

**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 September 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 November 13, 2020 was: 827,359,992.

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)

	September 30, 2020	December 31, 2019
Assets		
Current assets		
Cash	\$ 482,715	\$ 18,673
Accounts receivable	76,977	63,556
Inventory	8,301	8,301
Prepaid expense and other current assets	721	807
Total current assets	568,714	91,337
Property and equipment, net	300,422	100,127
Operating lease right-of-use assets, net	265,613	395,388
Intellectual property, net of accumulated amortization	2,243,679	3,141,938
Deposits	31,440	20,944
Total Assets	\$ 3,409,868	\$ 3,749,734
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 153,902	\$ 379,325
Payroll liabilities	111,097	28,870
Deferred revenue	1,419,556	728,749
Interest payable	120,004	59,979
Notes payable	283,683	165,120
Convertible notes payable, net of unamortized discount	2,413,367	3,212,786
Derivative liability	3,243,819	2,601,277
Due to a related party	638,345	1,103,314
License fee payable	1,094,691	1,094,691
Operating lease liability	89,903	86,372
Finance lease liability	87,901	34,425
Total Current Liabilities	9,656,268	9,494,908
Notes payable - non-current	547,025	-
Deferred revenues - non-current	49,237	224,797
Operating lease liability - non-current	256,258	373,000
Finance lease liability - non-current	106,774	53,480
Total Liabilities	10,615,562	10,146,185
Stockholders' Deficit		
Preferred stock: 337,500 authorized; \$0.001 par value Series A Preferred Stock, 150,000 shares designated; \$0.001 par value; 150,000 and 1,334 shares issued and outstanding, respectively	150	1
Common stock: 1,500,000,000 authorized; \$0.001 par value 607,977,018 and 9,692,065 shares issued and outstanding, respectively	607,977	9,692
Additional paid in capital	28,051,429	15,204,771
Accumulated deficit	(35,865,250)	(21,610,915)
Total Stockholders' Deficit	(7,205,694)	(6,396,451)
Total Liabilities and Stockholders' Deficit	\$ 3,409,868	\$ 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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue	\$ 700,275	\$ 628,382	\$ 1,644,087	\$ 1,129,785
Cost of revenue	108,363	47,236	161,749	86,982
Gross profit	<u>591,912</u>	<u>581,146</u>	<u>1,482,338</u>	<u>1,042,803</u>
Operating expenses				
General and administrative	858,205	1,328,359	3,949,635	3,200,434
Sales and marketing	3,010	79,552	151,221	461,146
Research and development	-	-	-	4,205
Total operating expenses	<u>861,215</u>	<u>1,407,911</u>	<u>4,100,856</u>	<u>3,665,785</u>
Net loss from operations	(269,303)	(826,765)	(2,618,518)	(2,622,982)
Other income (expense)				
Interest expense	(618,934)	(392,564)	(1,691,099)	(1,056,391)
Gain on contingent liability	-	(10,000)	-	440,000
Loss on settlement on debt	(191,833)	-	(245,833)	-
Change in fair value of derivative liability	(420,070)	(1,967,072)	(9,698,885)	7,266,703
Total other income (expense)	<u>(1,230,837)</u>	<u>(2,369,636)</u>	<u>(11,635,817)</u>	<u>6,650,312</u>
Income (loss) before income taxes	(1,500,140)	(3,196,401)	(14,254,335)	4,027,330
Provision for income taxes	-	-	-	-
Net income (loss)	<u>\$ (1,500,140)</u>	<u>\$ (3,196,401)</u>	<u>\$ (14,254,335)</u>	<u>\$ 4,027,330</u>
Basic income (loss) per Common Share	\$ (0.00)	\$ (0.32)	\$ (0.09)	\$ 0.45
Basic weighted average number of common shares outstanding	<u>386,013,317</u>	<u>9,857,162</u>	<u>156,095,522</u>	<u>8,853,850</u>
Diluted income (loss) per Common Share	\$ (0.00)	\$ (0.32)	\$ (0.09)	\$ 0.42
Diluted weighted average number of common shares outstanding	<u>386,013,317</u>	<u>9,857,162</u>	<u>156,095,522</u>	<u>9,607,448</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 September 30, 2020

	Series A Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance - June 30, 2020	1,334	1	160,108,545	160,108	20,082,520	(34,365,110)	(14,122,481)
Settlement of stock subscriptions	144,000	144	-	-	(144)	-	-
Preferred stock issued for service	4,666	5	-	-	158,639	-	158,644
Common stock issued for conversion of debt	-	-	422,568,473	422,569	7,760,397	-	8,182,966
Common stock issued for exercised cashless warrant	-	-	25,300,000	25,300	(25,300)	-	-
Resolution of derivative liability upon exercise of warrant	-	-	-	-	300,387	-	300,387
Stock-based compensation	-	-	-	-	(225,070)	-	(225,070)
Net loss	-	-	-	-	-	(1,500,140)	(1,500,140)
Balance - September 30, 2020	<u>150,000</u>	<u>\$ 150</u>	<u>607,977,018</u>	<u>\$ 607,977</u>	<u>\$ 28,051,429</u>	<u>\$ (35,865,250)</u>	<u>\$ (7,205,694)</u>

For the Three Months Ended September 30, 2019

	Series A Preferred Series A		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance - June 30, 2019	1,334	\$ 1	9,710,240	\$ 9,710	\$ 13,063,202	\$ (13,779,813)	\$ (706,900)
Stock subscriptions	-	-	-	-	214,999	-	214,999
Stock issuable for acquisition	-	-	-	-	1,350,000	-	1,350,000
Common issued to settle debt	-	-	236,681	237	(237)	-	-
Stock-based compensation	-	-	-	-	410,640	-	410,640
Net loss	-	-	-	-	-	(3,196,401)	(3,196,401)
Balance - September 30, 2019	<u>1,334</u>	<u>\$ 1</u>	<u>9,946,921</u>	<u>\$ 9,947</u>	<u>\$ 15,038,604</u>	<u>\$ (16,976,214)</u>	<u>\$ (1,927,662)</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 Nine Months Ended September 30, 2020

	Series A Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity (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)
Preferred stock issued for service	4,666	5	-	-	158,639	-	158,644
Common stock issued for conversion of debt	-	-	556,587,683	556,588	11,955,537	-	12,512,125
Common stock issued for exercised cashless warrant	-	-	25,300,000	25,300	(25,300)	-	-
Resolution of derivative liability upon exercise of warrant	-	-	-	-	300,387	-	300,387
Stock issued for acquisition	-	-	2,465,754	2,466	(2,466)	-	-
Settlement of stock subscriptions	144,000	144	1,496,516	1,496	(1,640)	-	-
Stock-based compensation	-	-	12,435,000	12,435	461,501	-	473,936
Net loss	-	-	-	-	-	(14,254,335)	(14,254,335)
Balance - September 30, 2020	<u>150,000</u>	<u>\$ 150</u>	<u>607,977,018</u>	<u>\$ 607,977</u>	<u>\$ 28,051,429</u>	<u>\$ (35,865,250)</u>	<u>\$ (7,205,694)</u>

For the Nine Months Ended September 30, 2019

	Series A Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity (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 issuable for purchase of intangibles	-	-	-	-	1,350,000	-	1,350,000
Stock subscriptions	-	-	-	-	439,999	-	439,999
Warrants on stock subscriptions	-	-	-	-	83,334	-	83,334
Common issued to settle debt	-	-	2,236,678	2,237	3,202,763	-	3,205,000
Stock-based compensation	-	-	-	-	774,049	-	774,049
Conversion of convertible debt	-	-	557,942	558	499,442	-	500,000
Net income	-	-	-	-	-	4,027,330	4,027,330
Balance - September 30, 2019	<u>1,334</u>	<u>\$ 1</u>	<u>9,946,921</u>	<u>\$ 9,947</u>	<u>\$ 15,038,604</u>	<u>\$ (16,976,214)</u>	<u>\$ (1,927,662)</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)

