

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2020

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 of
incorporation)

86-0914051
(I.R.S. Employer
Identification No.)

101 J Morris Commons Lane, Suite 105
Morrisville, North Carolina
(Address of principal executive offices)

27560
(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
N/A

Trading Symbol(s)
N/A

Name of each exchange on which registered
N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and, (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer

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 is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The outstanding number of shares of common stock as of August 05, 2020 was: 303,248,465.

Documents incorporated by reference: None

DATA443 RISK MITIGATION, INC.
FORM 10-Q
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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DATA443 RISK MITIGATION, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2020	December 31, 2019
Assets		
Current assets		
Cash	\$ 548,793	\$ 18,673
Accounts receivable	33,612	63,556
Inventory	8,301	8,301
Prepaid expense and other current assets	323	807
Total current assets	591,029	91,337
Property and equipment, net	232,329	100,127
Operating lease right-of-use assets, net	282,699	395,388
Intellectual property, net of accumulated amortization	2,264,062	3,141,938
Deposits	31,440	20,944
Total Assets	\$ 3,401,559	\$ 3,749,734
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable	\$ 217,364	\$ 379,325
Payroll liabilities	131,729	28,870
Deferred revenue	1,153,677	728,749
Interest payable	119,039	59,979
Notes payable	425,517	165,120
Convertible notes payable, net of unamortized discount	2,891,253	3,212,786
Derivative liability	9,275,204	2,601,277
Due to a related party	1,083,866	1,103,314
License fee payable	1,094,691	1,094,691
Operating lease liability	79,856	86,372
Finance lease liability	85,316	34,425
Total Current Liabilities	16,557,512	9,494,908
Notes payable - non-current	489,000	-
Deferred revenues - non-current	58,741	224,797
Operating lease liability - non-current	289,045	373,000
Finance lease liability - non-current	129,742	53,480
Total Liabilities	17,524,040	10,146,185
Commitments and Contingencies		
Stockholders' Deficit		
Preferred stock: 337,500 authorized; \$0.001 par value 1,334 shares issued and outstanding	1	1
Common stock: 250,000,000 authorized; \$0.001 par value 160,108,545 and 9,692,065 shares issued and outstanding, respectively	160,108	9,692
Additional paid in capital	20,082,520	15,204,771
Accumulated deficit	(34,365,110)	(21,610,915)
Total Stockholders' Deficit	(14,122,481)	(6,396,451)
Total Liabilities and Stockholders' Deficit	\$ 3,401,559	\$ 3,749,734

See the accompanying Notes, which are an integral part of these unaudited Consolidated Financial Statements

DATA443 RISK MITIGATION, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue	\$ 465,935	\$ 358,612	\$ 943,812	\$ 501,403
Cost of revenue	19,097	19,195	53,386	39,746
Gross profit	<u>446,838</u>	<u>339,417</u>	<u>890,426</u>	<u>461,657</u>
Operating expenses				
General and administrative	1,666,196	1,196,576	3,091,430	1,872,075
Sales and marketing	27,393	155,907	148,211	381,594
Research and development	-	-	-	4,205
Total operating expenses	<u>1,693,589</u>	<u>1,352,483</u>	<u>3,239,641</u>	<u>2,257,874</u>
Net loss from operations	(1,246,751)	(1,013,066)	(2,349,215)	(1,796,217)
Other income (expense)				
Interest expense	(553,765)	(363,928)	(1,072,165)	(663,827)
Gain on contingent liability	-	150,000	-	450,000
Loss on settlement on debt	-	-	(54,000)	-
Change in fair value of derivative liability	(772,664)	2,420,622	(9,278,815)	9,233,775
Total other income (expense)	<u>(1,326,429)</u>	<u>2,206,694</u>	<u>(10,404,980)</u>	<u>9,019,948</u>
Income (loss) before income taxes	(2,573,180)	1,193,628	(12,754,195)	7,223,731
Provision for income taxes	-	-	-	-
Net income (loss)	<u>\$ (2,573,180)</u>	<u>\$ 1,193,628</u>	<u>\$ (12,754,195)</u>	<u>\$ 7,223,731</u>
Basic income (loss) per Common Share	\$ (0.04)	\$ 0.13	\$ (0.32)	\$ 0.87
Basic weighted average number of common shares outstanding	<u>65,203,957</u>	<u>9,168,114</u>	<u>39,873,339</u>	<u>8,343,879</u>
Diluted income (loss) per Common Share	\$ (0.04)	\$ 0.12	\$ (0.32)	\$ 0.81
Diluted weighted average number of common shares outstanding	<u>65,203,957</u>	<u>9,827,784</u>	<u>39,873,339</u>	<u>8,972,919</u>

See the accompanying Notes, which are an integral part of these unaudited Consolidated Financial Statements

DATA443 RISK MITIGATION, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(Unaudited)

For the Three Months Ended June 30, 2020

	Convertible Preferred Series A		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance - March 31, 2020	1,334	\$ 1	19,482,091	\$ 19,482	\$ 16,725,143	\$ (31,791,930)	\$ (15,047,304)
Common stock issued for conversion of debt	-	-	127,194,938	127,195	2,877,454	-	3,004,649
Settlement of stock subscriptions	-	-	1,496,516	1,496	(1,496)	-	-
Stock-based compensation	-	-	11,935,000	11,935	481,419	-	493,354
Net loss	-	-	-	-	-	(2,573,180)	(2,573,180)
Balance - June 30, 2020	<u>1,334</u>	<u>\$ 1</u>	<u>160,108,545</u>	<u>\$ 160,108</u>	<u>\$ 20,082,520</u>	<u>\$ (34,365,110)</u>	<u>\$ (14,122,481)</u>

For the Six Months Ended June 30, 2020

	Convertible Preferred Series A		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance - December 31, 2019	1,334	\$ 1	9,692,065	\$ 9,692	\$ 15,204,771	\$ (21,610,915)	\$ (6,396,451)
Common stock issued for conversion of debt	-	-	134,019,210	134,019	4,195,140	-	4,329,159
Stock issued for purchase of asset	-	-	2,465,754	2,466	(2,466)	-	-
Settlement of stock subscriptions	-	-	1,496,516	1,496	(1,496)	-	-
Stock-based compensation	-	-	12,435,000	12,435	686,571	-	699,006
Net loss	-	-	-	-	-	(12,754,195)	(12,754,195)
Balance - June 30, 2020	<u>1,334</u>	<u>\$ 1</u>	<u>160,108,545</u>	<u>\$ 160,108</u>	<u>\$ 20,082,520</u>	<u>\$ (34,365,110)</u>	<u>\$ (14,122,481)</u>

See the accompanying Notes, which are an integral part of these unaudited Consolidated Financial Statements

DATA443 RISK MITIGATION, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(Unaudited)

For the Three Months Ended June 30, 2019

	Convertible Preferred Series A		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance - March 31, 2019	1,334	\$ 1	8,376,908	\$ 8,377	\$ 10,760,255	\$ (14,973,441)	\$ (4,204,808)
Stock subscriptions	-	-	-	-	225,000	-	225,000
Warrants on stock subscriptions	-	-	-	-	250,878	-	250,878
Common issued to settle debt	-	-	1,333,332	1,333	1,508,667	-	1,510,000
Share-based compensation	-	-	-	-	318,402	-	318,402
Net income	-	-	-	-	-	1,193,628	1,193,628
Balance - June 30, 2019	<u>1,334</u>	<u>\$ 1</u>	<u>9,710,240</u>	<u>\$ 9,710</u>	<u>\$ 13,063,202</u>	<u>\$ (13,779,813)</u>	<u>\$ (706,900)</u>

For the Six Months Ended June 30, 2019

	Convertible Preferred Series A		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance - December 31, 2018	1,334	\$ 1	6,816,281	\$ 6,816	\$ 8,689,353	\$ (21,003,544)	\$ (12,307,374)
Settlement of stock subscriptions	-	-	336,020	336	(336)	-	-
Stock subscriptions	-	-	-	-	225,000	-	225,000
Warrants on stock subscriptions	-	-	-	-	83,334	-	83,334
Common issued to settle debt	-	-	1,999,997	2,000	3,203,000	-	3,205,000
Share-based compensation	-	-	-	-	363,409	-	363,409
Conversion of convertible debt	-	-	557,942	558	499,442	-	500,000
Net income	-	-	-	-	-	7,223,731	7,223,731
Balance - June 30, 2019	<u>1,334</u>	<u>\$ 1</u>	<u>9,710,240</u>	<u>\$ 9,710</u>	<u>\$ 13,063,202</u>	<u>\$ (13,779,813)</u>	<u>\$ (706,900)</u>

See the accompanying Notes, which are an integral part of these unaudited Consolidated Financial Statements

DATA443 RISK MITIGATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (12,754,195)	\$ 7,223,731
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Change in fair value of derivative liability	9,278,815	(9,233,775)
Gain on contingent liability	-	(450,000)
Loss on settlement of debt	54,000	-
Stock-based compensation expense	699,006	363,409
Depreciation and amortization	909,851	592,309
Amortization of debt discount	816,949	677,021
Bad debt	50,800	-
Changes in operating assets and liabilities:		
Accounts receivable	(20,856)	(494,740)
Inventory	-	(8,301)
Prepaid expenses and other assets	484	(16,597)
Accounts payable	(161,961)	208,964
Deferred revenue	258,872	397,867
Payroll liability	102,859	17,368
Accrued interest	171,639	(19,408)
Due to related parties	-	20,769
Operating lease payments	22,218	55,742
Deposit paid	(10,496)	(18,456)
Net Cash used in Operating Activities	<u>(582,015)</u>	<u>(684,097)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of intellectual property	-	(265,000)
Purchase of property and equipment	(5,081)	(4,629)
Net Cash used in Investing Activities	<u>(5,081)</u>	<u>(269,629)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of convertible notes payable	652,250	725,000
Proceeds from issuance of stock and member distributions	-	600,000
Capital lease payments	(31,943)	(5,452)
Proceeds from issuance of notes payable	1,077,843	-
Repayment of notes payable	(426,486)	(450,000)
Proceeds from related parties	132,656	-
Repayment to related parties	(287,104)	-
Net Cash provided by Financing Activities	<u>1,117,216</u>	<u>869,548</u>
Net change in cash	530,120	(84,178)
Cash, beginning of period	18,673	324,935
Cash, end of period	<u>\$ 548,793</u>	<u>\$ 240,757</u>
Supplemental cash flow information		
Cash paid for interest	\$ 43,453	\$ 2,213
Cash paid for taxes	\$ -	\$ -
Non-cash Investing and Financing transactions:		
Settlement of stock subscriptions	\$ 1,496	\$ -
Settlement of accrued interest through issuance of convertible notes payable	\$ -	\$ 75,000
Settlement of convertible notes payable through issuance of common stock	\$ 1,153,596	\$ -
Resolution of derivative liability upon conversion of debt	\$ 3,175,563	\$ -
Equipment paid by capital lease	\$ 159,096	\$ -
Derivative liability recognized as debt discount	\$ 570,675	\$ -

See the accompanying Notes, which are an integral part of these unaudited Consolidated Financial Statements

DATA443 RISK MITIGATION, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

NOTE 1: BUSINESS DESCRIPTION

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.

The Company is an industry leader in *All Things Data Security*, providing software and services to enable secure data across local devices, network, cloud, and databases, at rest and in flight. Its suite of products and services is highlighted by: (i) ARALOC™, which is a market leading secure, cloud-based platform for the management, protection and distribution of digital content to the desktop and mobile devices, which protects an organization’s confidential content and intellectual property assets from leakage — malicious or accidental — without impacting collaboration between all stakeholders; (ii) ArcMail™, which is a leading provider of simple, secure and cost-effective enterprise data retention management, archiving and management solutions; (iii) ClassiDocs™, the Company’s award-winning data classification and governance technology, which supports CCPA, LGPD and GDPR compliance; (iv) ClassiDocs™ for Blockchain, which provides an active implementation for the Ripple XRP that protects blockchain transactions from inadvertent disclosure and data leaks; (v) Data443 Global Privacy Manager™, the privacy compliance and consumer loss mitigation platform which is integrated with ClassiDocs™ to do the delivery portions of GDPR and CCPA as well as process Data Privacy Access Requests – removal request – with inventory by ClassiDocs™; enables the full lifecycle of Data Privacy Access Requests, Remediation, Monitoring and Reporting; (vi) Data443™ Chat History Scanner, which scans chat messages for Compliance, Security, PII, PI & custom keywords; (vii) DATAEXPRESS®, the leading Data transport, transformation and delivery product trusted by leading financial organizations worldwide; (viii) The CCPA Framework WordPress plugin, which enables organizations of all sizes to comply with the CCPA privacy framework; and (ix) the GDPR Framework WordPress plugin, with over 30,000 active site owners, enables organizations of all sizes to comply with the GDPR and other privacy frameworks.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying unaudited consolidated financial statements as of June 30, 2020 include the accounts of the Company and its wholly-owned subsidiary, Data 443 Risk Mitigation, Inc., a North Carolina operating company, and the operations of Myriad Software Productions, LLC through September 2018 when it was liquidated. Prior to the acquisition of Data 443 Risk Mitigation, Inc. in North Carolina and the assets of Myriad Software Productions, LLC in 2018, these two entities were controlled by our sole director and officer, Jason Remillard. On November 17, 2017, Mr. Remillard acquired control of Data443 Risk Mitigation, Inc. through his purchase of all the outstanding Series A preferred shares of the Company, and as a result, these two entities became common controlled entities that require consolidation of results with the reporting company, Data443 Risk Mitigation, Inc., from the time common control occurred. All intercompany accounts and activities have been eliminated. 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”).

Interim Financial Statements

These unaudited consolidated financial statements have been prepared in accordance U.S. GAAP for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, the consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and such adjustments are of a normal recurring nature. These consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019 and notes thereto and other pertinent information contained in our Form 10-K the Company has filed with the Securities and Exchange Commission (the “SEC”) on April 17, 2020. The results of operations for the six months ended June 30, 2020, are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2020.

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.

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 DataExpress®, ArcMail™, and ARALOC™, hosting of the platforms and related services. Custom work for specific deliverables is documented in the statements of work. Customers may enter into subscription and various statements of work concurrently or consecutively. Most of the Company’s performance obligations are not considered to be distinct from the subscription to DataExpress®, ArcMail™, and ARALOC™, hosting of the platform 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 significant judgment is applied as to nature and characteristics of the new or modified performance obligations on a contract by contract basis.

DATA443 RISK MITIGATION, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

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.

Deferred Revenue

Deferred revenue mostly consists of service subscriptions received from users in advance of revenue recognition. The deferred revenue balance for the period ended June 30, 2020 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 bifurcates 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 remeasured 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 U.S. GAAP.

When the Company has 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.

Common stock purchase warrants and derivative financial instruments - Common stock purchase warrants and other derivative financial instruments are classified as equity if the contracts (1) require physical settlement or net-share settlement, or (2) give the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement). Contracts which (1) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the control of the Company), (2) give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement), or (3) that contain reset provisions that do not qualify for the scope exception are classified as liabilities. The Company assesses classification of its common stock purchase warrants and other derivatives at each reporting date to determine whether a change in classification between equity and liabilities is required.

Beneficial Conversion Feature - The issuance of the convertible debt 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. The Company 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.

DATA443 RISK MITIGATION, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

Stock-Based Compensation

Employees - The Company accounts for stock-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 condensed consolidated statement of operations over the requisite service period.

Nonemployees - The Company accounts for stock-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 \$699,006 in stock-based compensation expense for the six months ended June 30, 2020, compared to \$363,409 in stock-based compensation expense for the six months ended June 30, 2019.

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.

The Company's financial instruments, including cash, accounts receivable, accounts payable, note payable, due to related parties and accrued liabilities, are carried at historical cost. At June 30, 2020 and December 31, 2019, the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments. Management determined that liabilities created by beneficial conversion features associated with the issuance of certain convertible notes payable (see Note 5), meet the criteria of derivatives and are required to be measured at fair value. The fair value of these derivative liabilities was determined based on management's estimate of the expected future cash flows required to settle the liabilities. This valuation technique involves management's estimates and judgment based on unobservable inputs and is classified in level 3.

Basic and Diluted Net Income (Loss) Per Share of Common Stock

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 six months ended June 30, 2020, 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.

DATA443 RISK MITIGATION, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

	June 30, 2020 <u>(Shares)</u>
Stock options	996,693
Warrants	275,189,822
Convertible notes	558,016,399
Total	<u>834,202,914</u>

COVID-19

A novel strain of coronavirus (COVID-19) was first identified in December 2019, and subsequently declared a global pandemic by the World Health Organization on March 11, 2020. As a result of the outbreak, many companies have experienced disruptions in their operations and in markets served. The Company has instituted some and may take additional temporary precautionary measures intended to help ensure the well-being of its employees and minimize business disruption. The Company considered the impact of COVID-19 on the assumptions and estimates used and determined that there were no material adverse impacts on the Company's results of operations and financial position at March 31, 2020. The full extent of the future impacts of COVID-19 on the Company's operations is uncertain. A prolonged outbreak could have a material adverse impact on financial results and business operations of the Company, including the timing and ability of the Company to collect accounts receivable and the ability of the Company to continue to provide high quality services to its clients. The Company is *not* aware of any specific event or circumstance that would require an update to its estimates or judgments or a revision of the carrying value of its assets or liabilities as of August 06, 2020, the date of issuance of this Quarterly Report on Form 10-Q. These estimates *may* change, as new events occur and additional information is obtained.

