory Welch, the CEO of ArcMail (the right can be exercised over a period of 27 months); and (b) a Business Covenants Agreement, under which ArcMail and Mr. Welch agreed to not compete with the Company’s use of the ArcMail business under the License Agreement for a period of twenty-four (24) months. Mr. Welch shall continue to serve as ArcMail’s CEO. The Company has not purchased any outstanding shares under the Stock Purchase Rights Agreement. As of September 30, 2020, the Company terminated all agreements with Mr. Welch and ArcMail. The Company continued to use all assets under the License Agreement and was finalizing an agreement with the creditors of Mr. Welch and ArcMail (the creditors have taken ownership of the assets) for the Company’s continued use of all assets. During the year ended December 31.

2021, the Company reached the agreement and issued notes payable of \$1,404,000 to settle license fee payable of \$1,094,691. As a result, the Company recorded a loss on settlement of debt of \$309,309.

On August 13, 2020, the Company entered into an Asset Purchase Agreement to acquire certain assets collectively known as FileFacets™, a Software-as-a-Service (SaaS) platform that performs sophisticated data discovery and content search of structured and unstructured data within corporate networks, servers, content management systems, email, desktops and laptops. The total purchase price was \$135,000, which amount was paid in full at the closing of the transaction.

On September 21, 2020, the Company entered into an Asset Purchase Agreement with the owners of a business known as IntellyWP™, to acquire the intellectual property rights and certain assets collectively known as IntellyWP™, an Italy-based developer that produces WordPress plug-ins that enhance the overall user experience for webmaster and end users. The total purchase price of \$135,000 consists of: (i) a \$55,000 cash payment at closing; (ii) a cash payment of \$40,000 upon completion of certain training; and, (iii) a cash payment of \$40,000 upon the Company collecting \$25,000 from the assets acquired in the subject transaction.

On October 8, 2020, the Company entered into an Asset Purchase Agreement with Resilient Network Systems, Inc. (“RNS”) to acquire the intellectual property rights and certain assets collectively known as Resilient Networks™, a Silicon Valley based SaaS platform that performs SSO and adaptive access control “on the fly” with sophisticated and flexible policy workflows for authentication and authorization. The total purchase price of \$305,000 consists of: (i) a \$125,000 cash payment at closing; and, (ii) the issuance of 19,148,936 shares of our common stock to RNS.

On May 15, 2023 we entered into an agreement to purchase certain assets (the “Cyren Assets”) of Cyren Ltd. (“Cyren”) a company that provided emerging and high-volume risk mitigation services for some of the world’s largest name brand organizations prior to its bankruptcy filing in February 2023. Pursuant to a purchase agreement, the appointed receiver for the Cyren Assets (the “Receiver”) agreed to sell, transfer, assign, convey and deliver to the Company, and the Company agreed to purchase from the Receiver, all right, title, and interest in and to the Cyren Assets, as further described in the purchase agreement, as amended on December 12, 2023 (as so amended, the “Purchase Agreement”). On December 15, 2023 we closed the transaction.

Based on the criteria listed in ASC 805-10-55-5A, we recorded the transaction between Data443 and Cyren Receiver Trustee as an asset acquisition and not a business acquisition pursuant to US GAAP.

ASC 805-10-55-5A

If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not considered a business. Gross assets acquired should exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. However, the gross assets acquired should include any consideration transferred (plus the fair value of any noncontrolling interest and previously held interest, if any) in excess of the fair value of net identifiable assets acquired.

All Cyren assets acquired by Data443 were specifically the Threat Intelligence Services (TIS) assets which should be considered “a single identifiable asset or group of similar identifiable assets” as described above and accounted for substantially all of the fair value of the gross assets purchased. The TIS assets consist of a defined set of Cyren Intellectual Property specifically used to identify cyber threats from spam, viruses, phishing risks, and other cyber risks. Data443 did not acquire any facilities, employees, distribution processes, sales force/processes, customer contracts (all customer contracts voided by bankruptcy filing), operating rights (or processes), or production processes. All of the aforementioned business components went away as of the bankruptcy filing. Data443 did not acquire any cash or cash equivalents, deferred tax assets, or goodwill resulting from the effects of deferred tax liabilities as specified in ASC 805. Trademarks, websites, and logos were also acquired, however, due the manner in which Cyren ceased operations and the lack of notification to its customers, these “assets” have little to no value.

Based on the fact that the assets acquired were concentrated in a single identifiable asset or group of similar identifiable assets were substantially all of the fair value of the assets purchased according to ASC 805-10-55-5A, the transaction between Data443 and the Receiver Trustee of Cyren is an asset acquisition pursuant to US GAAP.

The following table summarizes the components of the Company's intellectual property as of the dates presented:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Intellectual property:		
WordPress® GDPR rights	\$ 46,800	\$ 46,800
ARALOC™	1,850,000	1,850,000
ArcMail License	1,445,000	1,445,000
DataExpress™	1,388,051	1,388,051
FileFacets™	135,000	135,000
IntellyWP™	60,000	60,000
Resilient Network Systems	305,000	305,000
Cyren Engines	3,500,000	-
	<u>8,729,851</u>	<u>5,229,851</u>
Accumulated amortization	(5,204,035)	(4,775,520)
Impairment	-	-
Intellectual property, net of accumulated amortization	<u>\$ 3,525,816</u>	<u>\$ 454,331</u>

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The Company recognized amortization expense of approximately \$428,515 and \$815,488 for the years ended December 31, 2023 and 2022, respectively, recorded as general and administrative expense.