	Nine Months Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (14,254,335)	\$ 4,027,330
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Change in fair value of derivative liability	9,698,885	(7,266,703)
Gain on contingent liability	-	(440,000)
Loss on settlement of debt	245,833	-
Stock-based compensation expense	632,580	410,640
Depreciation and amortization	1,222,485	931,602
Amortization of debt discount	1,309,125	1,002,815
Bad debt	50,800	-
Lease liability amortization	16,564	83,613
Penalty interest	25,000	-
Changes in operating assets and liabilities:		
Accounts receivable	(64,221)	(822,144)
Inventory	-	(8,301)
Prepaid expenses and other assets	86	(11,124)
Accounts payable	(305,423)	273,010
Deferred revenue	515,247	898,544
Payroll liability	82,227	15,911
Accrued interest	251,786	44,555
Due to related parties	-	(48,032)
Deposit	(10,496)	(20,944)
Net Cash used in Operating Activities	<u>(583,857)</u>	<u>(929,228)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of intellectual property	(190,000)	(228,291)
Purchase of property and equipment	(95,425)	(6,096)
Net Cash used in Investing Activities	<u>(285,425)</u>	<u>(234,387)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of convertible notes payable	1,352,250	600,000
Proceeds from issuance of stock	-	940,000
Finance lease payments	(52,326)	(41,269)
Proceeds from issuance of notes payable	1,168,664	-
Repayment of notes payable	(685,295)	(600,000)
Proceeds from related parties	241,942	-
Repayment to related parties	(691,911)	-
Net Cash provided by Financing Activities	<u>1,333,324</u>	<u>898,731</u>
Net change in cash	464,042	(264,884)
Cash, beginning of period	18,673	324,935
Cash, end of period	<u>\$ 482,715</u>	<u>\$ 60,051</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 65,063</u>	<u>\$ 5,019</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>
Non-cash Investing and Financing transactions:		
Common stock issued for purchase of intangibles	<u>\$ 2,466</u>	<u>\$ 1,350,000</u>
Common stock issued for exercised cashless warrant	<u>\$ 25,300</u>	<u>\$ -</u>
Settlement of stock subscriptions	<u>\$ 1,640</u>	<u>\$ -</u>
Settlement of convertible notes payable through issuance of common stock	<u>\$ 2,963,994</u>	<u>\$ 75,000</u>
Resolution of derivative liability upon exercise of warrant	<u>\$ 300,387</u>	<u>\$ -</u>
Resolution of derivative liability upon conversion of debt	<u>\$ 9,548,131</u>	<u>\$ -</u>
Increase in due to related party from purchase of intangibles	<u>\$ -</u>	<u>\$ 940,000</u>
Equipment paid by finance lease	<u>\$ 159,096</u>	<u>\$ -</u>
Derivative liability recognized as debt discount	<u>\$ 792,175</u>	<u>\$ -</u>
Accounts payable for purchase of intellectual property	<u>\$ 80,000</u>	<u>\$ -</u>
Issuance of convertible notes for repayment of due to related party	<u>\$ 150,000</u>	<u>\$ -</u>

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
September 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 the de facto industry leader in data privacy solutions for *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) DATAEXPRESS[®], the leading data transport, transformation and delivery product trusted by leading financial organizations worldwide; (iii) ArcMail[™], which is a leading provider of simple, secure and cost-effective email and enterprise archiving and management solutions; (iv) ClassiDocs[®] the Company’s award-winning data classification and governance technology, which supports CCPA, LGPD, and GDPR compliance; (v) ClassiDocs[™] for Blockchain, which provides an active implementation for the Ripple XRP that protects blockchain transactions from inadvertent disclosure and data leaks; (vi) 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[™]; (vii) Resilient Access[™], which enables fine-grained access controls across myriad platforms at scale for internal client systems and commercial public cloud platforms like Salesforce, Box.Net, Google G Suite, Microsoft OneDrive and others; (viii) Data443[™] Chat History Scanner, which scans chat messages for Compliance, PII, PI, PCI & custom keywords; (ix) the CCPA Framework WordPress plugin, which enables organizations of all sizes to comply with the CCPA privacy framework; (x) FileFacets[™], a Software-as-a-Service (SaaS) platform that performs sophisticated data discovery and content search of structured and unstructured data within corporate networks, servers, content management systems, email, desktops and laptops; (xi) the GDPR Framework WordPress plugin, with over 30,000 active users and over 400,000 downloads it enables organizations of all sizes to comply with the GDPR and other privacy frameworks; and (xii) IntellyWP[™], a leading purveyor of user experience enhancement products for webmasters for the world’s largest content management platform, WordPress.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying unaudited consolidated financial statements as of September 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.

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

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 nine months ended September 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.

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 September 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.

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

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.

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 \$473,936 in stock-based compensation expense for the nine months ended September 30, 2020, compared to \$410,640 in stock-based compensation expense for the nine months ended September 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 September 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.

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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 nine months ended September 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.

	September 30, 2020 <u>(Shares)</u>
Series A Preferred Stock	150,000,000
Stock options	11,327,991
Warrants	330,504,870
Convertible notes	20,577,778
Total	<u>512,410,639</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 November 13, 2020, the date of issuance of this Quarterly Report on Form 10-Q. This determination may change as new events occur and additional information is obtained. Actual results could differ from our estimates and judgments, and any such differences may be material to our financial statements. 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.

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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.

In August 2020, the FASB issued ASU 2020-06, ASC Subtopic 470-20 "Debt—Debt with "Conversion and Other Options" and ASC subtopic 815-40 "Hedging—Contracts in Entity's Own Equity". The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. Convertible instruments that continue to be subject to separation models are (1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting; and, (2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as paid-in capital. The amendments in this update are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

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. During 2019, the Company completed the acquisition of selected assets of DataExpress™; and, completed a transaction under which the Company licensed the assets of ArcMail™. During the period ending September 30, 2020, the Company has completed the acquisition of selected assets of FileFacets™, and selected assets of Intelly WP™. The Company is actively seeking new products and entities to acquire, with several candidates identified. Further, the Company has actively sought to close proposed acquisitions for which letters of intent, term sheet, or similar documents have been entered into. Two of these proposed acquisitions, (i) N8 Identity, Inc.; and, (ii) Internet Software Sciences, have become problematic for the Company in that the proposed seller in each transaction has resisted the Company's efforts to effect a final closing. After providing each proposed seller with a final offer to close, the Company has decided it is in the Company's best interest to no longer pursue these proposed acquisitions. As a result of the decision to terminate those prospective transactions, the Company has incurred no write-downs; no impact on the Company's customers; and, no other material impact on the over-all business of the Company. 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 September 30, 2020, the Company had negative net working capital; an accumulated deficit; and, had reduced its operating losses,

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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. COVID-19 has also impacted our ability to travel, meet distribution partners in their offices, present at tradeshows, and perform other enterprise-related sales functions. Many customers have still yet to return to their pre-pandemic “normal” office working conditions. These continued operating conditions have impacted our ability to execute and deploy some of our normal sales and marketing activities. While we are not unique in this position, these factors, among others, raise some 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

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

On September 16, 2019, the Company entered into an Asset Purchase Agreement (the “APA”) with DMBGroup, LLC (“DMB”) 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, representing \$1,350,000. As of September 30, 2020, the common shares have not been issued and are recorded as a stock subscription from asset purchase.

During the year ended December 31, 2019 and 2018, the Company recorded impairment loss of \$1,328,638 and \$46,800, respectively. During the year ended December 31, 2019, we determined that the implied fair value of the intellectual property of DataExpress™ was substantially below the carrying value of the asset. This determination was based upon estimating the future income over the useful life of the asset and discounting it using an internal rate of return. Accordingly, we recognized an impairment loss of \$1,328,638. This was based upon the following facts: (i) impairment loss is the difference of the purchase cost for DataExpress™ and the estimated fair value of DataExpress™; (ii) DataExpress™ fair value was determined using an income approach model; (iii) fair value of consideration paid by the Company was \$2,716,689 at acquisition date; (iv) December 31, 2019 book value (after amortization) was \$2,490,298; (v) fair value of DataExpress™ at December 31, 2019 valuation date was determined to be \$1,161,660; and, (vi) December 31, 2019 impairment loss was \$1,328,638 (book value less estimated fair value of DataExpress™).

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

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

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

	September 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
FileFacets™	135,000	-
IntellyWP™	135,000	-
	<u>4,999,851</u>	<u>4,729,851</u>
Accumulated amortization	<u>(2,756,172)</u>	<u>(1,587,913)</u>
Intellectual property, net of accumulated amortization	<u>\$ 2,243,679</u>	<u>\$ 3,141,938</u>

The Company recognized amortization expense of approximately \$1,168,259 and \$336,000, for the nine months ended September 30, 2020, and 2019, respectively.