CARES Act

The Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was enacted on March 27, 2020. There are several different provisions of the CARES Act that impact income taxes for corporations. While the Company continues to evaluate the tax implications, it believes these provisions will not have a material impact to the financial statements.

Additionally, the Company has applied for, and has received, funds under the Paycheck Protection Program (the "PPP Loan") after the period covered in these financial statements in the amount of \$339,000. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Company having initially qualified for the loan and qualifying for the forgiveness of such loan based on its future adherence to the forgiveness criteria.

The PPP Loan has a two-year term and bears interest at a rate of 1.0% per annum. Monthly principal and interest payments are deferred for six months after the date of disbursement. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties. The promissory note executed by the Company in connection with the PPP Loan contains events of default and other provisions customary for a loan of this type.

The PPP Loan is being used to retain the Company's employees and allow them to be able to continue to provide essential services for the customers of the Company. Proceeds of the PPP Loan may also be used for other purposes permitted under applicable terms of the PPP.

The Company also received a \$150,000 loan (the "EID Loan") from the U.S. Small Business Administration (the "SBA") under the SBA's Economic Injury Disaster Loan program. The Company received the loan proceeds on or around May 27, 2020. The EID Loan has a thirty year term and bears interest at a rate of 3.75% per annum. Monthly principal and interest payments are deferred for twelve months after the date of disbursement. The EID Loan may be prepaid at any time prior to maturity with no prepayment penalties, and is otherwise repaid at the rate of \$731 per month. The proceeds from the EID Loan must be used for working capital. The Loan Authorization and Agreement and the Note executed by the Company in connection with the EID Loan contains events of default and other provisions customary for a loan of this type.

Recent Accounting Pronouncements Not Yet Adopted

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (ASU 2019-12), which simplifies the accounting for income taxes. This guidance will be effective for entities for the fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020 on a prospective basis, with early adoption permitted. We will adopt the new standard effective January 1, 2021 and do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

DATA443 RISK MITIGATION, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3: LIQUIDITY AND GOING CONCERN

The accompanying consolidated financial statements have been prepared (i) in accordance with accounting principles generally accepted in the United States, and (ii) assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. After a period of no income, the Company has recently generated increasing income. However, the Company is subject to the risks and uncertainties associated with a business with growing revenue, as well as limitations on its operating capital resources. These matters, among others, raise substantial doubt about the ability of the Company to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern. In light of these matters, the Company's ability to continue as a going concern is dependent upon the Company's ability to raise capital and generate revenue and profits in the future.

During 2018, the Company made two product acquisitions, ClassiDocs™, and ARALOC™, and completed the acquisition of one entity, Data443 Risk Mitigation, Inc. ("Data443"), the North Carolina operating company. The Company is actively seeking new products and entities to acquire, with several candidates identified in addition to the DataExpress™ product acquisition in September 2019. The Company has developed, and continues to develop, large scale relationships with cyber security, marketing and product organizations, and to market and promote ClassiDocs and other products the Company may develop or acquire. As of June 30, 2020, the Company had operating losses, negative net working capital, and an accumulated deficit.

We continue to monitor the effects COVID-19 could have on our operations and liquidity including our ability to collect account receivable timely from our customers due to the economic impacts COVID-19 could have on the general economy. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 4: INTELLECTUAL PROPERTY

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

	June 30, 2020	December 31, 2019
Intellectual property:		
Word press 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
	4,729,851	4,729,851
Accumulated amortization	(2,465,789)	(1,587,913)
Intellectual property, net of accumulated amortization	\$ 2,264,062	\$ 3,141,938

The Company recognized amortization expense of approximately \$877,876 and \$586,389, for the six months ended June 30, 2020, and 2019, respectively.

Based on the carrying value of definite-lived intangible assets as of June 30, 2020, we estimate our amortization expense for the next five years will be as follows:

Year Ended December 31,	Amortization Expense
2020 (excluding the six months ended June 30, 2020)	\$ 476,490
2021	792,422
2022	686,816
2023	308,334
Thereafter	-
	2,264,062

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NOTE 5: LEASES

Operating lease

We have a non-cancelable operating lease for our office facility that expire in 2024. The operating lease has renewal options and rent escalation clauses. On July 1, 2020, the Company renegotiated the office lease to obtain rent expense relief for the months of April 2020 – December 2020.

We recognized total lease expense of approximately \$52,217 and \$55,742 for the six months ended June 30, 2020 and 2019, respectively, primarily related to operating lease costs paid to lessors from operating cash flows. As of June 30, 2020 and December 31, 2019, the Company recorded a security deposit of \$10,000. We entered into our operating lease in January 2019.

Future minimum lease payments under operating leases that have initial non-cancelable lease terms in excess of one year at June 30, 2020 were as follows:

	Total
Year Ended December 31,	
2020 (excluding the six months ended June 30, 2020)	\$ 45,000
2021	123,600
2022	127,300
2023	131,150
Thereafter	-
	427,050
Less: Imputed interest	(58,149)
Operating lease liabilities	368,901
Operating lease liability - current	79,856
Operating lease liability - non-current	\$ 289,045

The following summarizes other supplemental information about the Company's operating lease as of June 30, 2020:

Weighted average discount rate	8%
Weighted average remaining lease term (years)	3.54

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 June 30, 2020 and December 31, 2019, capital lease obligations included in current liabilities were \$85,316 and \$34,425, respectively, and capital lease obligations included in long-term liabilities were \$129,742 and \$53,480, respectively. As of June 30, 2020 and December 31, 2019, the Company recorded a security deposit of \$10,944.

DATA443 RISK MITIGATION, INC.
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At June 30, 2020, future minimum lease payments under the capital lease obligations, are as follows:

	<u>Total</u>
2020 (excluding the six months ended June 30, 2020)	\$ 53,266
2021	106,532
2022	78,379
2023	10,496
Thereafter	-
	<u>248,673</u>
Less: Imputed interest	(33,615)
Finance lease liabilities	<u>215,058</u>
Finance lease liability	85,316
Finance lease liability - non-current	<u>\$ 129,742</u>

NOTE 6: CONVERTIBLE NOTES PAYABLE

Convertible notes payable consists of the following:

	June 30, 2020	December 31, 2019
Convertible Notes - originated in September 2018	\$ 993,656	\$ 1,700,000
Convertible Notes - originated in October 2018	294,150	444,150
Convertible Notes - originated in October 2018	608,850	608,850
Convertible Notes - originated in April 2019	444,450	600,000
Convertible Notes - originated in June 2019	-	63,000
Convertible Notes - originated in November 2019	-	38,000
Convertible Notes - originated in December 2019	-	38,000
Convertible Notes - originated in January 2020	200,000	-
Convertible Notes - originated in March 2020	136,250	-
Convertible Notes - originated in March 2020	78,750	-
Convertible Notes - originated in March 2020	28,877	-
Convertible Notes - originated in March 2020	125,000	-
Convertible Notes - originated in June 2020	84,500	-
Convertible Notes - originated in June 2020	43,000	-
Convertible Notes - originated in June 2020	43,000	-
	<u>3,080,483</u>	<u>3,492,000</u>
Less debt discount and debt issuance cost	(189,230)	(279,214)
	<u>2,891,253</u>	<u>3,212,786</u>
Less current portion of convertible notes payable	2,891,253	3,212,786
Long-term convertible notes payable	<u>\$ -</u>	<u>\$ -</u>

During the six months ended June 30, 2020 and 2019, the Company recognized interest expense of \$169,760 and \$361,714, and amortization of debt discount, included in interest expense of \$718,909 and \$549,521, respectively.

DATA443 RISK MITIGATION, INC.
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Replacement of note

During the six months ended June 30, 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.

Conversion

During the six months ended June 30, 2020, the Company converted notes with principal amounts and accrued interest of \$1,153,596 into 134,019,210 shares of common stock. The corresponding derivative liability at the date of conversion of \$3,175,563 was credited to additional paid in capital.

Convertible notes payable consists of the following:

Promissory Notes - Issued in fiscal year 2018

On December 31, 2019, the Company entered into an Amendment and Forbearance Agreement with note holders. Under this agreement, note holders agreed to forbear from enforcing its rights under the note with regard to certain possible events of default, and further agreed to amend the note as follows:

- Terms ranging from 4 months to 15 months.
- Annual interest rates: 12%.
- Convertible at the option of the holders at earlier of (i) January 12, 2020 or April 15, 2020 or (ii) any event of default under the note.
- The conversion price shall be equal to 60% of the lesser of the lowest trading price of the Company's common stock for (i) the 20 days immediately preceding December 31, 2019 or (ii) the 20 days immediately preceding the date of conversion.

As a result of an amendment and forbearance agreement, the Company recognized the settlement of original debt and recorded loss on settlement of debt of \$1,206,329 during the year ended December 31, 2019.

Promissory Notes - Issued in fiscal year 2019

During the year ended December 31, 2019, the Company issued a total of \$739,000 of notes with the following terms:

- Terms: 12 months.
- Annual interest rates of 10% - 12%.
- Convertible at the option of the holders at 4 months or 180 days after issuance date.
- Conversion prices are typically based on the discounted (39% to 50% discount) average closing prices or lowest trading prices of the Company's shares during various periods prior to conversion.
- Certain note allows the principal amount will increase by \$15,000 and the discount rate of conversion price will decrease by 10% if the conversion price is less than \$0.005.

The note includes original issue discounts and financing costs totaling to \$63,000 and the Company received cash of \$676,000. Convertible notes issued in fiscal year 2018 are currently in default.

Promissory Notes - Issued in fiscal year 2020

During the six months ended June 30, 2020, the Company issued a total of \$710,500 of notes with the following terms:

- Terms ranging from 9 months to 12 months.
- Annual interest rates of 10% - 12%.
- Convertible at the option of the holders at issuance 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 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 \$0.01.

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The Company determined that the conversion features, in the convertible notes, met the definition of a liability in accordance with ASC Topic No. 815 - 40, Derivatives and Hedging - Contracts in Entity's Own Stock and therefore bifurcated the embedded conversion options once the notes becomes convertible and accounted for it as a derivative liability. The fair value of the conversion feature was recorded as a debt discount and amortized to interest expense over the term of the note.

The Company valued the conversion feature using the Binomial pricing model. The fair value of the derivative liability for all the notes that became convertible, including the notes issued in prior years, during the six months ended June 30, 2020 amounted to \$8,682,832, and \$570,675 of the value assigned to the derivative liability was recognized as a debt discount to the notes while the balance of \$8,112,157 was recognized as a "day 1" derivative loss.

NOTE 7: DERIVATIVE LIABILITIES

The Company 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.

The Company determined our derivative liabilities to be a Level 3 fair value measurement and used the Binomial pricing model to calculate the fair value as of June 30, 2020. 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.

For the period ended June 30, 2020 and the year ended December 31, 2019, the estimated fair values of the liabilities measured on a recurring basis are as follows:

	Six Months Ended June 30, 2020	Year Ended December 31, 2019
Expected term	0.02 - 5.00 years	0.25 - 5.00 years
Expected average volatility	187%- 464%	160%- 305%
Expected dividend yield	-	-
Risk-free interest rate	0.01% - 1.57%	1.55% - 2.50%

The following table summarizes the changes in the derivative liabilities during the period ended June 30, 2020:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Derivative liability as of December 31, 2019	\$ 2,601,277
Addition of new derivatives recognized as debt discounts	570,675
Addition of new derivatives recognized as day-one loss	8,112,157
Addition of new derivatives recognized upon issuance of warrant	-
Derivative liabilities settled upon conversion of convertible note	(3,175,563)
Reclassification from APIC to derivative due to tainted instruments	-
Change in derivative liabilities recognized as loss on derivative	1,166,658
Derivative liability as of June 30, 2020	<u>\$ 9,275,204</u>

The aggregate gain (loss) on derivatives during the six months ended June 30, 2020 and 2019 was (\$9,278,815) and \$9,233,775, respectively.

DATA443 RISK MITIGATION, INC.
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NOTE 8: NOTES PAYABLE

Notes payable consists of the following:

	June 30, 2020	December 31, 2019	Maturity	Interest Rate
Promissory note - originated in October 2019	\$ 25,060	\$ 25,060	Due on demand	10.0%
Promissory note - originated in October 2019	25,060	25,060	Due on demand	10.0%
Promissory note - originated in November 2019	-	115,000	Due on August 19, 2020	10.0%
Promissory note - originated in April 2020	10,000	-	Due on demand	No interest
Promissory note - originated in April 2020	339,000	-	2 years	1.0%
Promissory note - originated in May 2020	150,000	-	30 years	1.0%
Promissory note - originated in June 2020	544,114	-	\$3,942.86 daily payment	16.0%
	<u>1,093,234</u>	<u>165,120</u>		
Less debt discount and debt issuance cost	<u>(178,717)</u>	<u>-</u>		
	914,517	165,120		
Less current portion of promissory notes payable	<u>(425,517)</u>	<u>(165,120)</u>		
Long-term promissory notes payable	<u>\$ 489,000</u>	<u>\$ -</u>		

During the six months ended June 30, 2020 and 2019, the Company recognized interest expense of \$18,878 and \$361,714, and amortization of debt discount, included in interest expense of \$98,040 and \$549,521, respectively.

NOTE 9: CAPITAL STOCK AND REVERSE STOCK SPLIT

Changes in Authorized Shares

On October 14, 2019, the Company filed an amendment to its Articles of Incorporation to effect a 1-for-750 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 March 5, 2020, the Company amended its Articles of Incorporation to increase the number of shares of authorized common stock to 250,000,000.

Preferred Stock

As of June 30, 2020, the Company is authorized to issue 337,500 shares of preferred stock with a par value of \$0.001, of which 337,500 shares have been designated as Series A. As of June 30, 2020 and December 31, 2019, 1,334 shares of Series A were issued and outstanding, and each share of Series A was (i) convertible into 1,000 shares of common stock, and (ii) entitled to vote 15,000 shares of common stock on all matters submitted to a vote by shareholders voting common stock. All issued and outstanding shares of Series A Preferred Stock are held by Mr. Jason Remillard, ("Mr. Remillard") sole director of the Company.

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Common Stock

The Company is authorized to issue 250,000,000 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 June 30, 2020 and December 31, 2019, respectively, was 160,108,545 and 9,692,065 shares, respectively.

During the six months ended June 30, 2020, the Company issued common stock as follows,

- 134,019,210 shares issued for conversion of debt
- 2,465,754 shares issued for the settlement of stock payable of acquisition DataExpress™
- 1,496,516 shares issued for the settlement of stock subscription
- 11,935,000 shares issued pursuant to S-8, of which 6,000,000 shares were issued to our CEO.
- 500,000 shares issued for compensation to our former CFO

Warrants

The Company identified conversion features embedded within warrants issued during the period ended June 30, 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 six months ended June 30, 2020, 250,000 warrants were granted, for a period of five years from issuance, at price of \$0.50 per share. As a result of the reset features, the warrants increased by 273,066,138 for the period ended June 30, 2020, and the total warrants exercisable into 275,189,822 shares of common stock at a weighted average exercise price of \$0.0038 per share as of June 30, 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.

A summary of activity during the period ended June 30, 2020 follows:

	Warrants Outstanding	
	Shares	Weighted Average Exercise Price
Outstanding, December 31, 2019	1,873,684	\$ 0.4914
Granted	250,000	0.5000
Reset feature	273,066,138	0.0038
Exercised	-	-
Forfeited/canceled	-	-
Outstanding, June 30, 2020	<u>275,189,822</u>	<u>\$ 0.0038</u>

The following table summarizes information relating to outstanding and exercisable warrants as of June 30, 2020:

Warrants Outstanding			Warrants Exercisable		
Number of Shares	Weighted Average Remaining Contractual life (in years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	
39,792,020	3.45	\$ 0.0038	39,792,020	\$ 0.0038	
166,684,352	3.61	\$ 0.0038	166,684,352	\$ 0.0038	
35,818,713	4.03	\$ 0.0038	35,818,713	\$ 0.0038	
32,894,737	4.72	\$ 0.0038	32,894,737	\$ 0.0038	
<u>275,189,822</u>	<u>3.77</u>	<u>\$ 0.0038</u>	<u>242,295,085</u>	<u>\$ 0.0038</u>	

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NOTE 10: STOCK-BASED COMPENSATION

Stock Options

During the six months ended June 30, 2020, 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 anniversary date of the grant and have a maximum term of ten years.