Based on the carrying value of definite-lived intangible assets as of December 31, 2023, we estimate our amortization expense for the next five years will be as follows:

Year Ended December 31,	<u>Amortization Expense</u>
2024	727,000
2025	715,750
2026	700,000
2027	700,000
2028	683,066
	<u>3,525,816</u>

NOTE 6: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table summarizes the components of the Company's accounts payable and accrued liabilities as of the dates presented:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable	\$ 2,004,462	\$ 427,553
Credit cards	81,055	50,302
Accrued liabilities	1,274,951	554,076
Balance, end of year	<u>\$ 3,360,468</u>	<u>\$ 1,031,931</u>

NOTE 7: DEFERRED REVENUE

For the years ended December 31, 2023 and 2022, changes in deferred revenue were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Balance, beginning of year	\$ 2,493,151	\$ 1,608,596
Deferral of revenue	1,912,729	3,511,678

Recognition of deferred revenue	(2,582,311)	(2,627,123)
Balance, end of year	<u>\$ 1,823,569</u>	<u>\$ 2,493,151</u>

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As of December 31, 2023 and 2022, is classified as follows:

	December 31, 2023	December 31, 2022
Current	\$ 1,627,572	\$ 1,704,249
Non-current	195,997	788,902
Balance, end of year	<u>\$ 1,823,569</u>	<u>\$ 2,493,151</u>

NOTE 8: LEASES

Operating lease

We have two noncancelable operating leases for office facilities, one that we entered into January 2019 and that expires January 10, 2024 and another that we entered into in April 2022 and that expires April 30, 2024. We have signed an extension for the lease at our current office through the end of 2024. with a one year renewal option and a rent escalation clause. In the summer of 2022, we relocated to the expanded square footage of the premises that are the subject of the April 2022 lease to support our growing operations, and entered into a commission agreement with the landlord of the building to sublet the premises that are the subject of the January 2019 lease.

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

Lease expense for operating leases generally consist of both fixed and variable components. Expense related to fixed lease payments are recognized on a straight-line basis over the lease term. Variable lease payments are generally expensed as incurred, where applicable, and include agreed-upon changes in rent, certain non-lease components, such as maintenance and other services provided by the lessor, and other charges included in the lease. Leases with an initial term of twelve months or less are not recorded on the balance sheet. We recognized total lease expense of approximately \$349,209 and \$240,492 for the years ended December 31, 2023 and 2022, respectively, primarily related to operating lease costs paid to lessors from operating cash flows. As of December 31, 2023 and 2022, the Company recorded security deposit of \$29,467. We entered into our operating lease in January 2019.

Future minimum lease payments under operating leases that have initial noncancelable lease terms in excess of one year at December 31, 2023 were as follows:

	Total
Year Ended December 31,	
2024	371,012
Thereafter	<u>-</u>
	371,012
Less: Imputed interest	<u>(13,356)</u>
Operating lease liabilities	<u>357,656</u>

Operating lease liability - current	357,656
Operating lease liability - non-current	<u>\$ -</u>

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The following summarizes other supplemental information about the Company's operating lease as of December 31, 2023:

Weighted average discount rate	12%
Weighted average remaining lease term (years)	1

Finance lease

The Company leases computer and hardware under non-cancellable capital lease arrangements. The term of those capital leases is 3 years and annual interest rate is 12%. At December 31, 2023 and 2022, capital lease obligations included in current liabilities were \$10,341 and \$10,341, respectively, and capital lease obligations included in long-term liabilities were \$-0- and \$-0-, respectively. During the years ended December 31, 2023 and 2022, the Company paid interest expense of \$-0- and \$7,047, respectively.

At December 31, 2023, there \$10,341 future minimum lease payments under the finance lease obligations, are as follows:

	<u>Total</u>
2024	10,341
Thereafter	-
	<u>10,341</u>
Less: Imputed interest	-
Finance lease liabilities	<u>10,341</u>
Finance lease liability	10,341
Finance lease liability - non-current	<u>\$ -</u>

As of December 31, 2023 and 2022, finance lease assets are included in property and equipment as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Finance lease assets	\$ 267,284	\$ 267,284
Accumulated depreciation	(267,284)	(258,506)
Finance lease assets, net of accumulated depreciation	<u>\$ -</u>	<u>\$ 8,778</u>

NOTE 9: CONVERTIBLE NOTES PAYABLE

Convertible notes payable consists of the following:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Convertible Notes - Issued in fiscal year 2020	97,946	97,946
Convertible Notes - Issued in fiscal year 2021	508,440	600,400
Convertible Notes - Issued in fiscal year 2022	1,201,083	3,710,440
Convertible Notes - Issued in fiscal year 2023	2,067,893	-
	<u>3,875,362</u>	<u>4,408,786</u>
Less debt discount and debt issuance cost	<u>(730,028)</u>	<u>(176,685)</u>

	3,145,334	4,232,101
Less current portion of convertible notes payable	3,047,388	4,134,155
Long-term convertible notes payable	<u>\$ 97,946</u>	<u>\$ 97,946</u>

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During the years ended December 31, 2023 and 2022, the Company recognized interest expense on convertible notes payable of \$5,071,570 and \$3,795,591, and amortization of debt discount, included in interest expense of \$1,189,987 and \$911,020, respectively.

Convertible note payable with outstanding balance of \$508,440 matured on October 2023. The default annual interest rate of 16% becomes the effective interest rate on the past due principal. We are in communication with the lender.

Convertible note payable with outstanding balance of \$90,458 matured on February 11, 2023. The default annual interest rate of 24% becomes the effective interest rate on the past due principal. We are in communication with the lender.

Convertible note payable with outstanding balance of \$72,000 matured on February 11, 2023. The default annual interest rate of 24% becomes the effective interest rate on the past due principal. We are in communication with the lender.

Convertible note payable with outstanding balance of \$52,500 matured on February 14, 2023. The default annual interest rate of 24% becomes the effective interest rate on the past due principal. We are in communication with the lender.

Convertible note payable with outstanding balance of \$119,625 matured on March 1, 2023. The default annual interest rate of 24% becomes the effective interest rate on the past due principal. We are in communication with the lender.

Convertible note payable with outstanding balance of \$66,500 matured on February 9, 2023. The default annual interest rate of 24% becomes the effective interest rate on the past due principal. We are in communication with the lender.

Replacement of note

During the year ended December 31, 2020, the Company assigned a portion of note with outstanding principal amounts of \$150,000 to a lender. Our CEO paid \$135,000 to repay a principal amount of \$81,000 on behalf of the company. As a result, the Company recorded due to related party of \$135,000 and loss on settlement of debt of \$54,000.