Based on the carrying value of definite-lived intangible assets as of September 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 nine months ended September 30, 2020)	\$ 227,358
2021	909,422
2022	728,816
2023	335,333
2024	27,000
Thereafter	15,750
	<u>2,243,679</u>

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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 \$76,564 and \$70,000 for the nine months ended September 30, 2020 and 2019, respectively, primarily related to operating lease costs paid to lessors from operating cash flows. As of September 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 September 30, 2020 were as follows:

	Total
Year Ended December 31,	
2020 (excluding the six months ended September 30, 2020)	\$ 15,000
2021	123,600
2022	127,300
2023	131,150
Thereafter	-
	397,050
Less: Imputed interest	(50,889)
Operating lease liabilities	346,161
Operating lease liability – current	89,903
Operating lease liability - non-current	\$ 256,258

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

Weighted average discount rate	8%
Weighted average remaining lease term (years)	3.29

Finance lease

The Company leases computer and hardware under non-cancellable finance lease arrangements. The term of those finance leases is 3 years and annual interest rate is 12%. At September 30, 2020 and December 31, 2019, finance lease obligations included in current liabilities were \$87,901 and \$34,425, respectively, and finance lease obligations included in long-term liabilities were \$106,774 and \$53,480, respectively. As of September 30, 2020 and December 31, 2019, the Company recorded a security deposit of \$10,944.

At September 30, 2020, future minimum lease payments under the finance lease obligations, are as follows:

	Total
2020 (excluding the six months ended September 30, 2020)	\$ 26,633
2021	106,532
2022	78,379
2023	10,496
Thereafter	-
	222,040
Less: Imputed interest	(27,365)
Finance lease liabilities	194,675
Finance lease liability	87,901
Finance lease liability - non-current	\$ 106,774

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As of September 30, 2020 and December 31, 2020, finance lease assets are included in property and equipment as follows,

	September 30, 2020	December 31, 2019
Finance lease assets	\$ 267,284	\$ 109,280
Accumulated depreciation	(67,763)	(17,672)
Finance lease assets, net of accumulated depreciation	<u>\$ 199,521</u>	<u>\$ 91,608</u>

NOTE 6: CONVERTIBLE NOTES PAYABLE

Convertible notes payable consists of the following:

	September 30, 2020	December 31, 2019
Convertible Notes - originated in September 2018	\$ 92,600	\$ 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	-	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 - Issued in fiscal year 2020	1,476,500	-
	<u>2,472,100</u>	<u>3,492,000</u>
Less debt discount and debt issuance cost	(58,733)	(279,214)
	<u>2,413,367</u>	<u>3,212,786</u>
Less current portion of convertible notes payable	2,413,367	3,212,786
Long-term convertible notes payable	<u>\$ -</u>	<u>\$ -</u>

During the nine months ended September 30, 2020 and 2019, the Company recognized interest expense of \$249,907 and \$389,756, and amortization of debt discount, included in interest expense of \$1,126,906 and \$325,794, respectively.

Replacement of note

During the nine months ended September 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.

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Effective September 30, 2020, the Company exchanged (i) its convertible promissory note originally issued on March 20, 2020 in the amount of \$125,000 (referred to herein as the Granite Note); and, (ii) the Common Stock Purchase Warrant dated 18 March 2020 for the issuance of two hundred fifty thousand (250,000) shares of Company Common Stock (the "Granite Warrant") for the issuance of a new convertible promissory note issued in favor of Blue Citi LLC in the amount of \$325,000 (the "Exchange Note"). Both the Granite Note and the Granite Warrant were cancelled as a result of the exchange and the issuance of the Exchange Note. Terms of the Exchange Note include, without limitation, the following:

- a. Principal balance of \$325,000, which includes all accrued and unpaid interest on the Granite Note;
- b. No further interest shall accrue so long as there is no event of default;
- c. Conversions into common stock under the Exchange Note shall be effected at the lowest closing stock price during the five (5) days preceding any conversion, with -0- discount and a conversion price not below \$0.007;
- d. No prepayment premiums or penalties; and
- e. Maturity date of September 30, 2021.

Conversion

During the nine months ended September 30, 2020, the Company converted notes with principal amounts and accrued interest of \$2,963,994 into 556,587,683 shares of common stock. The corresponding derivative liability at the date of conversion of \$9,548,131 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.

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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 nine months ended September 30, 2020, the Company issued a total of \$1,641,500 of notes with the following terms:

- Terms ranging from 5 months to 12 months.
- Annual interest rates of 10% - 25%.
- Convertible at the option of the holders at issuance date, after maturity date or 6 months after issuance date.
- Conversion prices are typically based on the discounted (25% to 50% discount) average closing prices or lowest trading prices of the Company's shares during various periods prior to conversion. Certain note has a fixed conversion price 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.

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 nine months ended September 30, 2020 amounted to \$9,879,879, and \$792,175 of the value assigned to the derivative liability was recognized as a debt discount to the notes while the balance of \$9,087,704 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 September 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.

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

	Nine Months Ended September 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 September 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	792,175
Addition of new derivatives recognized as day-one loss	9,087,704
Derivative liabilities settled upon conversion of convertible note	(9,848,518)
Change in derivative liabilities recognized as loss on derivative	611,181
Derivative liability as of September 30, 2020	\$ 3,243,819

The aggregate gain (loss) on derivatives during the nine months ended September 30, 2020 and 2019 was (\$9,698,885) and \$6,813,153, respectively.

NOTE 8: NOTES PAYABLE

Notes payable consists of the following:

	September 30, 2020	December 31, 2019	Maturity	Interest Rate
10% 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	287,828	-	\$3942.86 daily payment \$2,873.89 monthly payment for 36 months	16.0%
Promissory note - originated in September 2020	88,299	-		14.0%
	<u>925,247</u>	<u>165,120</u>		
Less debt discount and debt issuance cost	(94,539)	-		
	<u>830,708</u>	<u>165,120</u>		
Less current portion of promissory notes payable	283,683	-		
Long-term promissory notes payable	<u>\$ 547,025</u>	<u>\$ 165,120</u>		

During the nine months ended September 30, 2020, the Company recognized interest expense of \$22,775, and amortization of debt discount, included in interest expense of \$182,219, respectively.

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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.

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

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

Preferred Stock

As of September 30, 2020, the Company is authorized to issue 337,500 shares of preferred stock with a par value of \$0.001, of which 150,000 shares have been designated as Series A. As of September 30, 2020 and December 31, 2019, 150,000 and 1,334 shares of Series A were issued and outstanding, respectively, 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.

During the nine months ended September 30, 2020, the Company issued a total of 148,666 shares of Series A preferred stock to our CEO.

Common Stock

The Company is authorized to issue 1,500,000,000 shares of common stock with a par value of \$0.001. All shares have equal voting rights, are non-assessable, and have one vote per share. The total number of shares of Company common stock issued and outstanding as of September 30, 2020 and December 31, 2019, respectively, was 607,077,018 and 9,692,065 shares, respectively.

During the nine months ended September 30, 2020, the Company issued common stock as follows,

- 556,587,683 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 Mr. Remillard, who has not sold any of his shares (common or preferred)
- 500,000 shares issued for compensation to our former CFO (who has since sold all of his shares)
- 25,300,000 shares issued for cashless warrant

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Warrants

The Company identified conversion features embedded within warrants issued during the period ended September 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 nine months ended September 30, 2020, 330,000 warrants were granted, for a period of five years from issuance, at price of \$0.50 per share. However, as of September 30, 2020, 250,000 of these original warrants, as reset, were completely cancelled and are all null and void in all respects as part of the consideration for the issuance of the Exchange Note.

As a result of the reset features, the warrants increased by 386,870,032 for the period ended September 30, 2020, and the total warrants exercisable into 330,504,870 shares of common stock at a weighted average exercise price of \$0.0032 per share as of September 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 September 30, 2020 follows:

	Warrants Outstanding	
	Shares	Weighted Average Exercise Price
Outstanding, December 31, 2019	1,873,684	\$ 0.4914
Granted	330,000	0.5000
Reset feature	386,870,032	0.0032
Exercised	(25,674,109)	0.0051
Forfeited/canceled	(32,894,737)	0.0032
Outstanding, September 30, 2020	330,504,870	\$ 0.0032

The following table summarizes information relating to outstanding and exercisable warrants as of September 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	Weighted Average Exercise Price
50,403,226	3.19	\$ 0.0030	50,403,226	\$ 0.0030	0.0030
211,133,511	3.35	\$ 0.0030	211,133,511	\$ 0.0030	0.0030
35,818,713	3.78	\$ 0.0030	35,818,713	\$ 0.0030	0.0030
33,149,420	2.50	\$ 0.0005	33,149,420	\$ 0.0005	0.0005
330,504,870	3.29	\$ 0.0032	297,355,450	\$ 0.0032	0.0032

NOTE 10: STOCK-BASED COMPENSATION

Stock Options

During the nine months ended September 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.