The following summarizes the stock option activity for the six months ended June 30, 2020:

	Options Outstanding	Weighted-Average Exercise Price
Balance as of December 31, 2019	377,227	\$ 1.86
Grants	701,434	0.12
Exercised	(6)	3,750.00
Cancelled	(81,962)	1.53
Balance as of June 30, 2020	996,693	\$ 0.64

The weighted average grant date fair value of stock options granted during the six months ended June 30, 2020 was \$0.0976. The total fair value of stock options that granted during the six ended June 30, 2020 was approximately \$68,429. 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 six months ended June 30, 2020:

Expected term (years)	5.2
Expected stock price volatility	510.07%
Weighted-average risk-free interest rate	0.41%
Expected dividend	\$ 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 June 30, 2020:

	Number of Options	Weighted-Average Remaining Contractual Life (In Years)	Weighted- Average Exercise Price
Outstanding	996,693	9.10	\$ 0.64
Exercisable	792,602	8.99	0.71
Expected to vest	204,091	9.55	\$ 0.38

As of June 30, 2020 and December 31, 2019, there was \$28,972 and \$18,229, 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 six months ended June 30, 2020, 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 six months ended June 30, 2020:

	Shares	Weighted-Average Fair Value
Balance as of December 31, 2019	524,337	0.97
Shares of restricted stock granted	12,230,000	0.0002
Exercised	-	-
Cancelled	(72,145)	0.60
Balance as of June 30, 2020	12,682,192	0.04

	June 30, 2020	December 31, 2019
Number of Restricted Stock Awards		
Vested	12,435,525	57,243
Non-vested	246,667	467,094

As of June 30, 2020 and December 31, 2019, there was \$24,831 and \$147,743, respectively, of total unrecognized compensation cost related to non-vested stock-based compensation, which is expected to be recognized over the next year.

NOTE 11: RELATED PARTY TRANSACTIONS

Jason Remillard is our Chief Executive Officer and 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.

In January 2018 the Company acquired substantially all of the assets of Myriad Software Productions, LLC, which is owned 100% by Mr. Remillard. Those assets were comprised of the software program known as ClassiDocs, and all intellectual property and goodwill associated therewith. This acquisition changed the Company's status to no longer being a "shell" under applicable securities rules. In consideration for the acquisition, the Company agreed to a purchase price of \$1,500,000 comprised of: (i) \$50,000 paid at closing; (ii) \$250,000 in the form of our promissory note; and (iii) \$1,200,000 in shares of our common stock, valued as of the closing, which equated to 1,600,000 shares of our common stock. The shares have not yet been issued and are not included as part of the issued and outstanding shares of the Company. However, these shares have been recorded as additional paid in capital within our consolidated financial statements for the period ending June 30, 2020.

On September 16, 2019, the Company entered into an Asset Purchase Agreement with DMBGroup, LLC, as discussed in Note 2. Amounts owed to DMBGroup, LLC including the note payable of \$940,000 and member loans of \$97,689 were recorded as amounts due to a related party. During the six months ended June 30, 2020, the Company repaid note payable of \$166,646 including interest expense of \$15,442. As of June 30, 2020 and December 31, 2019, the company had recorded a liability to DMBGroup totaling \$677,357 and \$828,561, respectively.

During the six months ended June 30, 2020, our CEO paid operating expenses of \$132,655 on behalf of the Company and the Company repaid \$135,900 to our CEO.

During the six months ended June 30, 2020, our CEO repaid \$135,000 to purchase convertible note of \$81,000 and a prepayment penalty of \$54,000. As a result, the Company recorded \$54,000 as loss on settlement of debt.

As of June 30, 2020 and December 31, 2019, the Company had due to related party of \$1,083,866 and \$1,103,314

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NOTE 12: NET INCOME PER COMMON SHARE

Basic net income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the periods. Diluted net income per common share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the periods. Common equivalent shares consist of stock options, unvested restricted shares, and outstanding warrants that are computed using the treasury stock method. Antidilutive stock awards consist of stock options that would have been antidilutive in the application of the treasury stock method.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Numerator:				
Net Income (Loss)	\$ (2,573,180)	\$ 1,193,628	\$ (12,754,195)	\$ 7,223,731
Denominator:				
Weighted average common shares outstanding	65,203,957	9,168,114	39,873,339	8,343,879
Effect of dilutive shares	-	659,062	-	629,039
Diluted	<u>65,203,957</u>	<u>9,827,176</u>	<u>39,873,339</u>	<u>8,972,919</u>
Net income per common share:				
Basic	\$ (0.04)	\$ 0.13	\$ (0.32)	\$ 0.87
Diluted	<u>\$ (0.04)</u>	<u>\$ 0.12</u>	<u>\$ (0.32)</u>	<u>\$ 0.81</u>

For the three and six months ended June 30, 2020, the convertible instruments are anti-dilutive and therefore, have been excluded from earnings (loss) per share.

NOTE 13: SUBSEQUENT EVENTS

Subsequent to June 30, 2020, the following transactions occurred:

On July 01, the Company converted \$29,032.38 of a promissory note into 7,640,100 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

Effective July 01, the Company entered into an agreement with Blue Citi under which Blue Citi agreed to forbear from enforcing its rights under the Consolidated Note with regard certain possible events of default under the Consolidated Note, and the Company and Blue Citi further agreed to amend the Consolidated Note as follows: (i) maturity date will be March 31, 2021; (ii) Blue Citi's right to match a lower conversion rate will now only apply to convertible notes issued after July 01, 2020; and, (iii) no further interest shall accrue on the Consolidated Note so long as there is no event of default.

Effective July 01, the Company entered into an agreement with Smea2z LLC ("Smea2z") under which Smea2z agreed to forbear from enforcing its rights with regard certain possible events of default under that certain 8% Convertible Redeemable Note in the original principal amount of Two Hundred Twenty Thousand Dollars (\$220,000) on 23 October 2018, with a maturity date of 23 July 2019 (the "SME Note"). The Company and Smea2z further agreed to amend the SME Note as follows: (i) maturity date will be September 30, 2020; (ii) Smea2z has no right to match a lower conversion rate; (iii) no conversions until October 01, 2020; and, (iv) no further interest shall accrue on the SME Note so long as there is no event of default.

DATA443 RISK MITIGATION, INC.
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June 30, 2020

Effective July 01, the Company entered into an agreement with Blue Citi under which Blue Citi agreed to forbear from enforcing its rights with regard certain possible events of default under that certain 8% Convertible Redeemable Note in the original principal amount of One Hundred Ten Thousand Dollars (\$110,000) on 16 October 2018, with a maturity date of 16 July 2019 (the “AFT Note”). The Company and Blue Citi further agreed to amend the AFT Note as follows: (i) maturity date will be September 30, 2020; (ii) Blue Citi has no right to match a lower conversion rate; (iii) no conversions until October 01, 2020; and, (iv) no further interest shall accrue on the AFT Note so long as there is no event of default.

Effective July 01, the Company entered into an agreement with Blue Citi under which Blue Citi agreed to forbear from enforcing its rights under the Credit Line Note with regard certain possible events of default under the Credit Line Note, and the Company and Blue Citi further agreed to amend the Credit Line Note as follows: (i) maturity date will be June 30, 2021; (ii) Blue Citi no longer has a right to match a lower conversion rate; (iii) the conversion rate will be set at 40%; (iv) conversions can start at the earlier of (a) the maturity date or, (b) both the AFT Note and Smea2z Note are paid in full; and, (v) as additional consideration, the Company issued the Penalty Note to Blue, as discussed below.

Effective July 01, the Company issued to Blue Citi a Convertible Promissory Note (the “Penalty Note”) in the aggregate principal amount of \$25,000 as additional consideration for amendment and forbearance of the Credit Line Note. The Penalty Note (i) accrues interest at a rate of 10% per annum; (ii) can be converted starting on April 01, 2021, at a discount of 40% to the lowest trading price during the twenty consecutive trading days immediately preceding the date of conversion; (iii) Blue Citi has no right to match a lower conversion rate; and, (iv) is due and payable July 01, 2021. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The Penalty Note was issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

On July 01, the Company issued a Convertible Promissory Note (the “July Blue Citi Note”) in the aggregate principal amount of \$150,000, and received gross proceeds of \$140,000 from the lender, Blue Citi. The proceeds will be used for general corporate purposes. The July Blue Citi Note (i) accrues interest at a rate of 10% per annum, (ii) can be converted starting on April 01, 2020, at a discount of 40% to the lowest trading price during the twenty consecutive trading days immediately preceding the date of conversion; (iii) Blue Citi has no right to match a lower conversion rate; and, (iv) is due and payable July 01, 2021. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The July 23 Geneva Note was issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

On July 06, the Company converted \$28,500 of a promissory note into 7,500,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 10, the Company converted \$33,230.62 of a promissory note into 8,744,900 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 10, the Company converted \$20,000 of a promissory note into 4,210,526 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 16, the Company converted \$33,060 of a promissory note into 8,700,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 17, the Company converted \$37,336.90 of a promissory note into 9,825,500 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 20, the Company converted \$34,200 of a promissory note into 9,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

DATA443 RISK MITIGATION, INC.
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On July 21, the Company converted \$3,800 of a promissory note into 1,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 22, the Company converted \$40,906.62 of a promissory note into 10,764,900 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 23, the Company converted \$39,900 of a promissory note into 10,500,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 23, 2020, the Company issued a Convertible Promissory Note (the "July 23 Geneva Note") in the aggregate principal amount of \$43,000, and received gross proceeds of \$40,000 from the lender, Geneva Roth Remark Holdings, Inc. The proceeds will be used for general corporate purposes. The July 23 Geneva Note (i) accrues interest at a rate of 22% per annum, (ii) can be converted 180 days from July 23, 2020 at a discount of 39% to the lowest trading price during the twenty consecutive trading days immediately preceding the date of conversion, and, (iii) is due and payable July 23, 2021. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The July 23 Geneva Note was issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

On July 27, the Company converted \$14,469.19 of a promissory note into 3,014,415 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 27, the Company converted \$43,700 of a promissory note into 11,500,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

Effective July 28, the company entered into an Advisory Board Agreement (the "Advisory Agreement") with Omkharan Arasaratnam (the "Advisor"). Pursuant to the Advisory Agreement, the Advisor joined the Advisory Board of the Company for a term of 12-months, although either party may terminate the Advisory Agreement early upon proper notice. The Company agreed to issue to the Advisor five million (5,000,000) shares of its common stock to the Advisor, which shares shall vest at the rate of 25% every 3-months under the Advisory Agreement. The issuance was exempt under Section 4(a)(2) of the Securities Act. A copy of the Advisory Agreement is attached hereto as Exhibit 10.19.

On July 29, the Company converted \$45,600 of a promissory note into 12,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 29, the Company converted \$47,880.38 of a promissory note into 12,600,100 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 31, the Company converted \$46,130 of a promissory note into 12,139,479 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On August 03, the Company issued a Convertible Promissory Note (the "August Blue Citi Note") in the aggregate principal amount of \$200,000, and received gross proceeds of \$185,000 from the lender, Blue Citi. The proceeds will be used for general corporate purposes. The August Blue Citi Note (i) accrues interest at a rate of 10% per annum; (ii) can be converted starting on February 03, 2021, at a discount of 40% to the lowest trading price during the twenty consecutive trading days immediately preceding the (a) date of conversion or (b) issue date of the August Blue Citi Note; (iii) Blue Citi has no right to match a lower conversion rate; (iv) has prepayment premiums, and can be prepaid only during the first 6-months of the August Blue Citi Note; and, (v) is due and payable August 03, 2021. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The August Blue Citi Note was issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

Effective August 03, the Company entered into an agreement with Blue Citi under which Blue Citi agreed to the following amendments to the respective convertible promissory notes:

AFT Note: maturity date extended to June 30, 2021.

Credit Line Note: (i) add the same prepayment premiums as under the August Blue Citi Note; and, (ii) six (6) months to prepay the Credit Line Note commencing on August 03, 2020.

July Blue Citi Note: (i) six (6) months to prepay the July Blue Citi Note; and, (ii) no prepayment premiums.

The conversion of all convertible promissory notes held by Blue Citi shall be covered by a single account of reserved shares with the transfer agent for the Company.

Effective August 03, the Company entered into an agreement with Smea2z LLC to amend the Smea2z Note by extending the maturity date to June 30, 2021.

On August 04, the Company converted \$53,200 of a promissory note into 14,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

ITEM 2. 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 six months ended June 30, 2020 and 2019 should be read in conjunction with our consolidated financial statements, and the notes to those financial statements that are included elsewhere in this Quarterly Report.

All references to "Data443", "we", "our", "us" and the "Company" in this Item 2 refer to Data443 Risk Mitigation, Inc., a Nevada corporation.

The discussion in this section contains forward-looking statements. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology such as "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "should," "would" or "will" or the negative of these terms or other comparable terminology, but their absence does not mean that a statement is not forward-looking. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, which could cause our actual results to differ from those projected in any forward-looking statements we make. Several risks and uncertainties we face are discussed in more detail under "Risk Factors" in Part I, Item 1A of the Form 10 filed by the Company with the SEC on 11 January 2019, and in the Part I, Item 1A of the Form 10-K filed by the Company with the SEC on 17 April 2020, and in the discussion and analysis below. You should, however, understand that it is not possible to predict or identify all risks and uncertainties and you should not consider the risks and uncertainties identified by us to be a complete set of all potential risks or uncertainties that could materially affect us. You should not place undue reliance on the forward-looking statements we make herein because some or all of them may turn out to be wrong. We undertake no obligation to update any of the forward-looking statements contained herein to reflect future events and developments, except as required by law. The following discussion should be read in conjunction with the consolidated financial statements and the notes to those statements included elsewhere in this Quarterly Report on Form 10-Q.

Overview

Data443 Risk Mitigation, Inc. was original incorporated under the name LandStar, Inc. as a Nevada corporation on May 4, 1998, for the purpose of purchasing, developing and reselling real property, with its principal focus on the development of raw land. From incorporation through December 31, 1998, LandStar had no business operations and was a development-stage company. LandStar did not purchase or develop any properties and decided to change its business plan and operations. On March 31, 1999, the Company acquired approximately 98.5% of the common stock of Rebound Rubber Corp. pursuant to a share exchange agreement with Rebound Rubber Corp. ("Rebound Rubber") and substantially all of Rebound Rubber's shareholders. The acquisition was effected by issuing 14,500,100 shares of common stock, which constituted 14.5% of the 100,000,000 authorized shares of LandStar, and 50.6% of the 28,622,100 issued and outstanding shares on completion of the acquisition (all numbers are pre-reverse split). The acquisition was treated for accounting purposes as a continuation of Rebound Rubber under the LandStar capital structure. If viewed from a non-consolidated perspective, on March 31, 1999 LandStar issued 14,500,100 shares for the acquisition of the outstanding shares of Rebound Rubber.

The share exchange with Rebound Rubber (and other transactions occurring in March 1999) resulted in a change of control of LandStar and the appointment of new officers and directors of the Company. These transactions also redefined the focus of the Company on the development and exploitation of the technology to de-vulcanize and reactivate recycled rubber for resale as a raw material in the production of new rubber products. The Company's business strategy was to sell the de-vulcanized material (and compounds using the materials) to manufacturers of rubber products.

Prior to 2001 the Company had no revenues. In 2001 and 2002 revenues were derived from management services rendered to a rubber recycling company.

In August 2001 the Company amended its Articles of Incorporation to authorize 500,000,000 shares of common stock, \$0.001 par value; and, 150,000,000 shares of preferred stock, \$0.01 par value. Preferred stock. Preferred shares could be designated into specific classes and issued by action of the Company's Board of Directors. In May 2008 the Company's Board established a class of Convertible Preferred Series A (the "Series A"), authorizing 10,000,000 shares. The Series A provided for, among other things, (i) each share of Series A was convertible into 1,000 shares of the Company's common stock; and, (ii) a holder of Series A was entitled to vote 1,000 shares of common stock for each share of Series A on all matters submitted to a vote by shareholders.

In September 2008 the Company amended its Articles to increase the number of authorized shares to 985,000,000, \$0.001 par value. In January 2009 the Company amended its Articles to increase the number of authorized shares to 4,000,000,000, \$0.001 par value. In January 2010 the Company once again amended its Articles to increase the number of authorized shares to 8,888,000,000, \$0.001 par value.

The Company's last filing of financial information with the SEC was the Form 10-QSB it filed on December 19, 2002 for the quarter ended 30 September 2002. No other filings were effected with the SEC until the Company filed a Form 15 May 19, 2008, which terminated the Company's filing obligations with SEC.

The Company was effectively dormant for a number of years. In or around February 2014 there was a change in control when Kevin Hayes acquired 1,000,000 shares of the Series A (pre-reverse split), and was appointed as the sole director and officer. In or around April 2017 there was another change in control when Kevin Hayes sold the 1,000,000 shares of Series A to Hybrid Titan Management, which then proceeded to assign the Series A to William Alessi. Mr. Alessi was then appointed as the sole director and officer of the Company. Mr. Alessi initiated legal action in his home state of North Carolina to confirm, among other things, his ownership of the Series A; his "control" over the Company; and, the status of creditors of the Company. In or around June 2017 the court entered judgment in favor of Mr. Alessi.