Effective September 30, 2020, the Company exchanged (i) its convertible promissory note originally issued on March 20, 2020 in the amount of \$125,000 (referred to herein as the Granite Note); and, (ii) the Common Stock Purchase Warrant dated 18 March 2020 for the issuance of sixteen (16) shares of Company Common Stock (the "Granite Warrant") for the issuance of a new convertible promissory note issued in favor of Blue Citi LLC in the amount of \$325,000 (the "Exchange Note"). Both the Granite Note and the Granite Warrant were cancelled as a result of the exchange and the issuance of the Exchange Note. Terms of the Exchange Note include, without limitation, the following:

- a. Principal balance of \$325,000, which includes all accrued and unpaid interest on the Granite Note;
- b. No further interest shall accrue so long as there is no event of default;
- c. Conversions into common stock under the Exchange Note shall be effected at the lowest closing stock price during the five (5) days preceding any conversion, with -0- discount and a conversion price not below \$112;
- d. No prepayment premiums or penalties; and

- e. Maturity date of September 30, 2021. Notes were fully converted in February 2021

Effective November 17, 2020, the Company entered into a Settlement and Release Agreement (the “Settlement Agreement”) with an existing lender to, among things, settle all dispute regarding a convertible promissory note, and exchanged that note for a newly issued note. The disputed note, referred to herein as the “Smea2z Note”, was originally issued on October 23, 2018 in favor of Smea2z LLC in the original principal amount of Two Hundred Twenty Thousand Dollars (\$220,000). Subsequent to the issuance of the Smea2z Note, a series of agreements were executed which amended various terms and conditions of the Smea2z Note, resulting in, among other things, a purported principal balance of Six Hundred Thousand Eight Hundred Fifty Dollars (\$608,850). As a result of the Settlement Agreement, the Smea2z Note was cancelled, and a new note was issued (the “Exchange Note”) in exchange for the Smea2z Note. The Exchange Note was issued as of November 17, 2020 in the reduced original principal amount of Four Hundred Thousand Dollars (\$400,000). The Exchange Note further provides as follows:

- a. No further interest shall accrue so long as there is no event of default;
- b. Maturity date remains the same: 30 June 2021;
- c. No right to prepay;
- d. Conversion price is fixed at \$56;
- e. Typical events of default for such a note, as well as a default in the event the closing price for the Company’s common stock is less than \$56 for at least 5-consecutive days; and

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- f. Leak out provision:
 - 1. One conversion per week, for no more than forty million shares;
 - 2. If the trading volume for the Company’s common stock exceeds fifty million shares on any day, a second conversion may be exercised during that week, again for no more than forty million shares (a total of eighty million shares for that week). Notes were fully converted in February 2021

Effective November 18, 2020, the Company entered into an agreement with three existing investors in the Company (the “Warrant Holders”), each of which was the holder of warrants issued the Company. The total number of warrants (collectively, the “Exchanged Warrants”) held by the Warrant Holders totaled 39. The Company and the Warrant Holders agreed to exchange the Exchanged Warrants for three newly issued promissory notes (the “Warrant Exchange Notes”). As a result of the exchange, the Exchanged Warrants were cancelled and of no further force and effect. The Warrant Exchange Notes were issued as of November 18, 2020, in the total original principal amount of One Hundred Thousand Dollars (\$100,000). The Warrant Exchange Notes further provide as follows: (i) interest accrues at 5% per annum; (ii) maturity date of November 18, 2025; (iii) no right to prepay; (iv) fixed conversion price of \$160; and, (v) typical events of default for such a note.

Conversion

During the year ended December 31, 2023, the Company converted notes with principal amounts and accrued interest of \$357,592 into 21,428 shares of common stock.

During the year ended December 31, 2022, the Company converted notes with principal amounts and accrued interest of \$653,796 into 1,665 shares of common stock.

Convertible notes payable consists of the following:

Promissory Notes - Issued in fiscal year 2020

During the twelve months ended December 31, 2020, the Company issued a total of \$2,466,500 of notes with the following terms:

- Terms ranging from 5 months to 60 months.
- Annual interest rates of 0% - 25%.
- Convertible at the option of the holders at issuance date, after maturity date or 6 months after issuance date.
- Conversion prices are typically based on the discounted (25% to 50% discount) average closing prices or lowest trading prices of the Company's shares during various periods prior to conversion. Certain note has a fixed conversion price ranging from \$16 to \$112. Certain note has a fixed conversion price of \$0.5 for a first 5 months. Certain note allows the principal amount will increase by \$15,000 and the discount rate of conversion price will decrease by 18% if the conversion price is less than \$160.

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As of December 31, 2021, \$100,000 notes that were issued in fiscal year 2020 were outstanding.

Promissory Notes - Issued in fiscal year 2021

During the year ended December 31, 2021, the Company issued convertible notes of \$1,696,999 for cash proceeds of \$1,482,000 after deducting financing fee of \$214,999 with the following terms;

- Terms ranging from 90 days to 12 months.
- Annual interest rates of 5% to 12%.
- Convertible at the option of the holders after varying dates.
- Conversion prices are typically based on the discounted (39% discount) average closing prices or lowest trading prices of the Company's shares during 20 periods prior to conversion.
- 1,414 shares of common stock valued at \$133,663 issued in conjunction with convertible notes.
- 117,992 warrants to purchase shares of common stock with an exercise price a range from \$7.44 to 36.00 granted in conjunction with convertible notes. The term of warrant is 5 years from issue date. (Note 12)
- The convertible note on October 19, 2021 by the Company in favor of Mast Hill Fund matured on October 19, 2022 which triggered the conversion provision, the default interest rate of 16% and penalty of 125% additional principal based on the outstanding principal balance and accrued interest. As a result of additional principal penalty, the outstanding principal balance increase \$91,311 and the effective interest rate increased to 16%.
- The convertible note on December 21, 2021 by the Company in favor of Westland Properties, LLC matured on December 21, 2022 which triggered the default interest rate of 24% and penalty of 125% additional principal based on the outstanding principal balance and accrued interest. The Company broke certain covenants of the convertible note related to the failure of the Company uplist 60 days from the note issuance date that triggered a 10% penalty of the outstanding principal and additional 5% of the outstanding principal every 10 calendar days until the uplist is completed or the note is paid off. The conversion provision triggered on the 6 month anniversary of the note as a result of not completing the uplist. As a result of the covenants,

outstanding principal increased by \$1,974,914 and the effective interest rate increased to 24% with an additional 5% every 10 days until uplist.