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The following summarizes the stock option activity for the nine months ended September 30, 2020:

	Options Outstanding	Weighted-Average Exercise Price
Balance as of December 31, 2019	377,227	\$ 1.86
Grants	11,032,732	0.03
Exercised	(6)	3,750.00
Cancelled	(81,962)	1.53
Balance as of September 30, 2020	<u>11,327,991</u>	<u>\$ 0.08</u>

The weighted average grant date fair value of stock options granted during the nine months ended September 30, 2020 was \$0.0062. The total fair value of stock options that granted during the nine ended September 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 nine months ended September 30, 2020:

Expected term (years)	0.3
Expected stock price volatility	32.49%
Weighted-average risk-free interest rate	0.03%
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 September 30, 2020:

	Number of Options	Weighted-Average Remaining Contractual Life (In Years)	Weighted-Average Exercise Price
Outstanding	11,327,991	9.69	\$ 0.08
Exercisable	851,439	8.80	0.70
Expected to vest	10,476,552	9.76	\$ 0.03

As of September 30, 2020 and December 31, 2019, there was \$25,413 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.

Restricted Stock Awards

During the nine months ended September 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.

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The following summarizes the restricted stock activity for the nine months ended September 30, 2020:

	Shares	Weighted-Average Fair Value
Balance as of December 31, 2019	524,337	0.97
Shares of restricted stock granted	18,430,000	0.0001
Exercised	-	-
Cancelled	(72,145)	0.60
Balance as of September 30, 2020	18,882,192	0.02

	June 30, 2020	December 31, 2019
Number of Restricted Stock Awards		
Vested	12,582,192	57,243
Non-vested	6,300,000	467,094

As of September 30, 2020 and December 31, 2019, there was \$4,806 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 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 were issued in the form of 144,000 shares of the Company's Series A preferred stock as part of the consideration under the Share Settlement Agreement dated August 14, 2020, a copy of which is attached here to as Exhibit 10.21.

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 nine months ended September 30, 2020, the Company repaid note payable of \$374,952 including interest expense of \$30,452. As of September 30, 2020 and December 31, 2019, the company had recorded a liability to DMBGroup totaling \$484,061 and \$828,561, respectively.

During the nine months ended September 30, 2020, our CEO paid operating expenses of \$241,941 on behalf of the Company and the Company repaid \$247,411 to our CEO.

During the nine months ended September 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.

During the nine months ended September 30, 2020 we issued to our CEO a total of 148,666 shares of Series A preferred stock.

As of September 30, 2020 and December 31, 2019, the Company had due to related party of \$638,344 and \$1,103,314, which arose from the DMB transaction to acquire DataExpress™.

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NOTE 12: NET INCOME (LOSS) 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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Numerator:				
Net Income (Loss)	\$ (1,341,496)	\$ (3,196,401)	\$ (14,095,691)	\$ 4,027,330
Net Income (loss) – diluted	\$ (1,341,496)	\$ (3,196,401)	\$ (14,095,691)	\$ 4,027,330
Denominator:				
Weighted average common shares outstanding	386,013,317	9,857,162	156,095,522	8,853,850
Effect of dilutive shares	-	-	-	753,598
Diluted	386,013,317	9,857,162	156,095,522	9,607,448
Net income per common share:				
Basic	\$ (0.00)	\$ (0.32)	\$ (0.09)	\$ 0.45
Diluted	\$ (0.00)	\$ (0.32)	\$ (0.09)	\$ 0.42

For the three and nine months ended September 30, 2020 and the three months ended September 30, 2019, the convertible instruments are anti-dilutive and therefore, have been excluded from earnings (loss) per share.

NOTE 13: SUBSEQUENT EVENTS

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

On October 02, the Company issued a total of 119,155,869 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. This represented the final issuance of shares due from the purchase of the DataExpress™ assets.

On October 07, the Company converted \$92,600 of a promissory note into 30,866,666 shares of its common stock.

On October 08, the Company entered into an Asset Purchase Agreement with Resilient Network Systems, Inc. (“RNS”) to acquire the intellectual property rights and certain assets collectively known as Resilient Networks™, a Silicon Valley based SaaS platform that performs SSO and adaptive access control “on the fly” with sophisticated and flexible policy workflows for authentication and authorization. The total purchase price of \$305,000 consists of: (i) a \$125,000 cash payment at closing; and, (ii) the issuance of 19,148,936 shares of our common stock to RNS.

On October 21, the Company converted \$131,250 of a promissory note into 37,500,000 shares of its common stock.

On November 4, the Company issued 12,711,503 shares of its common stock upon the cashless exercise of a warrant.

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 nine months ended September 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 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. On August 17, 2020 the Company again amended its Articles of Incorporation to increase the number of shares of authorized common stock to 1.5 billion.

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.

Due to the pandemic, we have been forced to adapt and change the way we have historically operated. At the end of the first quarter, we temporarily closed our office and instructed our employees to work remotely as a precautionary measure intended to minimize the risk of the virus to them, our customers, partners and the communities in which we operate. Towards the end of the second quarter, we cautiously and gradually started to open our office. While we did not require employees to work from our office, we did ensure all required adjustments were made and all local regulations and recommendations were met to ensure the safety of our employees should they voluntarily choose to work from our office. As part of the move to remote work and virtual-only customer experience, we have had to postpone or cancel customer and industry events, as well as travel to visit potential customers, or conduct them virtually. We cannot predict with certainty the impact these changes may have on our sales.

We believe that the impact of COVID-19 has increased the long-term opportunity that we see to help our customers protect their data and detect threats, as well as achieve regulatory compliance. Nevertheless, in the early stages of the pandemic, we experienced some negative impact on our results of operations in the last two weeks of the first quarter, as we believe our customers' focus turned primarily to the safety of their employees and to positioning themselves to operate under a work-from-home environment. However, since that time, we have seen companies pivot from that emergency mode to become more focused on the elevated risks associated with having a highly distributed workforce. Companies around the world now have the majority of their employees working from potentially vulnerable home networks, accessing critical on-premises data stores and infrastructure through VPNs and in cloud data stores. We believe that the COVID-19 pandemic has significantly increased the threat of cybercrime, and that we remain positioned to help our clients protect against data and infrastructure against cybercrime. This has resulted in increase in traffic to our website. During the second and third quarters of 2020, as existing customers and prospects were adjusting to the new working practices, we saw some of this interest convert into new business or the expansion of existing business. While we are encouraged by these trends, we continue to see corporate expenditures subject to elevated scrutiny in the current environment. We have also been unable to travel to meet with prospective new clients, which has impacted our ability to convert prospects into new clients. We anticipate that as the COVID-19 pandemic continues, it will continue to be challenging to estimate conversion rates of prospective business into actual new client.

Through September 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 September 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 elements 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.

While 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 NINE MONTHS ENDED SEPTEMBER 30, 2020 COMPARED TO THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

Revenue

We recognized \$700,000 and \$1,644,000 of revenue during the three and nine months ended September 30, 2020, respectively, compared to \$628,000 and \$1,129,000 of revenue during the three and nine months ended September 30, 2019. We had net billings for the three and nine months ended September 30, 2020 of \$835,000 and \$2,370,000, respectively, compared to \$1,129,000 and \$2,066,000 in the prior year periods. Deferred revenues were \$1,469,000 as of September 30, 2020, an increase of \$515,000 from \$954,000 as of December 31, 2019.

General and Administrative Expenses

General and administrative expenses for the three and nine months ended September 30, 2020 amounted to \$858,000 and \$3,950,000, respectively, as compared to \$1,328,000 and \$3,200,000 for the three and nine months ended September 30, 2019, respectively, which is a decrease of \$470,000, or 35%, and an increase of \$749,000, or 23%, respectively. The expenses for the nine months ended September 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 nine months ended September 30, 2019 consisted of primarily the same items.

Sales and Marketing Expenses

Sales and marketing expense for the three and nine months ended September 30, 2020 amounted to \$3,000 and \$151,000, respectively, as compared to \$79,000 and \$461,000 for the three and nine months ended September 30, 2019, respectively, which are decreases of \$76,000, or 96%, and \$310,000, or 67%, respectively. The expenses for the nine months ended September 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 nine months ended September 30, 2019 consisted of primarily the same items.

Net Income (Loss)

The net loss for the three and nine months ended September 30, 2020 was \$1,500,000 and \$14,254,000 as compared to a net loss of \$3,196,000 and a net income of \$4,027,000 for the three and nine months ended September 30, 2019, respectively. The net loss for the three and nine months ended September 30, 2020 was mainly derived from a loss on change in fair value of derivative liability of \$420,000 and \$9,698,000, respectively, associated with convertible notes payable and gross margins of \$592,000 and \$1,482,000, respectively, offset in part by general and administrative, and sales and marketing expenses incurred. The net loss for the three months ended September 30, 2019 was mainly derived from a loss on change in fair value of derivative liability of \$1,967,000 associated with convertible notes payable and an operating loss of \$827,000 due in part by increased general and administrative costs, and sales and marketing expenses incurred. The net gain for the nine months ended September 30, 2019 was primarily a result of a gain on change in fair value of derivative liability of \$7,267,000, offset in part by an operating loss of \$2,623,000 by increased general and administrative costs, and sales and marketing expenses incurred.