In or around July 2017, while under the majority ownership and management of Mr. Alessi, the Company sought to effect a merger transaction (the "Merger") under which the Company would be merged into Data443 Risk Mitigation, Inc. ("Data443"). Data443 was formed as a North Carolina corporation in July 2017 under the original name LandStar, Inc. The name of the North Carolina corporation was changed to Data443 in December 2017. In November 2017 the controlling interest in the Company was acquired by our current chief executive officer and sole board member, Jason Remillard, when he acquired all of the Series A shares from Mr. Alessi. In that same transaction Mr. Remillard also acquired all of the shares of Data443 from Mr. Alessi. Mr. Remillard was then appointed as the sole director and sole officer of the Company, and of Data443. Initially, Mr. Remillard sought to recognize the Merger initiated by Mr. Alessi and respect the results of the Merger. The Company relied upon documents previously prepared and proceeded as if the Merger had been effected.

In January 2018 the Company acquired substantially all of the assets of Myriad Software Productions, LLC, which is owned 100% by Mr. Remillard. Those assets were comprised of the software program known as ClassiDocs, and all intellectual property and goodwill associated therewith. This acquisition changed the Company's status to no longer being a "shell" under applicable securities rules. In consideration for the acquisition, the Company agreed to a purchase price of \$1,500,000 comprised of (i) \$50,000 paid at closing; (ii) \$250,000 in the form of our promissory note; and, (iii) \$1,200,000 in shares of our common stock, valued as of the closing, which equated to 1,200,000,000 shares of our common stock (pre-reverse split). The shares have not yet been issued and are not included as part of the issued and outstanding shares of the Company. However, these shares have been recorded as additional paid in capital within our consolidated financial statements for the period ending 30 June 2018.

In April 2018 the Company amended the designation for its Series A Preferred Stock by providing that a holder of Series A was entitled to (i) vote 15,000 shares of common stock for each share of Series A on all matters submitted to a vote by shareholders; and, (ii) convert each share of Series A into 1,000 shares of our common stock.

In May 2018 the Company amended and restated its Articles of Incorporation. The total authorized number of shares is: 8,888,000,000 shares of common stock, \$0.001 par value; and, 50,000,000 shares of preferred stock, \$0.001 par value, designated in the discretion of the Board of Directors. The Series A remains in full force and effect.

In June 2018, after careful analysis and in reliance upon professional advisors retained by the Company, it was determined that the Merger had, in fact, not been completed, and that the Merger was not in the best interests of the Company and its shareholders. As such, the Merger was legally terminated. In place of the Merger, in June 2018 the Company acquired all of the issued and outstanding shares of stock of Data443 (the “Share Exchange”). As a result of the Share Exchange, Data443 became a wholly-owned subsidiary of the Company, with both the Company and Data443 continuing to exist as corporate entities. The finances and business conducted by the respective entities prior to the Share Exchange will be treated as related party transactions in anticipation of the Share Exchange. As consideration in the Share Exchange, we agreed to issue to Mr. Remillard: (a) One hundred million (100,000,000) shares of our common stock; and (b) On the eighteen (18) month anniversary of the closing of the Share Exchange (the “Earn Out Date”), an additional 100,000,000 shares of our common stock (the “Earn Out Shares”) provided that Data 443 has at least an additional \$1MM in revenue by the Earn Out Date (not including revenue directly from acquisitions). The aforementioned shares are all pre-reverse split. None of our shares of our common stock to be issued to Mr. Remillard under the Share Exchange have been issued. As such, none of said shares are included as part of the issued and outstanding shares of the Company. However, the shares committed to Mr. Remillard have been recorded as common shares issuable and included in additional paid-in capital and the earn out shares have been reflected as a contingent liability for common stock issuable within the consolidated financial statements as of December 31, 2019.

On or about 29 June 2018 we secured the rights to the WordPress GDPR Framework through our wholly owned subsidiary Data443 for a total consideration of €40,001, or \$46,521, payable in four payments of €10,000, with the first payment due at closing, and the remaining payments issuable at the end of July, August and September, 2018. All of the payments were made and upon issuance of the final payment, we have the right to enter into an asset transfer agreement for the nominal cost of one euro (€1).

On or about October 22, 2018 we entered into an asset purchase agreement with Modevity, LLC (“Modevity”) to acquire certain assets collectively known as ARALOC™, a software-as-a service (“SaaS”) platform that provides cloud-based data storage, protection, and workflow automation. The acquired assets consist of intellectual and related intangible property including applications and associated software code, and trademarks. While the Company did not acquire any of the customers or customer contracts of Modevity, the Company did acquire access to books and records related to the customers and revenues Modevity created on the ARALOC™ platform as part of the asset purchase agreement. These assets were substantially less than the total assets of Modevity, and revenues from the platform comprised a portion of the overall sales of Modevity. We are required to create the technical capabilities to support the ongoing operation of this SaaS platform. A substantial effort on the part of the Company is needed to continue generating ARALOC™ revenues through development of a sales force, as well as billing and collection processes. We paid Modevity (i) \$200,000 in cash; (ii) \$750,000, in the form of our 10-month promissory note; and, (iii) 164,533,821 shares of our common stock. In July 2020 the Company completed all payments due to Modevity under the asset purchase agreement.

On June 21, 2019, the Company filed an amendment to its articles of incorporation to increase the total number authorized shares of the Company’s common stock, par value \$0.001 per share, from 8,888,000,000 shares to 15,000,000,000 shares.

On September 16, 2019, the Company entered into an Asset Purchase Agreement with DMBGroup, LLC to acquire certain assets collectively known as DataExpress®, a software platform for secure sensitive data transfer within the hybrid cloud. The total purchase price of approximately \$2.8 million consists of: (i) a \$410,000 cash payment at closing; (ii) a promissory note in the amount of \$940,000, payable in the amount of \$41,661 over 24 monthly payments starting on October 15, 2019, accruing at a rate of 6% per annum; (iii) assumption of approximately \$98,000 in liabilities and, (iv) approximately 2,465,753 shares of our common stock. As of September 30, 2019, these shares have not been issued and are recorded as “Stock issuable for asset purchase” included in additional paid in capital.

On October 14, 2019, the Company filed an amendment to its Articles of Incorporation to change its name to Data443 Risk Mitigation, Inc., and to effect a 1-for-750 reverse stock split of its issued and outstanding shares of common and preferred shares, each with \$0.001 par value, and to reduce the numbers of authorized common and preferred shares to 60,000,000 and 337,500, respectively. On October 28, 2019, the name change and the split and changes in authorized common and preferred shares was effected, resulting in approximately 7,282,678,714 issued and outstanding shares of the Company’s common stock to be reduced to approximately 9,710,239, and 1,000,000 issued and outstanding shares of the Company’s preferred shares to be reduced to 1,334 as of October 28, 2019. All per share amounts and number of shares, including the authorized shares, in the consolidated financial statements and related notes have been retroactively adjusted to reflect the reverse stock split and decrease in authorized common and preferred shares.

On March 05, 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 further amended its Articles of Incorporation to increase the number of shares of authorized common stock to 750,000,000.

COVID-19 Update

The Company continues to closely monitor developments and is taking steps to mitigate the potential risks related to the COVID-19 pandemic to the Company, its employees and its customers. The extent to which the COVID-19 pandemic will impact our business and operations will depend on future developments that are highly uncertain. While in the near-term we may experience reductions in our billing and revenue growth rates, we are proactively managing expenditures, including reductions of non-critical and discretionary expenses, while preserving strategic investment in sales capacity and still seeking new acquisition targets and opportunities. To protect our employees while continuing to provide the services needed by our clients the Company continues to limit customer contact, and continues to minimize employee contact with other employees by having our employees work remotely while they shelter in place as required by local regulations. The dedication of our employees and their work ethic have allowed us to continue providing critical services to our customers during these challenging times.

Through June 30, 2020, there has not been a noticeable increase in accounts receivable for the Company. However, it is likely that if the COVID-19 pandemic persists and state stay-at-home orders remain in place, it is likely that more customers will be unable to keep their bills current. Further, while we have not yet experienced any interruption to our normal materials and supplies process, it is impossible to predict whether COVID-19 will cause future interruptions and delays.

Through June 30, 2020 we have not had any of our employees contract the COVID-19 virus. Should we have a significant number of our employees contract the COVID-19 virus it could have a negative impact on our ability to serve customers in a timely fashion.

For additional information on the potential effects of the COVID-19 pandemic on our business, financial condition and results of operations, see the “Risk Factors” section below in Part II, Item 1A of this Form 10-Q.

CARES Act

The Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) was enacted on March 27, 2020. There are several different provisions with the CARES Act that impact income taxes for corporations. While we continue to evaluate the tax implications, we believe these provisions will not have a material impact to the financial statements.

Additionally, the Company has applied for, and has received, funds under the Paycheck Protection Program (the “PPP Loan”) after the period covered in these financial statements in the amount of \$339,000. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on our having initially qualified for the loan and qualifying for the forgiveness of such loan based on our future adherence to the forgiveness criteria.

The PPP Loan has a two-year term and bears interest at a rate of 1.0% per annum. Monthly principal and interest payments are deferred for six months after the date of disbursement. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties. The promissory note issued in connection with the PPP Loan contains events of default and other provisions customary for a loan of this type.

The PPP Loan is being used to retain our employees, as well as for other permitted uses under the terms and conditions of the PPP Loan.

The Company also received a \$150,000 loan (the “EID Loan”) from the U.S. Small Business Administration (the “SBA”) under the SBA’s Economic Injury Disaster Loan program. The Company received the loan proceeds on or around May 27, 2020. The EID Loan has a thirty year term and bears interest at a rate of 3.75% per annum. Monthly principal and interest payments are deferred for twelve months after the date of disbursement. The EID Loan may be prepaid at any time prior to maturity with no prepayment penalties, and is otherwise repaid at the rate of \$731 per month. The proceeds from the EID Loan must be used for working capital. The Loan Authorization and Agreement and the Note executed by the Company in connection with the EID Loan contains events of default and other provisions customary for a loan of this type.

Recent Accounting Pronouncements

From time-to-time, new accounting pronouncements are issued by the Financial Accounting Standards Board (“FASB”), or other standard setting bodies, relating to the treatment and recording of certain accounting transactions. Unless otherwise discussed herein, management of the Company has determined that these recent accounting pronouncements will not have a material impact on the financial position or results of operations of the Company.

Critical Accounting Policies

Critical Accounting Policies and Significant Judgments and Estimates

Our management’s discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements which we have been prepared in accordance with U.S. generally accepted accounting principles. In preparing our consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

Critical accounting estimates are estimates for which (a) the nature of the estimate is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change and (b) the impact of the estimate on financial condition or operating performance is material.

These significant accounting estimates or assumptions bear the risk of change due to the fact that there are uncertainties attached to these estimates or assumptions, and certain estimates or assumptions are difficult to measure or value.

Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable in relation to the consolidated financial statements taken as a whole under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Management regularly evaluates the key factors and assumptions used to develop the estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such evaluations, if deemed appropriate, those estimates are adjusted accordingly.

Actual results could differ from those estimates.

While our significant accounting policies are described in more detail in Note 2 of our consolidated Quarterly financial statements included in this Quarterly Report, we believe the following accounting policies to be critical to the judgments and estimates used in the preparation of our consolidated financial statements:

Assumption as a Going Concern

Management assumes that the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business. However, given our current financial position and lack of liquidity, there is substantial doubt about our ability to continue as a going concern.

Convertible Financial Instruments

The Company bifurcates 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 the Company has 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 issued by the Company 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. The Company 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).

Fair Value of Financial Instruments

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.

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Transactions involving related parties cannot be presumed to be carried out on an arm’s-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm’s-length transactions unless such representations can be substantiated.

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.

Deferred Tax Assets and Income Taxes Provision

The Company adopted the provisions of paragraph 740-10-25-13 of the FASB Accounting Standards Codification. Paragraph 740-10-25-13 which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under paragraph 740-10-25-13, 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 consolidated 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. Paragraph 740-10-25-13 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 according to the provisions of paragraph 740-10-25-13.

The estimated future tax effects of temporary differences between the tax basis of assets and liabilities are reported in the accompanying balance sheets, as well as tax credit carry-backs and carry-forwards. The Company periodically reviews the recoverability of deferred tax assets recorded on its balance sheets and provides valuation allowances as management deems necessary.

Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In addition, the Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. In management's opinion, adequate provisions for income taxes have been made for all years. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.

Management assumes that the realization of the Company's net deferred tax assets resulting from its net operating loss ("NOL") carry-forwards for Federal income tax purposes that may be offset against future taxable income was not considered more likely than not and accordingly, the potential tax benefits of the net loss carry-forwards are offset by a full valuation allowance. Management made this assumption based on (a) the Company has incurred recurring losses and presently has no revenue-producing business; (b) general economic conditions; and, (c) its ability to raise additional funds to support its daily operations by way of a public or private offering, among other factors.

Outlook

Our continued objective is to further integrate our growing suite of proven industry leading data security and privacy offerings and deliver the combined offering to our growing stable of enterprise and medium-sized clients directly and via our partner channel. Data privacy concerns continue to grow lockstep with security breaches and ongoing expansion of data storage, consumption and spread of telework, telehealth and remote learning requirements.

We have utilized, and expect to continue to utilize, acquisitions to contribute to our long-term growth objectives. During fiscal 2020 we hope to continue to acquire complimentary business assets and client bases. Some of the key element to our growth strategy include, without limitation:

- Improve and extend our technological capabilities, domestically and internationally.
- Further integrate our product offerings to provide an unmatched data privacy platform.
- Focus on underserved markets, such as sports teams (at all levels) and medium-sized businesses.
- Deliver capabilities via unconventional channels, including open-source and "freemium" and trial subscription models.
- Leverage our existing relationships for professional references, association and internal private industry level promotional events and other high-value and successful product positional activities.
- Be prepared to capture and execute on opportunities in the acquisition marketplace.
- Continued focus on net bookings with minimum long-term contract value.
- Improve SaaS Services with high increasing 'attach' rate for additional capabilities.
- Increase year-over-year conversions from perpetual one-time contract sales to multiyear recurring subscription revenue agreements.

We report primarily income based on recognized and deferred revenue, another measurement internally for the business is booked revenues. Management utilizes 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 entered into 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.

In December 2019, COVID-19 was reported in China, in January 2020 the World Health Organization (“WHO”) declared it a Public Health Emergency of International Concern, and in March 2020 the WHO declared it a pandemic. The long-term impact of COVID-19 on our operational and financial performance will depend on certain developments **including** the duration, spread, severity, and potential recurrence of the virus. Our future performance will also depend on the impact of COVID-19 on our customers, partners, employee productivity, and sales cycles, including as a result of travel restrictions. These potential developments are uncertain and cannot be predicted and as such, the extent to which COVID-19 will impact our business, operations, financial condition and results of operations over the long term is unknown. Furthermore, due to our shift to a predominantly subscription model, the effect of COVID-19 may not be fully reflected in our results of operations until future periods.

While we are actively managing our response to the COVID-19 pandemic, its impact on our full-year 2020 results and beyond is uncertain. We continue to conduct business as usual with modifications to employee travel, employee work locations, customer interactions, and cancellation of certain marketing events, among other things. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state, or local authorities, or that we determine are in the best interests of our employees, customers, partners, suppliers, and stockholders. The extent to which the COVID-19 pandemic may impact our longer-term operational and financial performance remains uncertain. Furthermore, due to our subscription-based business model, the effect of the COVID-19 pandemic may not be fully reflected in our results of operations until future periods, if at all. The extent of the impact of the COVID-19 pandemic will depend on several factors, including the pace of reopening the economy around the world; the possible resurgence in the spread of the virus; the development cycle of therapeutics and vaccines; the impact on our customers and our sales cycles; the impact on our customer, employee, and industry events; and the effect on our vendors. Please see Item IA, “Risk Factors,” in this Quarterly Report on Form 10-Q for a further description of the material risks we currently face, including the risks related to the COVID-19 pandemic.

RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 COMPARED TO THE THREE AND SIX MONTHS ENDED JUNE 30, 2019

Revenue

We recognized \$466,000 and \$944,000 of revenue during the three and six months ended June 30, 2020, respectively, compared to \$359,000 and \$501,000 of revenue during the three and six months ended June 30, 2019. We had net billings for the three and six months ended June 30, 2019 of \$869,000 and \$1,535,000, respectively, compared to \$483,000 and \$957,000 in the prior year periods. Deferred revenues were \$1,212,000 as of June 30, 2020, an increase of \$303,000 from \$954,000 as of December 31, 2019.