As of December 31, 2021, \$1,607,857 notes that were issued in fiscal year 2021 were outstanding.

Convertible note with outstanding balance \$361,869 is in default as of October 19, 2022 with a default interest rate of 16%. We are in communication with the lender.

Convertible note with outstanding balance \$238,532 is in default as of December 21, 2022 with a default interest rate of 24%. We are in communication with the lender.

Promissory Notes - Issued in fiscal year 2022

During the year ended December 31, 2022, we issued convertible promissory notes with principal amounts totaling \$2,120,575, which resulted in cash proceeds of \$1,857,800 after deducting a financing fee of \$262,775. The 2022 Convertible Notes have the following key provisions:

- Terms ranging from 3 to 12 months.
- Annual interest rates of 9% to 20%.
- Convertible at the option of the holders after varying dates.
- Conversion price based on a formula corresponding to a discount (20% or 39% discount) off the lowest trading price of our Common stock for the 20 prior trading days including the day on which a notice of conversion is received, although one of the 2022 Convertible Notes establishes a fixed conversion price of \$4.50 per share.
- 554,464 shares of common stock valued at \$473,691 issued in conjunction with convertible notes.

In connection with the adoption of ASU 2020-06 on January 1, 2022, we reclassified \$517,500, previously allocated to the conversion feature, from additional paid-in capital to convertible notes on our balance sheet. The reclassification was recorded to combine the two legacy units of account into a single instrument classified as a liability. As of January 1, 2022, we also recognized a cumulative effect adjustment of \$439,857 to accumulated deficit on our balance sheet, that was primarily driven by the derecognition of interest expense related to the accretion of the debt discount as required under the legacy accounting guidance. Under ASU 2020-06, we will no longer incur non-cash interest expense related to the accretion of the debt discount associated with the embedded conversion option.

Promissory Notes - Issued in fiscal year 2023

During the year ended December 31, 2023, we issued convertible promissory notes with principal amounts totaling \$2,211,083, which resulted in cash proceeds of \$2,015,000 after deducting a financing fee of \$462,112. The 2023 Convertible Notes have the following key provisions:

- Terms ranging from 9 to 12 months.
- Annual interest rates of 9% to 20%.
- Convertible at the option of the holders after varying dates.
- Conversion price based on a formula corresponding to a discount (20% or 30% discount) off the lowest trading price of our Common Stock for the 20 prior trading days including the day on which a notice of conversion is received, although one of the 2023 Convertible Notes establishes a fixed conversion price of \$.50 per share and two of the 2023 Convertible Notes have a fixed conversion price of \$.005 per share.
- As of the year ended December 31, 2023, there were no derivative liabilities.

In May 2023, we entered into a convertible promissory note payable with 1800 Diagonal Lending LLC in the amount of \$86,250 with original issue discount of \$11,250 with 8 monthly payments of \$12,398.38. This note has been paid off in 2024.

NOTE 10: DERIVATIVE LIABILITIES

We analyzed the conversion option for derivative accounting consideration under ASC 815, Derivatives and Hedging, and hedging, and determined that the instrument should be classified as a liability since the conversion option becomes effective at issuance resulting in there being no explicit limit to the number of shares to be delivered upon settlement of the above conversion options.

ASC 815 requires we assess the fair market value of derivative liability at the end of each reporting period and recognize any change in the fair market value as other income or expense item.

We determined our derivative liabilities to be a Level 3 fair value measurement during the year based on management's estimate of the expected future cash flows required to settle the liabilities, and used the Binomial pricing model to calculate the fair value as of December 31, 2023. As of the year ended December 31, 2023, there were no derivative liabilities. The Binomial model requires six basic data inputs: the exercise or strike price, time to expiration, the risk-free interest rate, the current stock price, the estimated volatility of the stock price in the future, and the dividend rate. Changes to these inputs could produce a significantly higher or lower fair value measurement. The fair value of each convertible note and warrant is estimated using the Binomial valuation model.

During the year ended December 31, 2023, there was no derivative outstanding, and no loss recorded. During the year ended December 31, 2022, the change in fair value of the derivative liability was \$57,883 and the loss on the derivative was \$57,883.

The fair value of the derivative liability for all the notes that became convertible, including the notes issued in prior years, during the year ended December 31, 2022 amounted to \$57,883 recognized as a derivative loss.

The inputs used to calculate the derivative values are as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Expected term	-	-*
Expected average volatility	-%	280%
Expected dividend yield	-	-
Risk-free interest rate	-%	3.65%

*There is no expected term on the convertible notes.

The following table summarizes the changes in the derivative liabilities during the years ended December 31, 2023 and 2022:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
Derivative liability as of December 31, 2021	\$ -

Addition of new derivatives recognized as debt discounts	-
Addition of new derivatives recognized as day-one loss	57,883
Derivative liabilities settled upon conversion of convertible note	(57,883)
Change in derivative liabilities recognized as loss on derivative	-
Derivative liability as of December 31, 2022	<u>\$ -</u>

Addition of new derivatives recognized as debt discounts	-
Addition of new derivatives recognized as day-one loss	-
Derivative liabilities settled upon conversion of convertible note	-
Change in derivative liabilities recognized as loss on derivative	-
Derivative liability as of December 31, 2023	<u>\$ -</u>

The aggregate loss on derivatives during the years ended December 31, 2023 and 2022 was \$-0- and \$57,883, respectively.