During the year ended December 31, 2019 and 2018, the Company recorded impairment loss of \$1,328,638 and \$46,800, respectively. During the year ended December 31, 2019, we determined that the implied fair value of the intellectual property of DataExpress™ was substantially below the carrying value of the asset. This determination was based upon estimating the future income over the useful life of the asset and discounting it using an internal rate of return. Accordingly, we recognized an impairment loss of \$1,328,638. This was based upon the following facts: (i) impairment loss is the difference of the purchase cost for DataExpress™ and the estimated fair value of DataExpress™; (ii) DataExpress™ fair value was determined using an income approach model; (iii) fair value of consideration paid by the Company was \$2,716,689 at acquisition date; (iv) December 31, 2019 book value (after amortization) was \$2,490,298; (v) fair value of DataExpress™ at December 31, 2019 valuation date was determined to be \$1,161,660; and, (vi) December 31, 2019 impairment loss was \$1,328,638 (book value less estimated fair value of DataExpress™).

Provision for Income Tax

No provision for income taxes was recorded in either the three and nine months ended September 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:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Jason Remillard	\$ 154,000	\$ 275,000

CASH FLOW FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 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 September 30, 2020, our principal sources of liquidity were cash or cash equivalents of \$483,000, trade accounts receivable of \$77,000, 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 nine months ended September 30 2020 and 2019, we reported a loss from operations of \$14,254,000 and an income from operations of \$4,027,000, respectively; and, used cash flows from operating activities totaling \$584,000 and \$929,000, 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 September 30, 2020, we had assets of cash in the amount of \$483,000 and other current assets in the amount of \$86,000. As of September 30, 2020, we had current liabilities of \$9,656,000. The Company's accumulated deficit was \$35,707,000, largely due to derivative liability treatments.

As of September 30, 2019, we had assets of cash in the amount of \$60,000 and other current assets in the amount of \$843,000. As of September 30, 2019, we had current liabilities of \$7,938,000. The Company's accumulated deficit was \$16,976,000, 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 nine months ended September 30, 2020, we used funds in investing activities of \$285,000 to acquire intellectual property and purchase property and equipment. During the nine months ended September 30, 2019, we used funds in investing activities of \$234,000 to acquire intellectual property of \$228,000 and \$6,000 to acquire furniture and fixtures.

Financing Activities

During the nine months ended September 30, 2020 we raised net proceeds of \$1,502,000 through the issuance of our convertible promissory notes in the gross amount of \$1,641,500. We also repaid \$685,000 on notes payable. We raised proceeds of \$242,000 through loans from related parties and repaid \$842,000 to related parties. By comparison, during the nine months ended September 30, 2019 we raised \$500,000 through the issuance of approximately 557,936 shares of our common stock and warrants to acquire approximately 291,219 shares of our common stock on a post reverse split basis, \$440,000 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 \$600,000 on notes payable and \$41,000 of capital lease payments.

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 September 30, 2020, our Company has an accumulated deficit of \$35,865,000. 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 September 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 September 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 September 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 September 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.

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

Our business depends on our current and prospective customers' ability and willingness to invest money in IT services, and more importantly cybersecurity projects, which in turn is dependent upon their overall economic health. Negative conditions in the general economy both in the United States and abroad, including conditions resulting from COVID-19 and numerous other factors beyond our control, could cause a decrease in business investments, including corporate spending on enterprise software in general and negatively affect the rate of growth of our business. Uncertainty in the global economy makes it extremely difficult for our customers and us to forecast and plan future business activities accurately. This could cause our customers to reevaluate decisions to purchase our product or to delay their purchasing decisions, which could lengthen our sales cycles.

We have a significant number of customers, many of which are impacted significantly by the economic turmoil caused by the COVID-19 pandemic. Our customers may reduce their spending on IT; delay or cancel IT projects; focus on in-house development efforts; or, seek to lower their costs by renegotiating maintenance and support agreements. To the extent purchases of licenses for our software and services are perceived by customers and potential customers to be discretionary, our revenues may be disproportionately affected by delays or reductions in general IT spending. If the economic conditions of the general economy or industries in which we operate worsen from present levels, our business, results of operations and financial condition could be adversely affected.

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

Our success will depend, in part, on our ability to support new and existing customer growth and maintain customer satisfaction. Due to COVID-19, our sales and marketing teams have avoided in-person meetings and are increasingly engaging with customers online and through other communications channels, including virtual meetings. While our revenues increased in the third quarter of 2020 compared to the third quarter of 2019, there is no guarantee that for the long run our sales and marketing teams will be as successful or effective using these other communications channels as they try to build relationships. If we cannot provide the tools and training to our teams to efficiently do their jobs and satisfy customer demands, we may not be able to achieve anticipated revenue growth as quickly as expected.

Our future growth depends upon expanding sales of our products to existing customers and their organizations and receiving subscription and maintenance renewals. If our customers do not purchase additional licenses or capabilities, our revenues may grow more slowly than expected, may not grow at all or may decline. There can be no assurance that our efforts would result in increased sales to existing customers (“upsells”) and additional revenues. If our efforts to upsell to our customers are not successful, our business would suffer. Our future growth also depends in part upon increasing our customer base, particularly those customers with potentially high customer lifetime values. Our ability to achieve significant growth in revenues in the future will depend, in large part, upon the effectiveness of our sales and marketing efforts, both domestically and internationally, and our ability to attract new customers. Our ability to attract new customers may be adversely affected by the continued COVID-19 pandemic. If we fail to attract new customers and maintain and expand those customer relationships, our revenues may be adversely affected, and our business will be harmed.

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 DMBCGroup, 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. The issuance was exempt under Section 4(a)(2) of the Securities Act.

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 DMBCGroup, 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 nine 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 nine 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 Series A preferred stock to its president/chief executive officer, Jason Remillard, as additional compensation. The issuance was exempt under Section 4(a)(2) of the Securities Act.

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.

On August 06, the Company converted \$19,000 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 August 06, the Company converted \$38,000 of a promissory note into 10,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On August 10, the Company converted \$43,566 of a promissory note into 10,783,664 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On August 12, the Company converted \$63,047.80 of a promissory note into 16,418,698 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On August 12, the Company converted \$70,000 of a promissory note into 17,156,863 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On August 14, the Company converted \$69,481.34 of a promissory note into 18,094,099 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On August 14, the Company entered into a Share Settlement Agreement with the Company's CEO, Jason Remillard (the "Share Settlement Agreement"). Pursuant to the Share Settlement Agreement, the Company issued to Remillard 144,000 shares of the Company's Series A preferred stock in exchange for (i) the shares of the Company's common stock owed to Remillard for the Company's acquisition of Myriad Software Productions, LLC and Data443 Risk Mitigation, Inc. (the North Carolina corporation) from Remillard; and, (ii) releases of liability from Remillard. The issuance was exempt under Section 4(a)(2) of the Securities Act. A copy of the Share Settlement Agreement is attached hereto as Exhibit 10.21.

On August 19, the Company converted \$48,000 of a promissory note into 10,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On August 21, the Company converted \$56,678 of a promissory note into 11,807,917 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On August 21, the Company converted \$56,678 of a promissory note into 11,807,917 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On August 21, the Company converted \$56,678 of a promissory note into 11,807,917 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On August 24, the Company converted \$116,976 of a promissory note into 19,496,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On August 24, the Company issued a Convertible Promissory Note (the "\$300K Note") in the aggregate principal amount of \$300,000, and received gross proceeds of \$275,000 from the lender, Blue Citi. The proceeds will be used for general corporate purposes. The \$300K Note (i) accrues interest at a rate of 10% per annum; (ii) can be converted starting on February 24, 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 \$300K 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 \$300K Note; and, (v) is due and payable August 24, 2021. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The \$300K 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. A copy of the \$300K Note is attached hereto as Exhibit 10.22.