General and Administrative Expenses

General and administrative expenses for the three and six months ended June 30, 2020 amounted to \$1,666,000 and \$3,091,000, respectively, as compared to \$1,197,000 and \$1,872,000 for the three and six months ended June 30, 2019, respectively, which are increases of \$469,000, or 39%, and \$1,219,000, or 65%, respectively. The expenses for the six months ended June 30, 2020 primarily consisted of management costs, costs to integrate assets we acquired and to expand sales, audit and review fees, filing fees, professional fees, and other expenses, including the re-classification of sales-related management expenses, in connection with the projected growth of the Company’s business. Expenses for the six months ended June 30, 2019 consisted of primarily the same items

Sales and Marketing Expenses

Sales and marketing expense for the three and six months ended June 30, 2020 amounted to \$27,000 and \$148,000, respectively, as compared to \$156,000 and \$382,000 for the three and six months ended June 30, 2019, respectively, which are decreases of \$129,000, or 83%, and \$234,000, or 61%, respectively. The expenses for the six months ended June 30, 2020 primarily consisted of developing a sales operation, with some previously reported expenses, primarily management costs, reclassified to general and administrative expenses. Expenses for the six months ended June 30, 2019 consisted of primarily the same items.

Net Income (Loss)

The net loss for the three and six months ended June 30, 2020 was \$2,573,000 and \$12,754,000 as compared to a gain of \$1,194,000 and \$7,224,000 for the three and six months ended June 30, 2019, respectively. The net loss for the three and six months ended June 30, 2020 was mainly derived from a loss on change in fair value of derivative liability of \$773,000 and \$9,278,000, respectively, associated with convertible notes payable and gross margins of \$447,000 and \$890,000, respectively, offset in part by general and administrative, and sales and marketing expenses incurred. The net gain for the three and six months ended June 30, 2019 was mainly derived from a gain on change in fair value of derivative liability of \$2,421,000 and \$9,234,000, respectively, associated with convertible notes payable and gross margins of \$339,000 and \$462,000, respectively, offset in part by general and administrative, and sales and marketing expenses incurred.

Provision for Income Tax

No provision for income taxes was recorded in either the three and six months ended June 30, 2020 or 2019, as we have incurred taxable losses in both periods.

Related Party Transactions

The following individuals and entities have been identified as related parties based on their affiliation with our CEO and sole director, Jason Remillard:

Jason Remillard

Myriad Software Productions, LLC

The following amounts were owed to related parties, affiliated with the CEO and Chairman of the Board, at the dates indicated:

	June 30, 2020	December 31, 2019
Jason Remillard	\$ 407,000	\$ 275,000

CASH FLOW FOR THE SIX MONTHS ENDED JUNE 30, 2020 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2019

Liquidity and Capital Resources

We require cash to fund our operating expenses and working capital requirements, including outlays for capital expenditures. As of June 30, 2020, our principal sources of liquidity were cash or cash equivalents of \$549,000, trade accounts receivable of \$34,000, and other current assets of \$9,000, as compared to cash or cash equivalents of \$19,000,

trade accounts receivable of \$64,000, and other current assets of \$9,000 as of December 31, 2019.

During the last two years, and through the date of this Quarterly Report, we have faced an increasingly challenging liquidity situation that has impacted our ability to execute our operating plan. We started generating revenue in the fourth quarter of 2018, and we have continued to increase revenue through the date of this Quarterly Report as we have actively sought to grow our business in the data security market. We have also been required to maintain our corporate existence; satisfy the requirements of being a public company; and, have chosen to become a mandatory filer with the SEC. We will need to obtain capital to continue operations. There is no assurance that our Company will be able to secure such funding on acceptable (or any) terms. During the six months ended June 30 2020 and 2019, we reported a loss from operations of \$2,349,000 and \$1,796,000, respectively; and, used cash flows from operating activities totaling \$582,000 and \$684,000, respectively, for the same periods. We had a beginning cash balance of \$19,000 as of January 01, 2020, and a beginning cash balance of \$325,000 as of January 01, 2019.

As of June 30, 2020, we had assets of cash in the amount of \$549,000 and other current assets in the amount of \$42,000. As of June 30, 2020, we had current liabilities of \$16,558,000. The Company's accumulated deficit was \$34,365,000, largely due to derivative liability treatments.

As of June 30, 2019, we had assets of cash in the amount of \$241,000 and other current assets in the amount of \$521,000. As of June 30, 2019, we had current liabilities of \$3,401,000. The Company's accumulated deficit was \$13,780,000, largely due to derivative liability treatments.

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 the Company can attract additional investment, the future of the Company operating as a going concern is in serious doubt.

We are 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 Securities Exchange Act, we will need 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 the Company. We also continue to monitor the effects COVID-19 could have on our operations and liquidity including our ability to collect account receivable timely from our customers due to the economic impacts COVID-19 could have on the general economy. 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 shareholders will be reduced, shareholders may experience additional dilution, or the equity securities may have rights preferences or privileges senior to the common stock.

Investing Activities

During the six months ended June 30, 2020, we used funds in investing activities of \$5,000 to acquire equipment. During the six months ended June 30, 2019, we used funds in investing activities of \$265,000 to acquire an exclusive license for software and \$5,000 to acquire furniture and fixtures.

Financing Activities

During the six months ended June 30, 2020 we raised net proceeds of \$652,000 through the issuance of our convertible promissory notes in the gross amount of \$711,000. We also raised net proceeds of \$1,077,000 through the issuance of our promissory notes and repaid 426,000 on notes payable. We raised proceeds of \$133,000 through loans from related parties and repaid \$287,000 to related parties. By comparison, during the six months ended June 30, 2019 we raised \$500,000 through the issuance of 557,936 shares of our common stock and warrants to acquire 291,219 shares of our common stock, \$225,000 for stock subscriptions of common stock and warrants to be issued later, and \$600,000 from issuance of convertible debt, offset in part through repayment of \$450,000 on notes payable.

We are dependent upon the receipt of capital investment or other financing to fund our ongoing operations and to execute our business plan for growth in the data security market. 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 Quarterly Report have been prepared on a going concern basis, which implies that our company will continue to realize its assets and discharge its liabilities and commitments in the normal course of business. Our Company continues to generate increasing revenues, though it has never paid any dividends and is unlikely to pay dividends. The continuation of our company as a going concern is dependent upon the ability of our company to obtain necessary financing to continue our growth and operating objectives, and the attainment of continued profitable operations. As of June 30, 2020, our Company has an accumulated deficit of \$34,365,110. 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 in their report on the consolidated financial statements for the year ended December 31, 2019, 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 the Company will be able to raise any additional capital.

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.

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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide information regarding this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management conducted an evaluation, under the supervision and participation of our Chief Executive Officer, who is our principal executive officer and our principal financial and accounting officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period by this Form 10-Q. Disclosure controls and procedures also include, without limitation, controls and procedures 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 accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer concluded that as of June 30, 2020, our disclosure controls and procedures are not effective to a reasonable assurance level of achieving such objectives. However, it should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Management’s Report of Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting in accordance with the Rule 13a-15 of the Securities Exchange Act of 1934. The Company’s chief executive officer, its president, and chief financial officer conducted an evaluation of the effectiveness of the Company’s internal control over financial reporting as of June 30, 2020 based on the criteria establish in Internal Control Integrated Framework issued by the 2013 Committee of Sponsoring Organizations of the Treadway Commission (“ICFR”).

Our ICFR includes those policies and procedures that:

1. Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP, and that our receipts and expenditures are being made only in accordance with the authorization of our management; and
3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Management assessed the effectiveness of the Company’s ICFR as of June 30, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework. Management’s assessment included an evaluation of the design of our ICFR and testing of the operational effectiveness of these controls.

Based on this assessment, management has concluded that as of June 30, 2020, our ICFR was not effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP.

This quarterly report does not include an attestation report of the Company’s registered public accounting firm regarding ICFR. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management’s report in this annual report.

Because of its inherent limitations, ICFR 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.

Material Weaknesses:

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 the company's annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses identified are:

- 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 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 have an inadequate number of personnel with requisite expertise in the key functional areas of finance and accounting.
- 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

Management of the Company is committed to improving its internal controls and will (i) continue to use third party specialists to address shortfalls in staffing and to assist the Company with accounting and finance responsibilities; (ii) increase the frequency of independent reconciliations of significant accounts which will mitigate the lack of segregation of duties until there are sufficient personnel; and, (iii) may consider appointing outside directors and audit committee members in the future.

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 financial statements could occur that would not be prevented or detected during our financial close and reporting process.

This Quarterly 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 report.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during its current fiscal quarter that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be involved in routine legal proceedings, as well as demands, claims and threatened litigation that arise in the normal course of our business. The ultimate amount of liability, if any, for any claims of any type (either alone or in the aggregate) may materially and adversely affect our financial condition, results of operations and liquidity. In addition, the ultimate outcome of any litigation is uncertain. Any outcome (including any for the actions described above), whether favorable or unfavorable, may materially and adversely affect us due to legal costs and expenses, diversion of management attention and other factors. We expense legal costs in the period incurred. We cannot assure you that additional contingencies of a legal nature or contingencies having legal aspects will not be asserted against us in the future, and these matters could relate to prior, current or future transactions or events.

There are no material changes from the legal proceedings previously reported in the Company's Quarterly Report on Form 10-Q for the three months ended March 30, 2020.

We are not aware of any other pending or threatened litigation against us that in our view would have a material adverse effect on our business, financial condition, liquidity, or operating results. However, legal claims are inherently uncertain, and we cannot assure you that we will not be adversely affected in the future by legal proceedings.

ITEM 1A. RISK FACTORS

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item. However, as a result of recent 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, including the ongoing outbreak of a respiratory illness caused by the 2019 novel coronavirus that was recently named by the World Health Organization as COVID-19, and other similar events, we have included the following additional Risk Factors:

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, the recent and developing outbreak of a respiratory illness caused by the 2019 novel coronavirus that was named by the World Health Organization as COVID-19 (collectively with any future mutations or related strains thereof, "COVID-19") has caused and may continue to cause travel bans or disruptions, supply chain delays and disruptions, and additional macroeconomic uncertainty. The impact of COVID-19 is fluid and uncertain, but it has caused and may continue to cause various negative effects, including an inability to meet with actual or potential customers, our end customers deciding to delay or abandon their planned purchases, us to delay, cancel, or withdraw from user and industry conferences and other marketing events, and delays or disruptions in our or our OEM 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 and/or replacement parts to our end customers may be effected, and it has been and, until the COVID-19 outbreak is contained, will continue to be more difficult for us to forecast our operating results. These macroeconomic challenges and uncertainties, including the COVID-19 outbreak, have, and may continue to, put pressure on global economic conditions and overall IT spending and may cause our end customers to modify spending priorities or delay or abandon purchasing decisions, thereby lengthening sales cycles and potentially lowering prices for our solutions, 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 the Company's operations and overall financial performance.

The Company may face risks related to public health threats or outbreaks of communicable diseases. A global health crisis, such as the current outbreak of coronavirus or COVID-19, could adversely affect the United States and global economies and limit the ability of enterprises to conduct business for an indefinite period of time. The current outbreak of COVID-19 has negatively impacted the global economy, 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 the Company's business.

In addition, government authorities have implemented various mitigation measures, including travel restrictions, limitations on business operations, stay-at-home orders and social distancing protocols. The economic impact of the aforementioned actions may impair our ability to sustain sufficient financial liquidity and impact our financial results. Specifically, the continued spread of COVID-19 and efforts to contain the virus could: (i) result in an increase in costs related to delayed payments from customers and uncollectable accounts, (ii) cause a reduction in revenue related to late fees and other charges related to governmental regulations, (iii) cause delays and disruptions in the supply chain related to obtaining necessary materials for our network infrastructure or customer equipment, (iv) cause workforce disruptions, including the availability of qualified personnel; and (v) cause other unpredictable events.

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

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On 06 February 2019 the Company agreed to issue a total of 557,936 restricted shares of its common stock for subscriptions of \$500,000. The Company received the entire amount of the proceeds, which will be used for general corporate purposes. In connection with the issuance of the shares, the Company also agreed to issue to the subscribers warrants to acquire a total of 291,219 shares of our common stock at a strike price of \$2.175 per share, with a cashless exercise feature and a five (5) year term. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On 15 April 2019 the Company closed a financing transaction under which a Convertible Promissory Note (the "Note") in the aggregate principal amount of \$600,000.00 (the "Principal Amount"), and received gross proceeds of \$546,000.00 (excluded were legal fees and a transaction fee charged by the lender Auctus Fund, LLC); the proceeds will be used for general corporate purposes. The Note may be converted into shares of the Company's common stock in whole or in part at any time from time to time after the four (4) month anniversary of the issuance of the Note, at an initial conversion price per share equal to the lesser of: (a) \$0.0015; or, (b) 50% multiplied by the lowest trading price for the Company's common stock during the 25-days of trading ending on the latest complete trading day prior to the date of conversion. The Conversion Price is subject to adjustment for stock splits, reverse stock splits, stock dividends and other similar transactions and terms. The Company also granted to the lender warrants to purchase 60,000,000 shares of Common Stock at \$0.005 per share, with a cashless exercise feature. The Note and the Warrants were issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

On June 12, 2019, the Company issued a Convertible Promissory Note (the “Redstart Note”) in the aggregate principal amount of \$63,000, and received gross proceeds of \$60,000 (excluded were legal fees and a transaction fee charged by the lender, Redstart Holdings, LLC). The proceeds will be used for general corporate purposes. The Redstart Note (i) accrues interest at a rate of 22% per annum, (ii) can be converted 180 days from June 12, 2019 at a discount of 39% to the lowest trading price during the twenty consecutive trading days immediately preceding the date of conversion, (iii) is due and payable June 12, 2020, and (iv) has an original issue discount of \$3,000. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The Redstart Note was issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

On September 16, 2019, the Company entered into an Asset Purchase Agreement with DMBGroup, LLC to acquire certain assets collectively known as DataExpress™, a software platform for secure sensitive data transfer within the hybrid cloud. The total purchase price of approximately \$2.8 million consists of: (i) a \$410,000 cash payment at closing; (ii) a promissory note in the amount of \$940,000, payable in the amount of \$41,661 over 24 monthly payments starting on October 15, 2019, accruing at a rate of 6% per annum; (iii) assumption of approximately \$98,000 in liabilities and, (iv) 2,465,754 shares of our common stock.

On November 15, 2019 the Company issued a Convertible Promissory Note (the “First Geneva Note”) in the aggregate principal amount of \$38,000, and received gross proceeds of \$38,000 from the lender, Geneva Roth Remark Holdings, Inc. The proceeds will be used for general corporate purposes. The First Geneva Note (i) accrues interest at a rate of 22% per annum, (ii) can be converted 180 days from November 15, 2019 at a discount of 39% to the lowest trading price during the twenty consecutive trading days immediately preceding the date of conversion, and, (iii) is due and payable November 15, 2020. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The First Geneva Note was issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

On December 19, 2019, the Company issued a Convertible Promissory Note (the “Second Geneva Note”) in the aggregate principal amount of \$38,000, and received gross proceeds of \$38,000 from the lender, Geneva Roth Remark Holdings, Inc. The proceeds will be used for general corporate purposes. The Second Geneva Note (i) accrues interest at a rate of 22% per annum, (ii) can be converted 180 days from December 19, 2019 at a discount of 39% to the lowest trading price during the twenty consecutive trading days immediately preceding the date of conversion, and, (iii) is due and payable December 19, 2020. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The Second Geneva Note was issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

Effective December 31, 2019 the Company entered into an agreement with Blue Citi to amend the Consolidated Note as follows: (i) principal balance of \$1,700,000 as of 12-31-2019; (ii) zero interest would accrue on and after January 01, 2020 so long as the Consolidated Note was not otherwise in default; (iii) \$270,000 of principal could not be converted until July 01, 2020; (iv) a maximum of \$500,000 could be converted each month, unless there was at least \$500,000 in daily trading volume for five (5) consecutive trading days; (v) conversions will be at a 40% discount to the lower of the lowest price for our common stock during the 20 days preceding the conversion, or the lowest price for our common stock for the 20 days preceding December 31, 2019; and, (vi) the maturity date of the Consolidated Note is March 31, 2021.

Effective December 31, 2019 the Company entered into an agreement with Blue Citi to amend the AFT Note as follows: (i) principal balance of \$441,150 as of 12-31-2019; (ii) no conversions until July 01, 2020; (iii) 12% interest; (iv) conversions will be at a 50% discount to the lower of the lowest price for our common stock during the 20 days preceding the conversion, or the lowest price for our common stock for the 20 days preceding December 02, 2019; and, (v) the maturity date of the AFT Note is April 15, 2020.

Effective December 31, 2019 the Company entered into an agreement with Smea2z, LLC to amend the Smea2z Note as follows: (i) principal balance of \$608,850 as of 12-31-2019; (ii) no conversions until July 01, 2020; (iii) 12% interest; (iv) conversions will be at a 50% discount to the lower of the lowest price for our common stock during the 20 days preceding the conversion, or the lowest price for our common stock for the 20 days preceding December 02, 2019; and, (v) the maturity date of the Smea2z Note is April 15, 2020.

On January 3, 2020, the Company completed a settlement with Hubai Chuguan Industry Co. Ltd. under which the Company cancelled 2,000,000 shares of its common stock and returned those shares to authorized and unissued status.