NOTE 11: NOTES PAYABLE

Notes payable consists of the following:

	December 31, 2023	December 31, 2022	Maturity	Interest Rate
Economic Injury Disaster Loan - originated in May 2020	\$ 500,000	\$ 500,000	30 years	3.75%
Promissory note - originated in September 2020	-	20,182	\$2,873.89 monthly payment for 36 months	14.0%
Promissory note - originated in December 2020	-	16,047	\$1,854.41 monthly payment for 36 months	8.0%
Promissory note - originated in January 2021	-	22,243	\$2,675.89 monthly payment for 36 months	18.0%
Promissory note - originated in February 2021	1,305,373	1,305,373	5 years	4.0%
Promissory note - originated in April 2021 ⁽¹⁾	676,693	866,666	1 year	12%
Promissory note - originated in July 2021 ⁽¹⁾	282,000	352,500	1 year	12%
Promissory note - originated in September 2021	31,758	43,667	\$1,383.56 monthly payment for 60 months	28%
Promissory note - originated in April 2022	57,577	73,204	\$1,695.41 monthly payment for 36 months	16.0%
Promissory note - originated in April 2022	47,392	239,858	\$7,250 daily payment for 168 days	25%
Promissory note – originated in June 2022	-	149,011	\$20,995 weekly payment for 30 weeks	49%
Promissory note - originated in July 2022	43,579	54,557	\$1,485.38 monthly payment for 60 months	18%

Promissory note - originated in July 2022	67,333	94,878	\$3,546.87 monthly payment for 36 months	10%
Promissory note - originated in August 2022	20,797	26,538	\$589.92 monthly payment for 60 months	8%
Promissory note - originated in October 2022	1,081,032	635,745	\$1,749.00 daily payment for 30 days	66%
Promissory note - originated in January 2023	4,328	-	\$237.03 monthly payment for 36 months	25%
Promissory note - originated in March 2023	47,570	-	\$1,521.73 monthly payment for 60 months	18%
Promissory note - originated in March 2023	11,754	-	\$559.25 monthly payment for 36 months	17%
Promissory note - originated in April 2023	24,634	-	\$3,999.00 monthly payment for 12 months	12%
Promissory note - originated in April 2023	33,054	-	\$3,918.03 monthly payment for 12 months	6%
Promissory note - originated in May 2023 ⁽²⁾	322,000	-	3 months	29%
Promissory note - originated in June 2023	394,444	-	12 months	18%
Promissory note - originated in August 2023	15,895	-	36 months	14%
Promissory note - originated in December 2023	1,145,882	-	12 months	10%
	<u>6,113,095</u>	<u>4,400,469</u>		
Less debt discount and debt issuance cost	<u>(1,053,637)</u>	<u>(377,111)</u>		
	<u>5,059,458</u>	<u>4,023,358</u>		
Less current portion of promissory notes payable	<u>3,704,326</u>	<u>918,785</u>		
Long-term promissory notes payable	<u>\$ 1,355,132</u>	<u>\$ 3,104,573</u>		

(1) Note payable with outstanding balance of \$676,693 matured on April 22, 2022. Note payable with outstanding balance of \$282,000 matured on July 27, 2022. The default annual interest rate of 16% becomes the effective interest rate on the past due principal and interest. We are in communication with the lender.

(2) Note payable with outstanding balance of \$322,000 matured on August 18, 2023. The default annual interest rate of 29% becomes the effective interest rate on the past due principal and interest. We are in communication with the lender.

During the years ended December 31, 2023 and 2022, the Company recognized interest expense on notes payable of \$1,345,837 and \$505,198, and amortization of debt discount, included in interest expense of \$1,053,637 and \$2,537,167, respectively.

During the years ended December 31, 2023 and 2022, the Company issued a total of \$1,617,868 and \$4,840,215, less discount of \$1,689,868 and \$1,381,970 and repaid \$1,562,565 and \$4,408,240, respectively.

Slate Advance Agreement

In March 2023 we entered into an agreement (the “Slate Agreement”) with Slate Advance (“Slate”) pursuant to which we sold \$1,482,000 in future receivables (the “Slated Receivables Purchased Amount”) to Slate in exchange for payment to the Company of \$975,000 in cash less fees of \$40,325. The Company agreed to pay Slate at maximum of \$14,999 each day until the Slate Receivables Purchased Amount is paid in full. The term of the [MCA Slate Agreement](#) is indefinite. There is no stated interest rate. We recorded the difference between the purchase price and the receivable purchase as a debt discount. The debt discount balance is amortized as payments are made and recorded as interest expense.

In order to secure payment and performance of the Company’s obligations to Slate under the Slate Agreement, the Company granted to Slate a security interest in the following collateral: all accounts receivable and all proceeds as such term is defined by Article 9 of the UCC. We also agreed not to create, incur, assume, or permit to exist, directly or indirectly, any lien on or with respect to any of such collateral.

We analyzed the transaction under the guidance of ASC 470-60 Troubled Debt Restructuring to determine if the transaction qualified as a troubled debt restructuring. For a debt restructuring to be considered troubled, the debtor must be experiencing financial difficulty, and the creditor must have granted a concession. We analyzed the Slate Transaction under ASC 470-60 and determined that we met one of the definitions of a company experiencing financial difficulty, such as currently in default of any of our debts. As we are not in default, the fair value of the debt has not changed, we did not recognize gain or loss as the fair value has not changed, and the future undiscounted cash flows are not greater or smaller than the carrying value, the creditor has not granted any concessions. We believe that the debt does not fall into the troubled debt restructuring guidance since no concessions were granted by the creditor.

Effective June 1, 2023, the Company exchanged its convertible promissory note originally issued on December 21, 2021 in the amount of \$555,555 in favor of Westland Properties, LLC for the issuance of a new promissory note issued in favor of Westland Properties, LLC in the amount of \$665,000 (the “Exchange Note”). The original convertible Note was cancelled as a result of the exchange and the issuance of the Exchange Note. Terms of the Exchange Note include, without limitation, the following:

- a. Principal balance of \$665,000, interest rate of 3%, default interest rate of 18%;
- b. \$115,000 on or prior to July 25, 2023;
- c. A series of nine (9) monthly payments to the Holder in the amount of \$38,889 with the first payment beginning September 1, 2023 with the final payment to be adjusted for any interest; and
- d. \$200,000 on the earlier of (i) three (3) business days following the Company’s successful listing (“Uplisting”) on any of the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange or (ii) the receipt of not less than \$4,000,000 in funding from a single transaction (in either event an “Uplist Payment”)
- e. Maturity date of September 30, 2021. Notes were fully converted in February 2021

In addition to exchanging the original Note, Westland Properties, LLC forgave \$4,724,299 in default accrued interest and interest of \$179,782.