On August 27, the Company converted \$41,600 of a promissory note into 10,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On August 28, 2020, Data443 Risk Mitigation, Inc. (the “Company”), entered into a letter agreement (the “Maxim Agreement”) with Maxim Group, LLC (“Maxim”) for Maxim to provide general financial advisory, investment banking, and digital marketing services for the Company for an initial term of 6-months. In exchange for the services under the Agreement, the Company shall issue to Maxim shares of the Company’s company stock (a) upon execution of the Maxim Agreement in an amount equal to 2.50% of the Company’s issued and outstanding shares of common stock; and, (b) 2.49% of the of the Company’s issued and outstanding shares of common stock upon the up-listing of the Company’s common stock to a national exchange (NASDAQ or NYSE). All shares issued to Maxim will be non-dilutable for 2-years. Further, cash fees will be paid to Maxim as follows: (i) monthly fee of \$2,500; (ii) 8% of the amount of capital raised, invested or committed through or arranged by Maxim; (iii) fee for unallocated expenses of 1% of the amount of capital raised, invested or committed through or arranged by Maxim; and (iv) a 5-year warrant to purchase shares of the Company’s common stock equal to eight percent (8%) of the number of shares of the common stock underlying the securities issued in the financing arranged by Maxim. Lastly, Maxim shall receive a transaction fee equal of 3% of the consideration underlying an acquisitive transaction (such as a merger) arranged by Maxim. A copy of the Maxim Agreement is attached hereto as Exhibit 10.23.

On August 31, the Company converted \$86,100 of a promissory note into 21,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On September 01, the Company converted \$40,696.47 of a promissory note into 7,979,700 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On September 02, the Company converted \$94,300 of a promissory note into 23,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On September 09, the Company converted \$143,368.15 of a promissory note into 23,426,168 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On September 10, the Company issued a Convertible Promissory Note (the “September 10 Geneva Note”) in the aggregate principal amount of \$63,000, and received gross proceeds of \$60,000 from the lender, Geneva Roth Remark Holdings, Inc. The proceeds will be used for general corporate purposes. The September 10 Geneva Note (i) accrues interest at a rate of 22% per annum, (ii) can be converted 180 days from September 10, 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 September 10, 2021. The conversion price is subject to adjustment for stock splits, reverse stock splits, stock dividends, and other similar transactions and terms. The September 10 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 September 14, the Company converted \$13,750 of a promissory note into 2,073,906 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On September 15, the Company converted \$20,000 of a promissory note into 3,016,591 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On September 17, the Company converted \$25,000 of a promissory note into 3,770,739 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On September 18, the Company converted \$57,400 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.

On September 22, the Company converted \$24,131.94 of a promissory note into 3,788,374 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On September 29, the Company converted \$75,000 of a promissory note into 25,000,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

Effective September 30, 2020, the Company exchanged (i) its convertible promissory note originally issued on March 20, 2020 in the amount of \$125,000 (referred to herein as the Granite Note); and, (ii) the Common Stock Purchase Warrant dated 18 March 2020 for the issuance of two hundred fifty thousand (250,000) shares of Company Common Stock (the “Granite Warrant”) for the issuance of a new convertible promissory note issued in favor of Blue Citi LLC in the amount of \$325,000 (the “Exchange Note”). Both the Granite Note and the Granite Warrant were cancelled as a result of the exchange and the issuance of the Exchange Note. Terms of the Exchange Note include, without limitation, the following:

- a. Principal balance of \$325,000, which includes all accrued and unpaid interest on the Granite Note;
- b. No further interest shall accrue so long as there is no event of default;
- c. Conversions into common stock under the Exchange Note shall be effected at the lowest closing stock price during the five (5) days preceding any conversion, with -0- discount and a conversion price not below \$0.007;
- d. No prepayment premiums or penalties; and
- e. Maturity date of September 30, 2021.

The issuance was exempt under Section 4(a)(2) of the Securities Act.

On October 02, the Company issued a total of 119,155,869 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 October 6, the Company issued 25,300,000 shares of its common stock upon the cashless exercise of a warrant. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On October 07, the Company converted \$92,600 of a promissory note into 30,866,666 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On October 08, the Company entered into an Asset Purchase Agreement with Resilient Network Systems, Inc. (“RNS”) to acquire the intellectual property rights and certain assets collectively known as Resilient Networks[™], a Silicon Valley based SaaS platform that performs SSO and adaptive access control “on the fly” with sophisticated and flexible policy workflows for authentication and authorization. The total purchase price of \$305,000 consists of: (i) a \$125,000 cash payment at closing; and, (ii) the issuance of 19,148,936 shares of our common stock to RNS. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On October 21, the Company converted \$131,250 of a promissory note into 37,500,000 shares of its common stock. The issuance was exempt under Section 4(a)(2) of the Securities Act.

On November 4, the Company issued 12,711,503 shares of its common stock upon the cashless exercise of a warrant. 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
2.1	<u>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.</u>
3.1	<u>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.</u>
3.2	<u>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.</u>
3.3	<u>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.</u>
3.4	<u>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.</u>
3.5	<u>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.</u>
4.1	<u>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.</u>
4.2	<u>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.</u>
4.3	<u>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.</u>
4.4	<u>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.</u>

- 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 10.16 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, incorporated by reference to Exhibit 10.19 to Form 10-Q as filed by the Company with the Securities and Exchange Commission on 06 August 2020.](#)
- 10.20* [Exchange Note for \\$325,000 issued on September 30, 2020 in favor of Blue Citi LLC.](#)
- 10.21* [Share Settlement Agreement effective August 14, 2020, between the Company and Jason Remillard.](#)
- 10.22* [Convertible Promissory Note issued the Company in favor of Blue Citi LLC on August 24, 2020 in the original principal amount of \\$300,000.](#)
- 10.23* [Letter Agreement effective August 28, 2020, between the Company and Maxim Group, LLC.](#)
- 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: November 13, 2020

DATA443 RISK MITIGATION, INC.

By: /s/ Jason Remillard

Name: JASON REMILLARD

Title: Chief Executive Officer, (Principal Executive Officer)

NEITHER THE ISSUANCE NOR SALE OF THE SECURITIES REPRESENTED BY THIS NOTE, NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE, HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, OR ASSIGNED (i) IN THE ABSENCE OF (a) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR, (b) AN OPINION OF COUNSEL (SELECTED BY HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT; OR, (ii) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

Principal Amount: \$325,000.00

Issue Date: 30 September 2020

30 SEPTEMBER 2020 EXCHANGE CONVERTIBLE PROMISSORY NOTE

BINDING RECITALS AND AGREEMENTS

- A. Borrower previously issued in favor of GRANITE GLOBAL VALUE INVESTMENTS LTD., a British Virgin Islands company (“Granite”) that certain Lender Note Dated 18 March 2020 in the original principal amount of One Hundred Twenty Five Thousand Dollars (\$125,000) with a maturity date of 18 December 2020 (the “Original Note”).
- B. Concurrent with the issuance of the Original Note to Granite, Borrower also issued in favor of Granite that certain Common Stock Purchase Warrant dated 18 March 2020 for the issuance of two hundred fifty thousand (250,000) shares of Borrower common stock (the “Warrant”).
- C. Pursuant to an Assignment Agreement dated 30 September 2020 by and between Granite and Holder, Holder acquired any and all rights arising under and related to the Original Note and the Warrant, with Granite no rights whatsoever in, under, or related to the Original Note and the Warrant.
- D. This Exchange Note is issued solely in exchange for the Original Note and the Warrant, and is expressly intended to satisfy all applicable requirements of Section 3(a)(9) of the Securities Act of 1933, as amended from time-to-time (the “Act”).
- E. No commission or other remuneration has been, or will be, paid or given directly or indirectly for soliciting the exchange of the Original Note and the Warrant for this Exchange Note.
- F. This 30 September 2020 Exchange Convertible Promissory Note is referred to herein as the “Exchange Note”).

GENERAL TERMS FOR THE NOTE

Solely in exchange for the Original Note and the Warrant, and for no other consideration, **DATA443 RISK MITIGATION, INC.**, a Nevada corporation (“Borrower”, or “Company”), hereby promises to pay to the order of **BLUE CITI LLC**, a New York limited liability company, or its registered assigns (the “Holder”), on the twelve (12) month anniversary of the Issue Date (the “Maturity Date”), the sum of Three Hundred Twenty Five Thousand Dollars (\$325,000), as set forth herein. No interest shall accrue on the outstanding principal balance hereunder except in the event of an Event of Default, as provided under Section 3.22, below.

All payments due hereunder shall be made in lawful money of the United States of America, at such address as Holder shall hereafter give to Borrower by written notice made in accordance with the provisions of this Exchange Note. Whenever any amount expressed to be due by the terms of this Exchange Note is due on any day which is not a business day, the same shall instead be due on the next succeeding day which is a business day and, in the case of any interest payment date which is not the date on which this Exchange Note is paid in full, the extension of the due date thereof shall not be taken into account for purposes of determining the amount of interest due on such date. As used in this Exchange Note, the term "business day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the City of New York, New York are authorized or required by law or executive order to remain closed.

This Exchange Note is free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of Borrower and will not impose personal liability upon the holder thereof.