On January 08, 2020, the Company issued a Convertible Promissory Note (the "Credit Line Note") in the aggregate principal amount of \$200,000 on account of previously receiving gross proceeds of \$200,000 from the lender, Blue Citi. The proceeds were used for general corporate purposes. The Credit Line Note (i) accrues interest at a rate of 10% per annum, (ii) can be converted at a discount of 20% to the lowest trading price during the twenty consecutive trading days immediately preceding the date of conversion, and, (iii) is due and payable September 30, 2020. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The Credit Line Note was issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

On January 6, 2020, the Company issued a total of 2,465,754 shares of its common stock to three individuals in connection with the transaction closed on September 16, 2019, in which we acquired certain assets collectively known as DataExpress[®] from DMBGroup, LLC. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On January 13, 2020, the Company converted \$20,000 of a promissory note into 81,766 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On January 17, 2020, the Company converted \$84,000 of a promissory note into 400,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On January 21, 2020, the Company converted \$23,000 of a promissory note into 94,031 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On January 27, 2020, the Company converted \$15,000 of a promissory note into 110,294 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On January 29, 2020, the Company converted \$8,150 of a promissory note into 63,622 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On February 3, 2020, the Company converted \$36,000 of a promissory note into 500,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On February 11, 2020, the Company converted \$36,000 of a promissory note into 500,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On February 12, 2020, the Company issued 500,000 shares of its common stock to its former chief financial officer as additional compensation. The issuance was effected under the Company's Form S-8 filed with the SEC on May 20, 2019.

On February 21, 2020, the Company converted \$44,000 of a promissory note into 611,111 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On March 02, 2020, the Company converted \$38,250 of a promissory note into 750,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On March 05, 2020, the Company issued a Convertible Promissory Note (the "GS Capital Note") in the aggregate principal amount of \$136,250, and received gross proceeds of \$129,750 from the lender, GS Capital Partners, LLC. The proceeds will be used for general corporate purposes. The GS Capital Note (i) accrues interest at a rate of 10% per annum, (ii) can be converted six months after issuance at a discount of 35% to the lowest trading price during the twenty consecutive trading days immediately preceding the date of conversion, and, (iii) is due and payable March 05, 2021. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The GS Capital Note was issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

On March 10, 2020, the Company issued a Convertible Promissory Note (the “Adar Note”) in the aggregate principal amount of \$78,750, and received gross proceeds of \$75,000 from the lender, Adar Alef, LLC. The proceeds will be used for general corporate purposes. The Adar Note (i) accrues interest at a rate of 10% per annum, (ii) can be converted six months after issuance at a discount of 35% to the lowest trading price during the twenty consecutive trading days immediately preceding the date of conversion, and, (iii) is due and payable March 10, 2021. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The Adar Note was issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

On March 16, 2020, the Company converted \$33,247.80 of a promissory note into 786,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On March 18, 2020, the Company converted \$42,075 of a promissory note into 825,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On March 19, 2020, the Company converted \$15,000 of a promissory note into 354,610 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On March 20, 2020, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$1,000,000. Of that amount, \$125,000 was loaned immediately by the lender, Granite Global Value Investments Ltd. (the “Granite Note”), from which we received gross proceeds of \$102,500. The proceeds will be used for general corporate purposes. The Granite Note (i) accrues interest at a rate of 12% per annum, (ii) can be converted six months after issuance at a discount of 25% to the lowest trading price during the twenty consecutive trading days immediately preceding the date of conversion, and, (iii) is due and payable six months after issuance. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The Granite Note was issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

On March 26, 2020, the Company converted \$19,675 of a promissory note into 862,938 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On March 27, 2020, the Company converted \$13,273.50 of a promissory note into 884,900 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On April 01, 2020, the Company issued 4,666 shares of its common stock to its president/chief executive officer, Jason Remillard, as additional compensation.

On April 02, 2020, the Company converted \$20,000 of a promissory note into 1,333,333 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On April 02, 2020, the Company converted \$4,521.33 of a promissory note into 301,422 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On April 03, 2020, the Company converted \$17,460 of a promissory note into 970,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On April 14, 2020, the Company converted \$6,471.33 of a promissory note into 431,422 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On April 16, 2020, the Company converted \$6,793.83 of a promissory note into 452,922 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On April 17, 2020 the Company issued a total of 11,935,000 shares of its common stock to twelve (12) individuals, each of whom was either an employee or services provider to the Company. The shares were issued under the Company's S-8 filed with the SEC on May 20, 2019 (SEC File No. 333-231615).

On April 22, 2020, the Company converted \$20,000 of a promissory note into 1,388,888 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On April 27, 2020, the Company converted \$19,922.10 of a promissory note into 1,811,100 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On April 28, 2020 the Company issued a total of 1,496,516 shares of its common stock to three persons who had previously invested \$1,775,000 in the Company though the Company had not yet issued them their respective shares. These shares were issued for this prior investment, and the issuance was exempt under Section 4(a)(2) of the Securities Act.

On April 28, 2020, the Company converted \$24,540 of a promissory note into 1,804,411 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On May 02, 2020, the Company converted \$15,600 of a promissory note into 2,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On May 06, the Company converted \$10,080 of a promissory note into 1,680,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On May 06, the Company converted \$8,490.72 of a promissory note into 2,166,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On May 07, the Company converted \$11,494.90 of a promissory note into 2,357,929 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On May 12, the Company converted \$14,700 of a promissory note into 2,450,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On May 14, the Company converted \$15,000 of a promissory note into 2,500,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On May 19, the Company converted \$16,620 of a promissory note into 2,770,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On May 21, the Company converted \$16,800 of a promissory note into 2,800,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On May 26, the Company converted \$18,000 of a promissory note into 3,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On May 26, the Company converted \$14,627.62 of a promissory note into 3,000,538 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On May 26, the Company converted \$11,761.96 of a promissory note into 3,000,500 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On May 28, the Company converted \$20,700 of a promissory note into 3,450,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On May 29, the Company converted \$13,522.42 of a promissory note into 3,449,597 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On June 02, the Company converted \$21,600 of a promissory note into 3,600,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On June 04, the Company converted \$23,400 of a promissory note into 3,900,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On June 05, the Company converted \$15,576.50 of a promissory note into 3,973,597 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On June 09, the Company converted \$26,100 of a promissory note into 4,350,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On June 10, the Company converted \$20,000 of a promissory note into 4,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On June 10, 2020, the Company issued a Convertible Promissory Note (the "JSJ Note") in the aggregate principal amount of \$84,500, and received gross proceeds of \$75,000 from the lender, JSJ Investment Inc. The proceeds will be used for general corporate purposes. The JSJ Note (i) accrues interest at a rate of 12% per annum, (ii) can be converted 180 days from June 10, 2020 at a discount of 25% to the lowest trading price during the twenty consecutive trading days immediately preceding the date of conversion, and, (iii) is due and payable June 10, 2021. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The JSJ Note was issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

On June 11, 2020, the Company issued a Convertible Promissory Note (the "June 11 Geneva Note") in the aggregate principal amount of \$43,000, and received gross proceeds of \$40,000 from the lender, Geneva Roth Remark Holdings, Inc. The proceeds will be used for general corporate purposes. The June 11 Geneva Note (i) accrues interest at a rate of 22% per annum, (ii) can be converted 180 days from June 11, 2020 at a discount of 39% to the lowest trading price during the twenty consecutive trading days immediately preceding the date of conversion, and, (iii) is due and payable June 11, 2021. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The June 11 Geneva Note was issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

On June 12, the Company converted \$27,000 of a promissory note into 4,500,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On June 12, the Company converted \$15,000 of a promissory note into 2,343,750,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On June 16, the Company converted \$24,900 of a promissory note into 3,952,381 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On June 16, the Company converted \$29,100 of a promissory note into 5,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On June 17, the Company converted \$21,617.03 of a promissory note into 5,571,400 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On June 19, the Company converted \$34,920 of a promissory note into 6,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On June 23, the Company converted \$15,000 of a promissory note into 2,419,355 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On June 23, the Company converted \$23,424 of a promissory note into 6,100,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On June 24, the Company converted \$24,980.82 of a promissory note into 6,573,900 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On June 24, the Company converted \$24,900 of a promissory note into 4,081,967 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On June 25, the Company converted \$20,000 of a promissory note into 4,210,526 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On June 25, 2020, the Company issued a Convertible Promissory Note (the "June 25 Geneva Note") in the aggregate principal amount of \$43,000, and received gross proceeds of \$40,000 from the lender, Geneva Roth Remark Holdings, Inc. The proceeds will be used for general corporate purposes. The June 25 Geneva Note (i) accrues interest at a rate of 22% per annum, (ii) can be converted 180 days from June 25, 2020 at a discount of 39% to the lowest trading price during the twenty consecutive trading days immediately preceding the date of conversion, and, (iii) is due and payable June 25, 2021. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The June 25 Geneva Note was issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

On June 26, the Company converted \$24,700 of a promissory note into 6,500,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On June 29, the Company converted \$26,600 of a promissory note into 7,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 01, the Company converted \$29,032.38 of a promissory note into 7,640,100 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

Effective July 01, the Company entered into an agreement with Blue Citi under which Blue Citi agreed to forbear from enforcing its rights under the Consolidated Note with regard certain possible events of default under the Consolidated Note, and the Company and Blue Citi further agreed to amend the Consolidated Note as follows: (i) maturity date will be March 31, 2021; (ii) Blue Citi's right to match a lower conversion rate will now only apply to convertible notes issued after July 01, 2020; and, (iii) no further interest shall accrue on the Consolidated Note so long as there is no event of default.

Effective July 01, the Company entered into an agreement with Smea2z LLC ("Smea2z") under which Smea2z agreed to forbear from enforcing its rights with regard certain possible events of default under that certain 8% Convertible Redeemable Note in the original principal amount of Two Hundred Twenty Thousand Dollars (\$220,000) on 23 October 2018, with a maturity date of 23 July 2019 (the "SME Note"). The Company and Smea2z further agreed to amend the SME Note as follows: (i) maturity date will be September 30, 2020; (ii) Smea2z has no right to match a lower conversion rate; (iii) no conversions until October 01, 2020; and, (iv) no further interest shall accrue on the SME Note so long as there is no event of default.

Effective July 01, the Company entered into an agreement with Blue Citi under which Blue Citi agreed to forbear from enforcing its rights with regard certain possible events of default under that certain 8% Convertible Redeemable Note in the original principal amount of One Hundred Ten Thousand Dollars (\$110,000) on 16 October 2018, with a maturity date of 16 July 2019 (the "AFT Note"). The Company and Blue Citi further agreed to amend the AFT Note as follows: (i) maturity date will be September 30, 2020; (ii) Blue Citi has no right to match a lower conversion rate; (iii) no conversions until October 01, 2020; and, (iv) no further interest shall accrue on the AFT Note so long as there is no event of default.

Effective July 01, the Company entered into an agreement with Blue Citi under which Blue Citi agreed to forbear from enforcing its rights under the Credit Line Note with regard certain possible events of default under the Credit Line Note, and the Company and Blue Citi further agreed to amend the Credit Line Note as follows: (i) maturity date will be June 30, 2021; (ii) Blue Citi no longer has a right to match a lower conversion rate; (iii) the conversion rate will be set at 40%; (iv) conversions can start at the earlier of (a) the maturity date or, (b) both the AFT Note and Smea2z Note are paid in full; and, (v) as additional consideration, the Company issued the Penalty Note to Blue, as discussed below.

Effective July 01, the Company issued to Blue Citi a Convertible Promissory Note (the "Penalty Note") in the aggregate principal amount of \$25,000 as additional consideration for amendment and forbearance of the Credit Line Note. The Penalty Note (i) accrues interest at a rate of 10% per annum; (ii) can be converted starting on April 01, 2021, at a discount of 40% to the lowest trading price during the twenty consecutive trading days immediately preceding the date of conversion; (iii) Blue Citi has no right to match a lower conversion rate; and, (iv) is due and payable July 01, 2021. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The Penalty Note was issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

On July 01, the Company issued a Convertible Promissory Note (the "July Blue Citi Note") in the aggregate principal amount of \$150,000, and received gross proceeds of \$140,000 from the lender, Blue Citi. The proceeds will be used for general corporate purposes. The July Blue Citi Note (i) accrues interest at a rate of 10% per annum, (ii) can be converted starting on April 01, 2021, at a discount of 40% to the lowest trading price during the twenty consecutive trading days immediately preceding the date of conversion; (iii) Blue Citi has no right to match a lower conversion rate; and, (iv) is due and payable July 01, 2021. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The July Blue Citi Note was issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

On July 06, the Company converted \$28,500 of a promissory note into 7,500,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 10, the Company converted \$33,230.62 of a promissory note into 8,744,900 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 10, the Company converted \$20,000 of a promissory note into 4,210,526 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 16, the Company converted \$33,060 of a promissory note into 8,700,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 17, the Company converted \$37,336.90 of a promissory note into 9,825,500 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 20, the Company converted \$34,200 of a promissory note into 9,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 21, the Company converted \$3,800 of a promissory note into 1,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 22, the Company converted \$40,906.62 of a promissory note into 10,764,900 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 23, the Company converted \$39,900 of a promissory note into 10,500,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 23, 2020, the Company issued a Convertible Promissory Note (the “July 23 Geneva Note”) in the aggregate principal amount of \$43,000, and received gross proceeds of \$40,000 from the lender, Geneva Roth Remark Holdings, Inc. The proceeds will be used for general corporate purposes. The July 23 Geneva Note (i) accrues interest at a rate of 22% per annum, (ii) can be converted 180 days from July 23, 2020 at a discount of 39% to the lowest trading price during the twenty consecutive trading days immediately preceding the date of conversion, and, (iii) is due and payable July 23, 2021. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The July 23 Geneva Note was issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

On July 27, the Company converted \$14,469.19 of a promissory note into 3,014,415 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 27, the Company converted \$43,700 of a promissory note into 11,500,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

Effective July 28, the company entered into an Advisory Board Agreement (the “Advisory Agreement”) with Omkharan Arasaratnam (the “Advisor”). Pursuant to the Advisory Agreement, the Advisor joined the Advisory Board of the Company for a term of 12-months, although either party may terminate the Advisory Agreement early upon proper notice. The Company agreed to issue to the Advisor five million (5,000,000) shares of its common stock to the Advisor, which shares shall vest at the rate of 25% every 3-months under the Advisory Agreement. The issuance was exempt under Section 4(a)(2) of the Securities Act. A copy of the Advisory Agreement is attached hereto as Exhibit 10.19.

On July 29, the Company converted \$45,600 of a promissory note into 12,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 29, the Company converted \$47,880.38 of a promissory note into 12,600,100 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On July 31, the Company converted \$46,130 of a promissory note into 12,139,479 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On August 03, the Company issued a Convertible Promissory Note (the “August Blue Citi Note”) in the aggregate principal amount of \$200,000, and received gross proceeds of \$185,000 from the lender, Blue Citi. The proceeds will be used for general corporate purposes. The August Blue Citi Note (i) accrues interest at a rate of 10% per annum; (ii) can be converted starting on February 03, 2021, at a discount of 40% to the lowest trading price during the twenty consecutive trading days immediately preceding the (a) date of conversion or (b) issue date of the August Blue Citi Note; (iii) Blue Citi has no right to match a lower conversion rate; (iv) has prepayment premiums, and can be prepaid only during the first 6-months of the August Blue Citi Note; and, (v) is due and payable August 03, 2021. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The August Blue Citi Note was issued in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, and in reliance on similar exemptions under applicable state laws.

Effective August 03, the Company entered into an agreement with Blue Citi under which Blue Citi agreed to the following amendments to the respective convertible promissory notes:

AFT Note: maturity date extended to June 30, 2021.

Credit Line Note: (i) add the same prepayment premiums as under the August Blue Citi Note; and, (ii) six (6) months to prepay the Credit Line Note commencing on August 03, 2020.

July Blue Citi Note: (i) six (6) months to prepay the July Blue Citi Note; and, (ii) no prepayment premiums.

The conversion of all convertible promissory notes held by Blue Citi shall be covered by a single account of reserved shares with the transfer agent for the Company.

Effective August 03, the Company entered into an agreement with Smea2z LLC to amend the Smea2z Note by extending the maturity date to June 30, 2021.