NOTE 12: CAPITAL STOCK AND REVERSE STOCK SPLIT

Changes in Authorized Shares

On March 5, 2020, the Company amended its Articles of Incorporation to increase the number of shares of authorized common stock to 250,000,000.

On April 15, 2020, the Company amended its Articles of Incorporation to increase the number of shares of authorized common stock to 750,000,000.

On August 17, 2020, the Company amended its Articles of Incorporation to increase the number of shares of authorized common stock to 1,500,000,000.

On November 25, 2020 the Company filed a Certificate of Designation to authorize and create its Series B Preferred shares, consisting of 80,000 shares, \$0.001 par value.

On December 15, 2020 the Company amended its Articles of Incorporation to increase the number of shares of authorized common stock to 1,800,000,000.

On July 1, 2021, we effected a 1-for-2,000 reverse stock split of our issued and outstanding common stock.

On March 7, 2022, the Company filed an amendment to its Articles of Incorporation to effect a 1-for-8 reverse stock split of its issued and outstanding shares of common and preferred shares, each with \$0.001 par value. All per share amounts and number of shares, in the consolidated financial statements and related notes have been retroactively adjusted to reflect the reverse stock split.

On May 25, 2023, the Company amended its Articles of Incorporation to increase the number of shares of authorized common stock to 500,000,000.

On September 20, 2023, we filed an amendment to its Articles of Incorporation to effect a 1-for-600 reverse stock split of its issued and outstanding shares of common stock, each with \$0.001 par value (“Common Stock”). All per share amounts and number of shares, in the consolidated financial statements and related notes have been retroactively adjusted to reflect the reverse stock split.

Preferred Stock

As of September 30, 2023, we are authorized to issue 80,000 of Series A Preferred Stock with par value of \$10.00. Each share of Series B Preferred Stock (i) is convertible into Common Stock at a price per share equal to sixty one percent (61%) of the lowest price for our Common Stock during the twenty (20) days of trading preceding the date of the conversion; (ii) earns dividends at the rate of nine percent (9%) per annum; and, (iii) has no voting rights.

During the year ended December 31, 2022 we recorded an accrued dividend of \$104,631, and amortization of debt discount, included in interest expense of \$22,439.

As of December 31, 2023 and December 31, 2022, -0- and -0- shares of Series B were issued and outstanding, respectively.

Each share of Series A is the equivalent of 15,000 shares of Common Stock. Our Chief Executive Officer, Jason Remillard, holds 149,892 shares of our Series A Preferred Stock. Through his ownership of Series A Preferred Shares, Mr. Remillard has voting control over all matters to be submitted to a vote of our shareholders.

As of December 31, 2023 and December 31, 2022, 149,892 and 149,892 shares of Series A were issued and outstanding, respectively.

Common Stock

As of December 31, 2023, the Company is authorized to issue 500,000,000 shares of common stock with a par value of \$0.001. All shares have equal voting rights, are non-assessable, and have one vote per share. The total number of shares of Company common stock issued and outstanding as of December 31, 2023 and 2022, respectively, was 272,874 and 4,360 shares, respectively.

During the year ended December 31, 2023, we issued Common Stock as follows:

- 21,428 shares issued for conversion of debt;
- 77,010 shares issued for adjustment to PPM investors;
- 4,786 shares issued for stock-based compensation;
- 165,290 shares issued for partial payment on acquisition of select assets from Cyren Ltd bankruptcy trustee.

During the year ended December 31, 2022, the Company issued common stock as follows:

- 1,665 shares issued for conversion of debt;
- 11 shares issued upon the cash-less exercise of warrants;
- 635 shares issued for consideration under an asset purchase agreement;
- 180 shares issued for conversion of Series A preferred stock;
- 83 shares issued for services;
- 30 shares issued as a loan fee in connection with the issuance of promissory notes; and
- 1,552 shares were subscribed for cash pursuant to private placement offering.

Warrants

The Company identified conversion features embedded within warrants issued during the year ended December 31, 2020. The Company has determined that the conversion feature of the Warrants represents an embedded derivative since the conversion price includes a reset provision which could cause adjustments upon conversion. During the year ended December 31, 2020, 21 warrants were granted, for a period of five years from issuance, at price of \$8,000 per share. However, as of September 30, 2020, 16 of these original warrants, as reset, were completely cancelled and are all null and void in all respects as part of the consideration for the issuance of the Exchange Note .

As a result of the reset features, the warrants increased by 38 for the year ended December 31, 2020, and the total warrants exercisable into 38 shares of common stock at a weighted average exercise price of \$48,960 per share as of December 31, 2020. The reset feature of warrants was effective at the time that a separate convertible instrument with lower exercise price was issued. We accounted for the issuance of the Warrants as a derivative.

During the year ended December 31, 2020, the Company entered into an agreement with three existing investors in the Company (the “Holders”), each of which was the holder of warrants issued the Company. The total number of warrants (collectively, the “Warrants”) held by the Holders totaled 2. The Company and the Holders agreed to exchange the Warrants for three newly issued convertible promissory notes. As a result of the exchange, the Company recorded loss on settlement of \$100,000.

On December 11, 2020, the Company entered into a Common Stock Purchase Agreement (the “Purchase Agreement”) with Triton Funds LP, a Delaware limited partnership (“Triton”). Pursuant to the Purchase Agreement, subject to certain conditions set forth in the Purchase Agreement, Triton is obligated to purchase up to One Million Dollars (\$1,000,000) of the Company’s common stock from time-to-time. The Company also granted to Triton warrants to purchase 10 shares of the Company’s Common Stock. The exercise price for the warrants is \$96,000 per share, and may be exercised at any time, in whole or in part, prior to December 11, 2025. The Warrant Agreement provides for certain adjustments that may be made to the exercise price and the number of shares issuable upon exercise due to future corporate events. The Warrant Agreement also contains a limited cashless exercise feature, providing for the

cashless exercise of 2 shares only upon the Company's failure to secure the effectiveness of the Registration Statement, which is to include all shares under the Warrant Agreement.