The following additional terms and conditions shall apply to this Exchange Note:

ARTICLE I CONVERSION RIGHTS

1.1. Conversion Right. Holder shall have the right, in its sole and absolute discretion, and at any time after the Issue Date to convert all or any part of the outstanding amount due under this Exchange Note into fully paid and non-assessable shares of common stock of Borrower, as such common stock exists on the Issue Date ("Common Stock"), or any shares of capital stock or other securities of Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price determined as provided herein (a "Conversion"). However, in no event shall Holder be entitled to convert any portion of this Exchange Note in excess of that portion of this Exchange Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Exchange Note or the unexercised or unconverted portion of any other security of Borrower subject to a limitation on conversion or exercise analogous to the limitations contained herein), and (2) the number of shares of Common Stock issuable upon the conversion of the portion of this Exchange Note with respect to which the determination of this proviso is being made, would result in beneficial ownership by Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock. For purposes of this Exchange Note, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Regulation 13D-G thereunder, except as otherwise provided in clause (1), above. However, the limitations on conversion may be waived by Holder upon, at the election of Holder, not less than 61 days' prior notice to Borrower, and the provisions of the conversion limitation shall continue to apply until such 61st day (or such later date, as determined by Holder, as may be specified in such notice of waiver). The number of shares of Common Stock to be issued upon each Conversion of this Exchange Note ("Conversion Shares") shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the "Notice of Conversion"), delivered to Borrower by Holder in accordance with Section 1.4 below; provided that the Notice of Conversion is submitted by facsimile or E-Mail (or by other means resulting in, or reasonably expected to result in, notice) to Borrower before 11:59 p.m., New York, New York time on such conversion date (the "Conversion Date"). The term "Conversion Amount" means, with respect to any Conversion of this Exchange Note, the sum of (1) the principal amount of this Exchange Note to be converted in such Conversion; plus (2) accrued and unpaid Default Interest, if any, on such principal amount being converted at the interest rates provided in this Exchange Note to the Conversion Date; plus (3) at Holder's option, any amounts owed to Holder pursuant to Section 1.4(g) hereof.

1.2. Conversion Price.

a) Calculation of Conversion Price. For purposes hereof, the conversion price hereunder (the "Conversion Price") shall equal the lowest trade price of the Common Stock on the Principal Market during the five (5) consecutive Trading Days immediately preceding the Conversion Date, though in no event less than \$0.007. If an Event of Default under Article III of this Exchange Note has occurred, Holder, in its sole discretion, may elect to use a Conversion Price with a discount factor of twenty percent (20%), though still with the minimum price of \$0.007. If Borrower's Common Stock is not traded on the Pink Sheets or OTCQB or an equivalent marketplace, NASDAQ, NYSE, or AMEX, then such sale price shall be the sale price of such security on the principal securities exchange or trading market where such security is listed or traded or, if no sale price of such security is available in any of the foregoing manners, the average of the closing bid prices of any market makers for such security that are listed in the "Pink Sheets" by OTC Markets. If such sale price cannot be calculated for such security on such date in the manner provided above, such price shall be the fair market value as mutually determined by Borrower and Holder. If Borrower's Common Stock is chilled for deposit at DTC, becomes chilled at any point while this Exchange Note remains outstanding or deposit or other additional fees are payable due to a Yield Sign, Stop Sign or other trading restrictions, then such discount factor shall be forty percent (40%). In the event that the shares of Borrower's Common Stock are not deliverable via DWAC following the conversion of any amount hereunder, an additional five percent (5%) discount will be attributed to the Conversion Price.

b) Cooperation. Borrower agrees to cooperate with all conversions hereunder, and that it will take all reasonable steps necessary or appropriate, including providing a board of directors resolution authorizing the issuance of common stock to Holder. So long as the requested sale may be made pursuant to Rule 144 as promulgated by the SEC, as such Rule 144 may be in effect from time to time ("Rule 144"), Borrower agrees to accept an opinion of counsel to Holder confirming the rights of Holder to sell shares of Common Stock issuable or issued to Holder on conversion of this Exchange Note pursuant to Rule 144, which opinion will be issued at Borrower's expense and the conversion dollar amount will be reduced by \$500.00 to cover the cost of such legal opinion. "Trading Day" shall mean any day on which the Common Stock is tradable for any period on the principal securities exchange or other securities market on which the Common Stock is then traded.

c) Additional Principal. If at any time the Conversion Price as determined hereunder for any Conversion would be less than the par value of the Common Stock, then the Conversion Price hereunder shall equal such par value for such Conversion and the Conversion Amount for such Conversion shall be increased to include Additional Principal, where "Additional Principal" means such additional amount to be added to the Conversion Amount to the extent necessary to cause the number of Conversion Shares issuable upon such Conversion to equal the same number of Conversion Shares as would have been issued had the Conversion Price not been subject to the minimum price set forth in this Section 1.2(c).

d) Failure to Timely Deliver. Without in any way limiting Holder's right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion of this Exchange Note is not delivered by the Deadline (as defined below) Borrower shall pay to Holder \$1,000.00 per day in cash, for each day beyond the Deadline that Borrower fails to deliver such Common Stock. Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of Holder, shall be added to the principal amount of this Exchange Note, in which event such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Exchange Note. Borrower agrees that the right to convert this Exchange Note is a valuable right to Holder. The damages resulting from a failure, attempt to frustrate, or interference with such conversion right are difficult if not impossible to quantify. Accordingly, the parties acknowledge the liquidated damages provision contained herein is justified.

1.3. Authorized Shares; Reserved Amount. Borrower covenants that at all times while this Exchange Note is outstanding it will have a sufficient number of shares of authorized and unissued Common Stock, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion or adjustment of this Exchange Note. Borrower shall maintain a separate reserve of shares of Common Stock with Borrower's transfer agent exclusively under this Exchange Note, with said amount of reserve to be the lesser of (i) fifty million (50,000,000) shares of Common Stock; or, (ii) that number of shares of Common Stock needed to fully convert all amounts due hereunder. Borrower shall provide to its transfer agent irrevocable written instructions to enforce this Section 1.3 and all other conversion provisions hereunder.

1.4. Method of Conversion.

a) Mechanics of Conversion. Subject to Section 1.1, this Exchange Note may be converted by Holder in whole or in part at any time following the Issue Date by submitting to Borrower a Notice of Conversion by facsimile, E-Mail or other reasonable means of communication dispatched on the Conversion Date prior to 11:59 p.m., New York, New York time.

b) Book Entry upon Conversion. Notwithstanding anything to the contrary set forth herein, upon conversion of this Exchange Note in accordance with the terms hereof, Holder shall not be required to physically surrender this Exchange Note to Borrower unless the entire unpaid principal amount of this Exchange Note is so converted. Holder and Borrower shall maintain records showing the principal amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to Holder and Borrower, so as not to require physical surrender of this Exchange Note upon each such conversion. In the event of any dispute or discrepancy, such records of Borrower shall, *prima facie*, be controlling and determinative in the absence of manifest error. Notwithstanding the foregoing, if any portion of this Exchange Note is converted as aforesaid, Holder may not transfer this Exchange Note unless Holder first physically surrenders this Exchange Note to Borrower, whereupon Borrower will forthwith issue and deliver upon the order of Holder a new Exchange Note of like tenor, registered as Holder (upon payment by Holder of any applicable transfer taxes) may request, representing in the aggregate the remaining unpaid principal amount of this Exchange Note. Holder and any assignee, by acceptance of this Exchange Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Exchange Note, the unpaid and unconverted principal amount of this Exchange Note represented by this Exchange Note may be less than the amount stated on the face hereof.

c) Payment of Taxes. Borrower shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock or other securities or property on conversion of this Exchange Note, and Borrower shall not be required to issue or deliver any such shares or other securities or property unless and until the person or persons (other than Holder or the custodian in whose street name such shares are to be held for Holder's account) requesting the issuance thereof shall have paid to Borrower the amount of any such tax or shall have established to the satisfaction of Borrower that such tax has been paid.

d) Delivery of Common Stock upon Conversion. Upon receipt by Borrower from Holder of a facsimile transmission or E-Mail (or other reasonable means of communication) of a Notice of Conversion meeting the requirements for conversion as provided in this Section 1.4, Borrower shall issue and deliver or cause to be issued and delivered to or upon the order of Holder certificates for the Common Stock issuable upon such conversion within three (3) business days after such receipt or such an event (the "Deadline") (and, solely in the case of conversion of the entire unpaid principal amount hereof, surrender of this Exchange Note) in accordance with the terms hereof.