On August 04, the Company converted \$53,200 of a promissory note into 14,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description of Document
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- | | |
|-----|---|
| 2.1 | Share Exchange Agreement dated December 31, 1998, by and between the Company and Rebound Corp., incorporated by reference to Exhibit 10.7 to Form 10-SB/A as filed by the Company with the Securities and Exchange Commission on January 7, 2000. |
| 3.1 | Articles of Incorporation of the Company, dated May 04, 1998, incorporated by reference to Exhibit 3(I) to Form 10-SB as filed by the Company with the Securities and Exchange Commission on January 4, 2000. |
| 3.2 | Amended and Restated Articles of Incorporation of the Company, dated May 01, 2018, incorporated by reference to Exhibit 3.2 to Form 10 as filed by the Company with the Securities and Exchange Commission on 11 January 2019. |
| 3.3 | Certificate of Designation for Preferred Series A Stock of the Company, dated May 28, 2008, incorporated by reference to Exhibit 3.3 to Form 10 as filed by the Company with the Securities and Exchange Commission on 11 January 2019. |

- 3.4 [Amendment to Certificate of Designation for Preferred Series A Stock of the Company, dated April 27, 2018, incorporated by reference to Exhibit 3.4 to Form 10 as filed by the Company with the Securities and Exchange Commission on 11 January 2019.](#)
- 3.5 [Bylaws of the Company, incorporated by reference to Exhibit I to Form 10-SB as filed by the Company with the Securities and Exchange Commission on January 4, 2000.](#)
- 4.1 [Convertible Note issued by the Company on October 17, 2014 in favor of Atlantic Holding Corp. in the original principal amount of \\$125,000 incorporated by reference to Exhibit 4.1 to Form 10 as filed by the Company with the Securities and Exchange Commission on 11 January 2019.](#)
- 4.2 [8% Convertible Redeemable Note issued by the Company on October 16, 2018 in favor of AFT Funding Corp. in the original principal amount of \\$110,000 incorporated by reference to Exhibit 4.2 to Form 10 as filed by the Company with the Securities and Exchange Commission on 11 January 2019.](#)
- 4.3 [8% Convertible Redeemable Note issued by the Company on October 23, 2018 in favor of Smea2Z LLC in the original principal amount of \\$220,000 incorporated by reference to Exhibit 4.3 to Form 10 as filed by the Company with the Securities and Exchange Commission on 11 January 2019.](#)
- 4.4 [Convertible Redeemable Note issued by the Company on April 15, 2019 in favor of Auctus Fund, LLC in the original principal amount of \\$600,000 incorporated by reference to Exhibit 4.1 to Form 8-K as filed by the Company with the Securities and Exchange Commission on 19 April 2019.](#)

- 4.5 [Common Stock Purchase Warrant Agreement issued in favor of Auctus Fund, LLC on 15 April 2019 for the purchase of 60,000,000 shares of Common Stock at \\$0.005 per share, incorporated by reference to Exhibit 4.2 to Form 8-K as filed by the Company with the Securities and Exchange Commission on 19 April 2019.](#)
- 10.1 [Asset Purchase Agreement dated January 26, 2018 by and between Myriad Software Productions, LLC and Data443 Risk Management, Inc., incorporated by reference to Exhibit 10.1 to Form 10 as filed by the Company with the Securities and Exchange Commission on 11 January 2019.](#)
- 10.2 [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, incorporated by reference to Exhibit 10.2 to Form 10 as filed by the Company with the Securities and Exchange Commission on 11 January 2019.](#)
- 10.3 [Security Agreement dated January 26, 2018 executed by Data443 Risk Management, Inc. in favor of Myriad Software Productions, LLC, incorporated by reference to Exhibit 10.3 to Form 10 as filed by the Company with the Securities and Exchange Commission on 11 January 2019.](#)
- 10.4 [Share Exchange Agreement dated June 29 2018 by and between LandStar, Inc.; Data443 Risk Mitigation, Inc.; and, Jason Remillard, incorporated by reference to Exhibit 10.4 to Form 10 as filed by the Company with the Securities and Exchange Commission on 11 January 2019.](#)
- 10.5 [Asset Purchase Agreement dated October 22, 2018 by and between Data443 Risk Mitigation, Inc.; Modevity, LLC; and, Jim Coyne, incorporated by reference to Exhibit 10.5 to Form 10 as filed by the Company with the Securities and Exchange Commission on 11 January 2019.](#)
- 10.6 [Secured Promissory Note dated October 22, 2018 issued by Data443 Risk Management, Inc. in favor of Modevity, LLC in the original principal amount of \\$750,000, incorporated by reference to Exhibit 10.6 to Form 10 as filed by the Company with the Securities and Exchange Commission on 11 January 2019.](#)
- 10.7 [Security Agreement dated October 22, 2018 executed by Data443 Risk Management, Inc. in favor of Modevity, LLC, incorporated by reference to Exhibit 10.7 to Form 10 as filed by the Company with the Securities and Exchange Commission on 11 January 2019.](#)
- 10.8 [Debt Restructuring Agreement dated September 30, 2018 by and between LandStar, Inc. and Blue Citi LLC, incorporated by reference to Exhibit 10.8 to Form 10 as filed by the Company with the Securities and Exchange Commission on 11 January 2019.](#)
- 10.9 [Consolidated Note dated September 30, 2018 issued by LandStar, Inc. in favor of Blue Citi LLC Modevity, LLC in the original principal amount of \\$829,680, incorporated by reference to Exhibit 10.9 to Form 10 as filed by the Company with the Securities and Exchange Commission on 11 January 2019.](#)
- 10.10 [Form of Common Stock Purchase Agreement executed in connection with the issuance in December 2018 of 252,016,130 shares of the Company's common stock in exchange for \\$500,000, incorporated by reference to Exhibit 10.10 to Form 10 as filed by the Company with the Securities and Exchange Commission on 11 January 2019.](#)
- 10.11 [Form of Common Stock Purchase Warrant issued in December 2018 in connection with the Common Stock Purchase Agreement and the issuance thereunder, for a total of 50,403,226 warrants, incorporated by reference to Exhibit 10.11 to Form 10 as filed by the Company with the Securities and Exchange Commission on 11 January 2019.](#)

- 10.12 [Form of Exclusive License and Management Agreement entered into with Wala, Inc. on 07 February 2019, incorporated by reference to Exhibit 10.1 to Form 8-K as filed by the Company with the Securities and Exchange Commission on 11 February 2019.](#)
- 10.13 [Form of Stock Purchase Rights Agreement entered into with Rory Welch on 07 February 2019, incorporated by reference to Exhibit 10.2 to Form 8-K as filed by the Company with the Securities and Exchange Commission on 11 February 2019.](#)
- 10.14 [Form of Business Covenants Agreement entered into with Wala, Inc. and Rory Welch on 07 February 2019, incorporated by reference to Exhibit 10.3 to Form 8-K as filed by the Company with the Securities and Exchange Commission on 11 February 2019.](#)
- 10.15 [Form of Securities Purchase Agreement executed in connection with the issuance on 15 April 2019 of the Company's convertible promissory note, incorporated by reference to Exhibit 10.1 to Form 8-K as filed by the Company with the Securities and Exchange Commission on 19 April 2019.](#)
- 10.16 [Form of Common Stock Purchase Agreement executed in connection with the issuance in February 2019, of 418,451,781 shares of the Company's common stock in exchange for \\$500,000, incorporated by reference to Exhibit 10.18 to Form 10-Q as filed by the Company with the Securities and Exchange Commission on 15 May 2019.](#)
- 10.17 [Form of Common Stock Purchase Warrant issued in February 2019, in connection with the Common Stock Purchase Agreement and the issuance thereunder, for a total of 218,413,977 warrants, incorporated by reference to Exhibit 10.17 to Form 10-Q as filed by the Company with the Securities and Exchange Commission on 15 May 2019.](#)
- 10.18† [Employment Agreement, effective May 01, 2019, between the Company and Steven Dawson, incorporated by reference to Exhibit 10.18 to Form 10-Q as filed by the Company with the Securities and Exchange Commission on 15 May 2019.](#)
- 10.19†* [Advisory Board Agreement, effective July 28, 2020, between the Company and Omkharan Arasaratnam.](#)
- 21.1* [List of subsidiaries of the Company.](#)
- 31.1* [Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2* [Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1* [Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.](#)
- 32.2* [Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.](#)

(*) Filed herewith.

(†) Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, our Company caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 6, 2020

DATA443 RISK MITIGATION, INC.

By: /s/ Jason Remillard

Name: JASON REMILLARD

Title: Chief Executive Officer, (Principal Executive Officer)

ADVISORY BOARD AGREEMENT

I
PARTIES

THIS ADVISORY BOARD AGREEMENT (the “Agreement”) is entered into effective as of the 28th day of July, 2020 (the “Effective Date”), by and between DATA443 RISK MITIGATION, INC., a Nevada corporation (“ATDS”); **and** OMKHARAN ARASARATNAM, an individual residing in the State of New York (“Advisor”). ATDS and Advisor are sometimes referred to collectively herein as the “Parties”, and each individually as a “Party”.

II
RECITALS

A. ATDS is engaged in the business generally described as cybersecurity, with an emphasis on data loss prevention (the “Business”). As used herein, the term Business shall be all encompassing of all aspects of the business conducted by ATDS and its parent and subsidiary and affiliated companies, whether historical, current, or as conducted in the future.

B. The principal place of business of ATDS is located at 101 J Morris Commons Lane, Suite 105, Morrisville, North Carolina, 27560 (the “Premises”).

C. Advisor represents to possess certain skills and contacts directly related to the Business and which would enable Advisor to benefit the Business and ATDS.

D. ATDS desires to retain the services of Advisor, and Advisor desires to be retained by ATDS, as a member of the Advisory Board of ATDS (the “Advisory Board”), pursuant to the terms and conditions contained herein.

E. NOW, THEREFORE, in consideration of the promises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

III
APPOINTMENT

3.1 **Position**. ATDS hereby appoints Advisor to serve as a member of the Advisory Board, and Advisor hereby accepts such appointment.

3.2 **Services**. Advisor shall perform those services (the “Services”) as reasonably requested by ATDS from time-to-time, including, though but not limited to (i) the services described in the Advisory Board Charter, a copy of which is attached hereto as Exhibit 3.2 and incorporated herein by reference; (ii) attending meetings or conference calls in connection with the Services; and, (iii) answering questions and providing advice. Advisor shall devote Advisor’s commercially reasonable efforts and attention to the performance of the Services on a timely basis.

3.3 **No Conflicts**. Advisor hereby represents, warrants, and covenants that Advisor has the right, power, and authority to enter into this Agreement, and that neither the execution nor delivery of this Agreement, nor the performance of the Services by Advisor will conflict with or result in a breach of, or default under, any contract, covenant, or instrument under which Advisor is now or hereinafter becomes obligated.

3.4 **Performance**. Advisor shall perform the Services in a timely and professional manner consistent with industry standards, and at a location, place, and time which the Advisor deems appropriate, unless expressly agreed to the contrary by the Parties, which agreement may be verbal. Advisor may not subcontract or otherwise delegate its obligations under this Agreement without the prior written consent of ATDS.

3.5 **Status.** Advisor is an independent contractor, and not the employee, agent, joint venturer, or partner of ATDS for any purposes whatsoever. Advisor shall be solely responsible for any and all taxes related to the receipt of any compensation under this Agreement. Advisor is not authorized to assume or create any obligation or responsibility, express or implied, on behalf of, or in the name of, ATDS or to bind ATDS in any manner.

3.6 **Mutual Cooperation.** Advisor shall observe all rules, regulations, and security requirements of ATDS concerning the safety of persons and property, and the security of proprietary information. Advisor shall also make no improper or illegal use of any material non-public information to which Advisor may be exposed in the course of its performance of the Services. ATDS shall provide such access to its information and property as may be reasonably required in order to permit Advisor to perform its obligations hereunder.

3.7 **Other Engagements.** Advisor may provide the same or similar services to other clients. However, during and throughout the Term, Advisor shall not engage in any activities that would compete with the Business, including, without limitation, (i) founding or otherwise holding an equity interest (other than as a passive investor in a public company with no more than 2% ownership interest) in any business entity which directly competes with the Business operations pertaining to [N/A] without first obtaining the written consent of ATDS, which ATDS agrees to not unreasonably withhold or delay.

3.8 **Non-Solicitation.** During the Term and for one (1) year thereafter, Advisor will not solicit, entice, persuade, or induce any individual who is then, or has been within the preceding (6) six-month period, an employee or consultant of ATDS or any of its subsidiaries or affiliates to terminate his/her employment or consulting relationship with ATDS or any of its subsidiaries or affiliates or to become employed by or enter into contractual relations with any other individual or entity. Advisor shall not approach any such employee or consultant for any such purpose or authorize or knowingly approve the taking of any such actions by any other individual or entity.

3.9 **Publicity.** ATDS shall, with prior written approval from Advisor (which consent shall not be unreasonably withheld), have the right to use the name, biography, and picture of Advisor in a press release announcing the execution of this Agreement, as well as on ATDS' website, social media accounts, and marketing and advertising materials. Such approval may be withdrawn by Advisor with written notice upon termination of this Agreement

IV **COMPENSATION**

4.1 **Stock Issuance.** As full and complete consideration of the Services to be rendered hereunder, ATDS shall pay Advisor the Compensation described on Exhibit 4.1, attached hereto and incorporated herein by reference.

4.2 **Reimbursement of Expenses.** ATDS shall promptly reimburse Advisor for reasonable costs and expenses incurred by Advisor so long as (i) Advisor received pre-approval from the CEO or other executive officer of ATDS; (ii) the activities conducted were on the behalf and for the direct benefit of ATDS; and, (iii) Advisor furnishes to ATDS adequate records and other documents reasonably acceptable to ATDS evidencing such expenditure or cost and in line with accounting and/or IRS requirements.

4.3 **Benefits.** Advisor shall not be entitled to any benefits, coverages, or privileges, including, without limitation, social security, unemployment, medical, or pension payments, made available to employees of ATDS. Advisor acknowledges that ATDS will not withhold taxes on any amounts paid to Advisor hereunder and that Advisor is responsible for all tax withholding, social security, unemployment insurance and other similar payments. Advisor shall provide ATDS a copy of Advisor's Form W-9 prior to any payment hereunder.

4.4 **Independent Legal and Tax Advice.** Advisor has been advised and Advisor hereby acknowledges that Advisor has been advised to obtain independent legal and tax advice regarding this Agreement and the grant of shares of ATDS stock hereunder.

V
TERMAND TERMINATION

The “**Term**” of this Agreement shall be twelve (12) months from the Effective Date, and shall automatically renew for another twelve (12) months unless terminated by either Party. Either Party may terminate this Agreement at any time, for any reason and without prejudice to any right or remedy it may have, upon fifteen (15) days’ prior written notice to the other. Notwithstanding the foregoing, ATDS may terminate the Term, effective immediately upon receipt of written notice to Advisor, if the Board of Directors reasonably determines that Advisor breached or threatens to breach any provision of this Agreement. The provisions of Section 4.1 and Articles VI, VII, and VIII shall survive termination of this Agreement.

VI
PROPRIETARY INFORMATION AND WORK PRODUCT

6.1 **Proprietary Information.**

(a) **Defined.** ATDS has conceived, developed and owns, and continues to conceive and develop, certain property rights and information, including but not limited to its business plans and objectives; customer or prospective customer information; technology; inventions, whether or not patented; financial projections; marketing plans and materials; logos and designs; technical data; processes; know-how; algorithms; formulae; databases; computer programs and software; user interfaces; source and object codes; architectures and structures; display screens; layouts; development tools and instructions; templates; trade secrets; intangible assets; industrial or proprietary property rights which may or may not be related directly or indirectly to the Business; and, all documentation, media, or other tangible embodiment of or relating to any of the foregoing and all proprietary rights therein (collectively, the “**Proprietary Information**”).

(b) **General Restrictions on Use.** Advisor agrees to hold all Proprietary Information in confidence and not to, directly or indirectly, disclose, use, copy, publish or summarize, any Proprietary Information, except (i) during the consulting relationship to the extent authorized and necessary to carry out the Services; and, (ii) after termination of the consulting relationship, only as specifically authorized in writing by ATDS. Notwithstanding the foregoing, such restrictions shall not apply to information: (w) which Advisor can show was rightfully in Advisor’s possession at the time of disclosure by ATDS; (x) which Advisor can show was received from a third party who lawfully developed the information independently of ATDS or obtained such information from ATDS under conditions which did not require that it be held in confidence; (y) which Advisor is required by law (including statute, rule, regulation, order or other legal compulsion) to be disclosed, though only after providing ATDS with a reasonable opportunity to prevent such disclosure; and, (z) which, at the time of disclosure, is generally available to the public.

(c) **Other Agreements.** Advisor represents that retention as a member of the Advisory Board and performance under this Agreement does not, and shall not, breach any agreement that obligates Advisor to keep in confidence any Proprietary Information of any other party or to refrain from competing, directly or indirectly, with the business of any other party. Advisor further agrees to not disclose to ATDS any Proprietary Information of any other party.

(d) **Return of Proprietary Information.** Upon termination of this Agreement, Advisor shall promptly deliver to ATDS, at the sole cost and expense of ATDS, all Proprietary Information and Work Product in its possession or under its control, as well as all other property belonging to ATDS which is then in Advisor’s possession or under its control.

6.2 **Work Product.**

(a) **Defined.** All inventions, discoveries, computer programs, data, technology, designs, innovations, inventions, and improvements (whether or not patentable and whether or not copyrightable) related to the Business and which are made, conceived, reduced to practice, created, written, designed, or developed by Advisor, solely or jointly with others, during the Term and while actively serving as Advisor to ATDS, or thereafter if resulting directly or indirectly derived from Proprietary Information, shall be defined as “**Work Product**” hereunder.