During the year ended December 31, 2021, the Company issued the following warrants: (i) to acquire 12 shares of the Company's common stock pursuant at an exercise price of \$72,000, with a cashless exercise option; (ii) to acquire 12 shares of the Company's common stock at an exercise price of \$72,000, exercisable only in the event of a default under that certain Senior Secured Promissory Note issued on 23 April 2021 in the original principal amount of \$832,000; (iii) to acquire 26 shares of the Company's common stock at an exercise price of \$21,600, exercisable only in the event of a default under that certain Senior Secured Promissory Note issued on July 27, 2021 in the original principal amount of \$282,000; (iv) to acquire 5 shares of the Company's common stock at an exercise price of \$21,600, exercisable only in the event of a default under that certain Convertible Promissory Note issued on September 28, 2021 in the original principal amount of \$282,000; (v) to acquire 67 shares of the Company's common stock at an exercise price of \$21,600, exercisable only in the event of a default under that certain Convertible Promissory Note issued on October 19, 2021 in the original principal amount of \$444,444 and, (vi) to acquire 124 shares of the Company's common stock at an exercise price of \$4,464, exercisable only in the event of a default under that certain Convertible Promissory Note issued on December 21, 2021 in the original principal amount of \$555,555.

During the year ended December 31, 2022, the Company issued the following warrants: (i) to acquire 32 shares of the Company's common stock pursuant at an exercise price of \$3,600, with a cashless exercise option; and (ii) to acquire 3 shares of the Company's common stock pursuant at an exercise price of \$3,600, with a cashless exercise option.

During the year ended December 31, 2023, the Company issued the following warrants: (i) to acquire 270,833 shares of the Company's common stock pursuant at an exercise price of \$.60, with a cashless exercise option; (ii) to acquire 250,000 shares of the Company's common stock pursuant at an exercise price of \$.60, with a cashless exercise option; (iii) to acquire 41,667 shares of the Company's common stock pursuant at an exercise price of \$.60, with a cashless exercise option; and (iv) to acquire 54,167 shares of the Company's common stock pursuant at an exercise price of \$.60, with a cashless exercise option.

A summary of activity during the period ended December 31, 2023 follows:

	Shares	Weighted Average Exercise Price
Outstanding, December 31, 2021	245	\$ 16,716
Granted	35	3,600
Reset feature	-	-
Exercised	(13)	-
Forfeited/canceled	-	-
Outstanding, December 31, 2022	267	\$ 13,242
Granted	616,667	.60
Reset feature		
Exercised		
Forfeited/canceled		
Outstanding, December 31, 2023	616,934	\$ 8.03

The following table summarizes information relating to outstanding and exercisable warrants as of December 31, 2023:

Exercisable Warrants Outstanding			
Number of Warrants	Weighted Average Remaining		Weighted Average Exercise Price
	Contractual life (in years)		
10	1.95	\$	96,000.00
12	2.31	\$	72,000.00
26	2.57	\$	21,600.00

5	2.75	\$	21,600.00
55	2.80	\$	5,929.10
124	2.98	\$	4,464.00
32	3.36	\$	3,600.00
3	3.36	\$	3,600.00
270,833	.50	\$	0.60
250,000	.50	\$	0.60
54,167	-	\$	0.60
41,667	.51	\$	0.60
616,934	.37	\$	5.09

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NOTE 13: INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and deferred tax liabilities are as follows as of December 31:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-operating loss carryforward	\$ 6,677,000	\$ 6,326,000
Valuation allowance	(6,677,000)	(6,326,000)
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

The Company has established a valuation allowance against its deferred tax assets due to the uncertainty surrounding the realization of such assets. During 2023 the valuation allowance increased by \$689,000. The Company has net operating and economic loss carry-forwards of approximately \$29,029,268 available to offset future federal and state taxable income.

A reconciliation between expected income taxes, computed at the federal income tax rate of 21% applied to the pretax accounting loss, and our blended state income tax rate of 2.0%, and the income tax net expense included in the consolidated statements of operations for the years ended December 31, 2023 and 2022 is as follows:

	<u>Years Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Loss for the year	\$ (4,244,708)	\$ (9,713,467)
Income tax (recovery) at statutory rate	\$ (891,000)	\$ (2,040,000)
State income tax expense, net of federal tax effect	(85,000)	(194,000)
Permanent difference and other	287,000	593,000
Change in valuation allowance	689,000	1,641,000
Income tax expense per books	<u>\$ -</u>	<u>\$ -</u>

The effective tax rate of 0% differs from our statutory rate of 21% primarily due to the effect of non-deductible income and expenses. Tax returns for the years ended 2013 – 2023, are subject to review by the tax authorities.

NOTE 14: SHARE-BASED COMPENSATION

Stock Options

During the years ended December 31, 2023 and 2022, the Company granted options for the purchase of the Company's common stock to certain employees, consultants and advisors as consideration for services rendered. The terms of the stock option grants are determined by the Company's Board of Directors. The Company's stock options generally vest upon the one-year or two-year anniversary date of the grant and have a maximum term of ten years.

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The following summarizes the stock option activity for the years ended December 31, 2023 and 2022:

	Options Outstanding	Weighted-Average Exercise Price
Balance as of December 31, 2021	245	\$ 16,716
Grants	34	804
Exercised	-	-
Cancelled	-	-
Balance as of December 31, 2022	279	\$ 775.93
Grants	13,833	1,002
Exercised	-	-
Cancelled	-	-
Balance as of December 31, 2023	14,112	\$ 1.67

The weighted average grant date fair value of stock options granted during the years ended December 31, 2023 and 2022 was \$15.12 and \$804, respectively. The total fair value of stock options that granted during the year ended December 31, 2023 and 2022 was approximately \$300,129 and \$1,341,002, respectively. The fair value of each stock option is estimated on the date of grant using the Black-Scholes-Merton option pricing model with the following weighted average assumptions for stock options granted during the year ended December 31, 2023 and 2022:

	2023	2022
Expected term (years)	5	5
Expected stock price volatility	220.36%	280.82%
Weighted-average risk-free interest rate	4.169%	3.65%
Expected dividend	\$ 0.00	\$ 0.00

Volatility is a measure of the amount by which a financial variable such as share price has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. The Company estimates expected volatility giving primary consideration to the historical volatility of its common stock. The risk-free interest rate is based on the published yield available on U.S. Treasury issues with an equivalent term remaining equal to the expected life of the stock option. The expected lives of the stock options represent the estimated period of time until exercise or forfeiture and are based on the simplified method of using the mid-point between the vesting term and the original contractual term.