(b) **Ownership and Assignment.** ATDS shall be the sole owner of all such Work Product. Advisor hereby assigns to ATDS all Work Product and any and all related patents, copyrights, trademarks, trade names, and other industrial and intellectual property rights and applications therefore, in the United States and elsewhere and appoints any officer of ATDS as Advisor's duly authorized attorney to execute, file, prosecute, and protect the same before any government agency, court, or authority. Upon request of ATDS and at the expense of ATDS, Advisor shall execute further assignments, documents and other instruments as may be necessary or desirable to fully and completely assign all Work Product to ATDS and to assist ATDS in applying for, obtaining and enforcing patents or copyrights or other rights in the United States and in any foreign country with respect to any Work Product.

6.3 **Specific Performance.** Notwithstanding any other provision herein, in the event of a breach of the obligations of Advisor under this Article VI, Advisor hereby acknowledges that the ordinary remedies available at law would be insufficient, and, accordingly, ATDS shall be entitled to specific performance and injunctive relief in such event. Advisor agrees and acknowledges that such equitable relief would be in addition to any other legal remedies available to ATDS. The obligation set forth in this Article VI are in addition to, and not in place of, any other confidentiality agreement that Advisor may have in place with the ATDS or any affiliate of ATDS pursuant to any other agreement, contract, or understanding.

VII **INDEMNIFICATION**

7.1 **Indemnification by Advisor.** Advisor hereby agrees to indemnify, defend, and hold harmless ATDS, its owners, officers, directors, shareholders, employees, affiliates, contractors, and agents, from any claim, loss, damage, liability, cost, or expense (including but not limited to reasonable attorneys' fees as allowed by law), arising out of its negligence or willful misconduct or any breach of any representation or covenant made by Advisor in this Agreement.

7.2 **Indemnification by ATDS.** ATDS hereby agrees to indemnify, defend, and hold harmless Advisor from any claim, loss, damage, liability, cost, or expense (including but not limited to reasonable attorneys' fees as allowed by law), arising out of its Services rendered hereunder, except where such claim, loss, damage, liability, cost, or expense is due, in whole or in part, to Advisor's negligence or willful misconduct or any breach of any representation or covenant made by Advisor in this Agreement. Such indemnification shall be to the greatest extent permitted under applicable law, and in no event less than the indemnification provided to members of the Board of Directors of ATDS.

VIII **ADDITIONAL PROVISIONS**

8.1 **Executed Counterparts.** This Agreement may be executed in any number of counterparts, all of which when taken together shall be considered one and the same agreement, it being understood that all Parties need not sign the same counterpart. In the event that any signature is delivered by Fax or E-Mail, such signature shall create a valid and binding obligation of that Party (or on whose behalf such signature is executed) with the same force and effect as an original thereof. Any photographic, photocopy, or similar reproduction copy of this Agreement, with all signatures reproduced on one or more sets of signature pages, shall be considered for all purposes as if it were an executed counterpart of this Agreement.

8.2 **Entire Agreement.** This Agreement, and all references, documents, or instruments referred to herein, contains the entire agreement and understanding of the Parties in respect to the subject matter contained herein. The Parties have expressly not relied upon any promises, representations, warranties, agreements, covenants, or undertakings, other than those expressly set forth or referred to herein. This Agreement supersedes (i) any and all prior written or oral agreements, understandings, and negotiations between the Parties with respect to the subject matter contained herein; and, (ii) any course of performance and/or usage of the trade inconsistent with any of the terms hereof.

8.3 **Severability.** Each and every provision of this Agreement is severable and independent of any other term or provision of this Agreement. If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal, or unenforceable, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

8.4 **Governing Law.** This Agreement shall be governed by the laws of the State of Nevada, without giving effect to any choice or conflict of law provision or rule (whether of the State of Nevada or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Nevada. If any court action is necessary to enforce the terms and conditions of this Agreement, the Parties hereby agree that the appropriate court in Wake County, North Carolina, shall be the sole jurisdiction and venue for the bringing of such action.

8.5 **Enforcement.** The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, it is agreed that the Parties shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy to which they are entitled at law or in equity. The remedies of the Parties under this Agreement are cumulative and shall not exclude any other remedies to which any person may be lawfully entitled.

8.6 **Waiver.** No failure by any Party to insist on the strict performance of any covenant, duty, agreement, or condition of this Agreement or to exercise any right or remedy on a breach shall constitute a waiver of any such breach or of any other covenant, duty, agreement, or condition.

8.7 **Recovery of Fees by Prevailing Party.** In the event of any legal action (including arbitration) to enforce or interpret this Agreement, the non-prevailing Party shall pay the reasonable attorneys' fees and other costs and expenses (including expert witness fees) of the prevailing Party in such amount as the may be determined. In addition, such non-prevailing Party shall pay reasonable attorneys' fees incurred by the prevailing Party in enforcing, or on appeal from, a judgment in favor of the prevailing Party. The preceding sentence is intended by the Parties to be severable from the other provisions of this Agreement and to survive and not be merged into such judgment.

8.8 **Recitals.** The facts recited in Article II, above, are hereby conclusively presumed to be true as between and affecting the Parties.

8.9 **Amendment.** This Agreement may be amended or modified only by a writing signed by all Parties.

8.10 **Successors and Assigns.** Except as expressly provided in this Agreement, each and all of the covenants, terms, provisions, conditions, and agreements herein contained shall be binding upon and shall inure to the benefit of the successors and assigns of the Parties. This Agreement is not assignable by either Party without the expressed written consent of all Parties.

8.11 **Provision Not Construed Against Party Drafting Agreement.** This Agreement is the result of negotiations by and between the Parties; is the product of the work and efforts of all Parties; and, shall be deemed to have been drafted by all Parties. Each Party has had the opportunity to be represented by independent legal counsel of its choice. In the event of a dispute, no Party shall be entitled to claim that any provision should be construed against any other Party by reason of the fact that it was drafted by one particular Party.

8.12 **Agreement Provisions, Exhibits, and Schedules.** When a reference is made in this Agreement to an Article, Section, Subsection, Exhibit, or Schedule, such reference shall be to said item of this Agreement unless otherwise indicated. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof as if set out in full herein.

8.13 **Consents, Approvals, and Discretion.** Except as herein expressly provided to the contrary, whenever this Agreement requires consent or approval to be given by a Party, or a Party must or may exercise discretion, the Parties agree that such consent or approval shall not be unreasonably withheld, conditioned, or delayed, and such discretion shall be reasonably exercised. Except as otherwise provided herein, if no response to a consent or request for approval is provided within ten (10) days from the receipt of the request, then the consent or approval shall be presumed to have been given.

8.14 **Further Assurances.** Each Party agrees (i) to furnish upon request to each other Party such further information; (ii) to execute and deliver to each other Party such other documents; and, (iii) to do such other acts and things, all as another Party may reasonably request for the purpose of carrying out the intent of this Agreement and the transactions envisioned hereunder. However, this provision shall not require that any additional representations or warranties be made and no Party shall be required to incur any material expense or potential exposure to legal liability pursuant to this Section 8.14.

8.15 **Notices.**

8.15.1. **Method and Delivery.** All notices, requests and demands hereunder shall be in writing and delivered by hand, by Electronic Transmission, by mail, or by recognized commercial over-night delivery service (such as Federal Express or UPS), and shall be deemed given (a) if by hand delivery, upon such delivery; (b) if by Electronic Transmission, upon telephone confirmation of receipt of same; (c) if by mail, forty-eight (48) hours after deposit in the United States mail, first class, registered or certified mail, postage prepaid; or, (d) if by recognized commercial over-night delivery service, upon such delivery.

8.15.2. **Consent to Electronic Transmission.** Each Party hereby expressly consents to the use of Electronic Transmission for communications and notices under this Agreement. For purposes of this Agreement, "Electronic Transmission" means a communication (i) delivered by Fax or E-Mail when directed to the Fax number or E-Mail address, respectively, for that recipient on record with the sending Party; and, (ii) that creates a record that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.

8.15.3. **Address Changes.** Any Party may alter the Fax number, E-Mail address, physical address, or postage address to which communications or copies are to be sent by giving notice of such change of address to the other Parties in accordance with the provisions of this Section 8.15.

8.16 **Disputes.** The Parties agree to cooperate and meet in order to resolve any disputes or controversies arising under this Agreement. Should they be unable to do so, then either may elect arbitration under the rules of the American Arbitration Association, and both Parties are obligated to proceed thereunder. Arbitration shall proceed in Wake County, North Carolina, and the Parties agree to be bound by the arbitrator's award, which may be filed in the appropriate court in Wake County, North Carolina. The Parties consent to the jurisdiction of North Carolina Courts for enforcement of this determination by arbitration. In any arbitration proceeding conducted pursuant to the provisions of this Section, both Parties shall have the right to conduct discovery, to call witnesses and to cross-examine the opposing Party's witnesses, either through legal counsel, expert witnesses or both. EACH PARTY HEREBY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTER CLAIM BROUGHT BY ANY OF THEM AGAINST THE OTHER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT, OR ANY OTHER AGREEMENTS EXECUTED IN CONNECTION HEREWITH OR THE ADMINISTRATION THEREOF OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN.

8.17 **Best Efforts.** Each Party shall cooperate in good faith with the other Parties generally, and in particular, the Parties shall use and exercise their best efforts, taking all reasonable, ordinary and necessary measures to ensure an orderly and smooth relationship under this Agreement, and further agree to work together and negotiate in good faith to resolve any differences or problems which may arise in the future. However, the obligations under this Section 8.17 shall not include any obligation to incur substantial expense or liability.

8.18 **Excuse of Performance.** Notwithstanding any other provisions contained herein, Advisor shall not be liable to ATDS, and shall not be deemed to be in default hereunder, for the failure to perform or provide any of the Services pursuant to this Agreement if such failure is a result of a labor dispute, act of God, pandemic, or any other event which is beyond the reasonable control of Advisor.

8.19 **Definitional Provisions.** For purposes of this Agreement, (i) those words, names, or terms which are specifically defined herein shall have the meaning specifically ascribed to them; (ii) wherever from the context it appears appropriate, each term stated either in the singular or plural shall include the singular and plural; (iii) wherever from the context it appears appropriate, the masculine, feminine, or neuter gender, shall each include the others; (iv) the words “hereof”, “herein”, “hereunder”, and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole, and not to any particular provision of this Agreement; (v) all references to “Dollars” or “\$” shall be construed as being United States Dollars; (vi) the term “including” is not limiting and means “including without limitation”; and, (vii) all references to all statutes, statutory provisions, regulations, or similar administrative provisions shall be construed as a reference to such statute, statutory provision, regulation, or similar administrative provision as in force at the date of this Agreement and as may be subsequently amended.

**IX
EXECUTION**

IN WITNESS WHEREOF, this Agreement has been duly executed by the Parties in Wake County, North Carolina, shall be effective as of and on the Effective Date. Each of the Parties hereby represents and warrants that it (i) has the requisite power and authority to enter into and carry out the terms and conditions of this Agreement, as well as all transactions contemplated hereunder; and, (ii) it is duly authorized and empowered to execute and deliver this Agreement.

AIIDS:
DATA443 RISK MITIGATION, INC.,
a Nevada corporation

ADVISOR:
Signed: */s/ OMKHARAN ARASARATNAM*
DATED: 07/28/2020

BY: */s/ JASON REMILLARD*
NAME: Jason Remillard
TITLE: CEO
DATED: 07/28/2020

EXHIBIT 3.2
ADVISORY BOARD CHARTER

EXHIBIT 4.1
STOCK ISSUANCE

Subject to the restrictions, forfeiture provisions, and other terms and conditions set forth below, ATDS shall issue to Advisor five million (5,000,000) shares of ATDS Common Stock (the "Shares"). The Parties hereby agree as follows with regard to the Shares:

1. Transfer Restrictions. Advisor may only sell, assign, transfer, exchange, pledge, encumber, gift, devise, hypothecate, or otherwise dispose Shares which have been vested under Section 3, below.

2. Voting. Advisor shall only vote that number of Shares which have vested under Section 3, below.

3. Vesting. Shares shall vest in the amount of twenty-five percent (25%) on each (3) three-month anniversary of the Effective Date. If either Party terminates this Agreement at any time prior to the vesting of all of the Shares, then the remaining Shares shall vest, *pro rata*, for each month served since the most recent vesting date. Advisor shall forfeit any unvested Shares, and said forfeited Shares shall automatically revert back to the Company.

4. Early Vesting. Advisor shall be fully vested in all Shares in the event of the any of the following:

(a) The death of Advisor.

(b) The disability of Advisor, with disability defined as an illness or other disability that prevents Advisor from discharging his responsibilities to ATDS for a period of ninety (90) consecutive calendar days.

(c) The sale by ATDS of substantially all of its assets.

(d) The acquisition by any individual, entity, or group of beneficial ownership of more than 50% of the then outstanding shares of common stock of ATDS.

(e) The consummation of a reorganization, merger, or consolidation involving ATDS or any of its subsidiaries, in which ATDS is not the surviving entity.

5. Issuance of Shares. Certificates (or, book entry ownership) shall be issued to Advisor only when, and as, Shares become vested. Advisor understands, acknowledges, and agrees that certificates representing the vested Shares shall be "restricted shares" under applicable federal securities laws, and shall have endorsed on them a restrictive legend to this effect.

6. Investment Representations. Advisor acknowledges that ATDS is relying on the following representations, warranties, covenants, and acknowledgments to ensure that any Shares issued under the terms of this Agreement can be issued in reliance on exemptions from registration requirements under applicable federal and state securities laws:

(a) Advisor has been given sufficient access to information regarding ATDS, including the opportunity to ask questions of, and receive answers from, persons acting on behalf of ATDS and concerning the financial affairs, prospects, and condition of ATDS. Advisor has received and carefully reviewed the information and documentation relating to ATDS, including without limitation, the filings of ATDS with the SEC.

(b) Advisor has (i) substantial experience in evaluating and investing in securities of companies similar to ATDS; (ii) such knowledge and experience in financial and business matters so it is capable of evaluating the merits and risks of its investment in ATDS; and, (iii) satisfied applicable requirements of the Securities Act of 1933 (the "Securities Act") in order to be deemed an "accredited investor".

(c) Advisor is not subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act. Advisor will promptly notify ATDS in writing of any event that would, with the passage of time, make this statement untrue.

(d) Advisor is acquiring the Shares for its own account, for investment purposes only, and with no present intention of distributing, selling, or otherwise disposing of the Shares.

LIST OF SUBSIDIARIES

<u>Name of consolidated subsidiary or entity</u>	<u>State or other jurisdiction of incorporation or organization</u>	<u>Date of incorporation or formation (date of acquisition, if applicable)</u>	<u>Attributable Interest</u>
Data443 Risk Mitigation, Inc.	North Carolina	07/12/2017	100%

**CERTIFICATION PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002 CERTIFICATION**

I, JASON REMILLARD, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DATA443 RISK MITIGATION, INC. for the period ended June 30, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2020

By: /s/ Jason Remillard
Name: JASON REMILLARD
Title: Chief Executive Officer (Principal Executive Officer)

**CERTIFICATION PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002 CERTIFICATION**

I, JASON REMILLARD, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DATA443 RISK MITIGATION, INC. for the period ended June 30, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2020

By: /s/ Jason Remillard
Name: JASON REMILLARD
Title: Chief Financial Officer (Principal Accounting Officer)

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

SECURITIES AND EXCHANGE COMMISSION

450 Fifth Street, N.W.
Washington, C.C. 20549

Ladies and Gentlemen:

The Certifications set forth below are being submitted in connection with the Quarterly Report on Form 10-Q (the "Report") of DATA443 RISK MITIGATION, INC. for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Jason Remillard, the Chief Executive Officer, of DATA443 RISK MITIGATION, INC., hereby certifies that to the best of his knowledge and in the respective capacities as an officer of DATA443 RISK MITIGATION, INC.:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and;
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of DATA443 RISK MITIGATION, INC.

A signed original of this written statement required by Section 906 has been provided to our Company and will be retained by our Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: August 6, 2020

By: /s/ Jason Remillard

Name: JASON REMILLARD

Title: Chief Executive Officer (Principal Executive Officer)

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

SECURITIES AND EXCHANGE COMMISSION

450 Fifth Street, N.W.
Washington, C.C. 20549

Ladies and Gentlemen:

The Certifications set forth below are being submitted in connection with the Quarterly Report on Form 10-Q (the "Report") of DATA443 RISK MITIGATION, INC. for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Jason Remillard, the Chief Financial Officer, of DATA443 RISK MITIGATION, INC., hereby certifies that to the best of his knowledge and in the respective capacities as an officer of DATA443 RISK MITIGATION, INC.:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and;
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of DATA443 RISK MITIGATION, INC.

A signed original of this written statement required by Section 906 has been provided to our Company and will be retained by our Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: August 6, 2020

By: /s/ Jason Remillard

Name: JASON REMILLARD

Title: Chief Financial Officer (Principal Accounting Officer)