The following summarizes certain information about stock options vested and expected to vest as of December 31, 2023:

	Number of Options	Weighted- Average Remaining Contractual Life (In Years)	Weighted- Average Exercise Price
Outstanding	15,247	9.72	\$ 3,421.52
Exercisable	1,174	8.93	\$ 23,955.81
Expected to vest	15,247	9.72	\$ 3,421.52

As of December 31, 2023 and 2022, there was \$35,227 and \$381,547, respectively, of total unrecognized compensation cost related to non-vested stock-based compensation arrangements which is expected to be recognized within the next year.

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Restricted Stock Awards

During the years ended December 31, 2023 and 2022, the Company issued restricted stock awards for shares of common stock which have been reserved for the holders of the awards. Restricted stock awards were issued to certain consultants and advisors as consideration for services rendered. The terms of the restricted stock units are determined by the Company's Board of Directors. The Company's restricted stock shares generally vest over a period of one year and have a maximum term of ten years.

The following summarizes the restricted stock activity for the years ended December 31, 2023 and 2022:

	Shares	Weighted-Average Fair Value
Balance as of December 31, 2021	2	1.07
Shares of restricted stock granted	536	
Exercised	-	-
Cancelled	-	-
Balance as of December 31, 2022	538	639.22
Shares of restricted stock granted	19,676	225,000
Exercised	-	-
Cancelled	-	-
Balance as of December 31, 2023	20,214	225,639

	December 31, 2023	December 31, 2022
Number of Restricted Stock Awards		
Vested	5,288	2
Non-vested	14,926	536

As of December 31, 2023 and 2022, there was \$-0- of total unrecognized compensation cost related to non-vested stock-based compensation, which is expected to be recognized over the next year.

NOTE 15: INTEREST EXPENSE

For the years ended December 31, 2023 and 2022, the Company recorded interest expense as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Interest expense - convertible notes	\$ 3,423,703	\$ 2,884,571
Interest expense - notes payable	978,295	505,198
Interest expense - notes payable - related party	-	-
Finance lease	-	7,047
Other	281,698	45,473
Amortization of debt discount	1,733,711	2,537,167
	<u>\$ 6,417,407</u>	<u>\$ 5,979,456</u>

NOTE 16: RELATED PARTY TRANSACTIONS

Jason Remillard is our president and Chief Executive Officer and the sole director. Through his ownership of 149,892 shares of our Series A Preferred Stock and 29,627 shares of our Common Stock, Mr. Remillard has voting control over all matters to be submitted to a vote of our shareholders. Greg McCraw is our Chief Financial Officer and owns 2,339 shares of our Common Stock.

During the year ended December 31, 2023, we borrowed \$19,700 from our CEO and \$150,000 from our CFO. Our CEO paid operating expenses of \$194,735 on our behalf and we repaid \$193,560 to our CEO.

As of December 31, 2023 and December 31, 2022, we owed \$341,437 and \$112,062, respectively, to related parties.

NOTE 17: SUBSEQUENT EVENTS

In accordance with ASC 855-10, “Subsequent Events”, we analyzed our operations subsequent to December 31, 2023 to April 16, 2024, the date when these consolidated financial statements were issued.

- On January 10, 2024, GS Capital Partners LLC converted \$17,458 of principal and \$5,732 of accrued interest of the convertible note into 13,469 shares of our common stock.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

DATED: April 16, 2024

DATA443 RISK MITIGATION, INC.

BY: /s/ Jason Remillard

Jason Remillard,
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>NAME</u>	<u>TITLE</u>	<u>DATED</u>
<u>/s/ Jason Remillard</u> Jason Remillard	Chairman of the Board; Chief Executive Officer	April 16, 2024
<u>/s/ Greg McCraw</u> Greg McCraw	Chief Financial Officer	April 16, 2024

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EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Jason Remillard, Chief Executive Officer of Data443 Risk Mitigation, Inc. certify that:

1. I have reviewed this Annual Report on Form 10-K of Data443 Risk Mitigation, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of 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.

Date: April 16, 2024

By: /s/ Jason Remillard

Name: Jason Remillard

Title: Chief Executive Officer

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Greg McCraw, Chief Financial Officer of Data443 Risk Mitigation, Inc. certify that:

1. I have reviewed this Annual Report on Form 10-K of Data443 Risk Mitigation, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of 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.

Date: April 16, 2024

By: /s/ Greg McCraw

Name: Greg McCraw

Title: Chief Financial Officer

EXHIBIT 32.1

**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 Annual Report on Form 10-K for the period ended December 31, 2023 of Data443 Risk Mitigation, Inc. (the “Company”), as filed with the Securities and Exchange Commission on the date hereof (the “Annual Report”), I, Jason Remillard, Chief Executive Officer of the Company 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 Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended; and
2. The information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: April 16, 2024

By: /s/ Jason Remillard

Name: Jason Remillard

Title: Chief Executive Officer

EXHIBIT 32.2

**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 Annual Report on Form 10-K for the period ended December 31, 2023 of Data443 Risk Mitigation, Inc. (the “Company”), as filed with the Securities and Exchange Commission on the date hereof (the “Annual Report”), I, Greg McCraw, Chief Financial Officer of the Company 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 Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended; and
2. The information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: April 16, 2024

By: /s/ Greg McCraw

Name: Greg McCraw

Title: Chief Financial Officer