e) Obligation of Borrower to Deliver Common Stock. Upon receipt by Borrower of a duly and properly executed Notice of Conversion, Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, and the outstanding principal amount and the amount of accrued and unpaid interest on this Exchange Note shall be reduced to reflect such conversion or adjustment, and, unless Borrower defaults on its obligations under this Article I, all rights with respect to the portion of this Exchange Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as herein provided, on such conversion. If Holder shall have given a Notice of Conversion as provided herein, Borrower's obligation to issue and deliver the certificates for Common Stock shall be absolute and unconditional, irrespective of the absence of any action by Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of Borrower to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by Holder of any obligation to Borrower, and irrespective of any other circumstance which might otherwise limit such obligation of Borrower to Holder in connection with such conversion. The Conversion Date specified in the Notice of Conversion shall be the Conversion Date so long as the Notice of Conversion is received by Borrower before 11:59 p.m, New York, New York time, on such date.

f) Delivery of Common Stock by Electronic Transfer. In lieu of delivering physical certificates representing the Common Stock issuable upon conversion, provided Borrower is participating in the Depository Trust Company ("DTC") Fast Automated Securities Transfer ("FAST") program, upon request of Holder and its compliance with the provisions contained in Section 1.1 and in this Section 1.4, Borrower shall use its best efforts to cause its transfer agent to electronically transmit the Common Stock issuable upon conversion to Holder by crediting the account of Holder's Prime Broker with DTC through its Deposit Withdrawal Agent Commission ("DWAC") system.

g) Failure to Deliver Common Stock Prior to Deadline. Without limiting Holder's right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion or adjustment of this Exchange Note is not delivered by the Deadline, Borrower shall pay to Holder \$1,000.00 per day in cash, for each day beyond the Deadline that Borrower fails to deliver such Common Stock to Holder. Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of Holder, shall be added to the principal amount of this Exchange Note, in which event interest shall accrue thereon in accordance with the terms of this Exchange Note and such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Exchange Note. Borrower agrees that the right to convert and/or receive shares in the event of an adjustment is a valuable right to Holder. The damages resulting from a failure, attempt to frustrate, or interference with such conversion or adjustment right are difficult, if not impossible, to qualify. Accordingly, the parties acknowledge that the liquidated damages provision contained in this Section 1.4(g) are justified.

h) Rule 144. Borrower acknowledges that it will take all reasonable steps necessary or appropriate, including accepting an opinion of counsel to Holder confirming the rights of Holder to sell shares of Common Stock issued to Holder on conversion or adjustment of the Exchange Note pursuant to Rule 144. So long as the requested sale may be made pursuant to Rule 144 Borrower agrees to accept an opinion of counsel to Holder which opinion will be issued at Borrower's expense.

i) Charges and Expenses. Issuance of Common Stock to Holder, or any of its assignees, upon the conversion of this Exchange Note shall be made without charge to Holder for any issuance fee, transfer tax, legal opinion and related charges, postage/ mailing charge or any other expense with respect to the issuance of such Common Stock. Company shall pay all Transfer Agent fees incurred from the issuance of the Common Stock to Holder, as well as any and all other fees and charges required by the Transfer Agent as a condition to effectuate such issuance. Any such fees or charges as noted in this Section that are paid by Holder (whether from Borrower's delays, outright refusal to pay, or otherwise), will be automatically added to the Principal Amount of the Exchange Note and tack back to the Issue Date herein for purposes of Rule 144.

1.5. Restricted Securities. The shares of Common Stock issuable upon conversion or adjustment of this Exchange Note may not be sold or transferred unless (i) such shares are sold pursuant to an effective registration statement under the Act; or, (ii) Borrower or its transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration; or, (iii) such shares are sold or transferred pursuant to Rule 144; or, (iv) such shares are transferred to an "affiliate" (as defined in Rule 144) of Borrower who agrees to sell or otherwise transfer the shares only in accordance with this Section 1.5 and who is an Accredited Investor (as defined under the Act). Any legend set forth on any stock certificate evidencing any Conversion Shares shall be removed and Borrower shall issue to Holder a new certificate therefore free of any transfer legend if (i) Borrower or its transfer agent shall have received an opinion of counsel form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Common Stock may be made without registration under the Act, which opinion shall be reasonably acceptable to Borrower; or, (ii) in the case of the Common Stock issued or issuable upon conversion of this Exchange Note, such security is registered for sale by Holder under an effective registration statement filed under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold.

1.6. Effect of Certain Events.

a) Effect of Merger, Consolidation, Etc. At the option of Holder, the sale, conveyance or disposition of all or substantially all of the assets of Borrower, the effectuation by Borrower of a transaction or series of related transactions in which more than 50% of the voting power of Borrower is disposed of, or the consolidation, merger or other business combination of Borrower with or into any other Person (as defined below) or Persons when Borrower is not the survivor shall either: (i) be deemed to be an Event of Default (as defined in Article III) pursuant to which Borrower shall be required to pay to Holder upon the consummation of and as a condition to such transaction an amount equal to the Default Amount (as defined in Article III) or (ii) be treated pursuant to Section 1.6(b) hereof. "Person" shall mean any individual, corporation, limited liability company, partnership, association, trust or other entity or organization.

b) Adjustment Due to Merger, Consolidation, Etc. If, at any time when this Exchange Note is issued and outstanding and prior to conversion of all of the Notes, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock of Borrower shall be changed into the same or a different number of shares of another class or classes of stock or securities of Borrower or another entity, or in case of any sale or conveyance of all or substantially all of the assets of Borrower other than in connection with a plan of complete liquidation of Borrower, then Holder of this Exchange Note shall thereafter have the right to receive upon conversion of this Exchange Note, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion, such stock, securities or assets which Holder would have been entitled to receive in such transaction had this Exchange Note been converted in full immediately prior to such transaction (without regard to any limitations on conversion set forth herein), and in any such case appropriate provisions shall be made with respect to the rights and interests of Holder of this Exchange Note to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Conversion Price and of the number of shares issuable upon conversion of the Exchange Note) shall thereafter be applicable, as nearly as may be practicable in relation to any securities or assets thereafter deliverable upon the conversion hereof. Borrower shall not affect any transaction described in this Section 1.6(b) unless (a) it first gives, to the extent practicable, thirty (30) days prior written notice (but in any event at least fifteen (15) days prior written notice) of the record date of the special meeting of shareholders to approve, or if there is no such record date, the consummation of, such merger, consolidation, exchange of shares, recapitalization, reorganization or other similar event or sale of assets (during which time, for clarification, Holder shall be entitled to convert this Exchange Note) and (b) the resulting successor or acquiring entity assumes by written instrument the obligations of this Section 1.6(b). The above provisions shall similarly apply to successive consolidations, mergers, sales, transfers or share exchanges.

c) Adjustment Due to Distribution. If Borrower shall declare or make any distribution of its assets (or rights to acquire its assets) to holders of Common Stock as a dividend, stock repurchase, by way of return of capital or otherwise (including any dividend or distribution to Borrower's shareholders in cash or shares (or rights to acquire shares) of capital stock of a subsidiary (i.e., a spin-off)) (a "Distribution"), then Holder of this Exchange Note shall be entitled, upon any conversion of this Exchange Note after the date of record for determining shareholders entitled to such Distribution, to receive the amount of such assets which would have been payable to Holder with respect to the shares of Common Stock issuable upon such conversion had such Holder been the holder of such shares of Common Stock on the record date for the determination of shareholders entitled to such Distribution. Such assets shall be held in escrow by the Company pending any such conversion

d) Purchase Rights. If, at any time when any part of the Exchange Note remains outstanding, Borrower issues any convertible securities or rights to purchase stock, warrants, securities or other property (the "Purchase Rights") pro rata to the record holders of any class of Common Stock, then Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such Holder could have acquired if such Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Exchange Note (without regard to any limitations on conversion contained herein) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights or, if no such record is taken, the date as of which the record holders of Common Stock are determined for the grant, issue or sale of such Purchase Rights.

e) **Stock Dividends and Stock Splits.** If the Company, at any time while this Exchange Note is outstanding: (A) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any securities convertible into or exercisable for Common Stock; (B) subdivides outstanding shares of Common Stock into a larger number of shares; (C) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares; or (D) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Company, then the Conversion Price (and each sale or bid price used in determining the Conversion Price) shall be multiplied by a fraction, of which the numerator shall be the number of shares of Common Stock outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

f) **Notice of Adjustments.** Upon the occurrence of each adjustment or readjustment of the Conversion Price as a result of events described in this Section 1.6, Borrower, at its expense, shall promptly compute such adjustment or readjustment and prepare and furnish to Holder a certificate setting forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based. Borrower shall, upon written request of Holder, furnish to such Holder a like certificate setting forth (i) such adjustment or readjustment, (ii) the Conversion Price at the time in effect and (iii) the number of shares of Common Stock and the amount, if any, of other securities or property which at the time would be received upon conversion of the Exchange Note.

1.7. Revocation. If any Conversion Shares are not received by the Deadline, Holder may revoke the applicable Conversion pursuant to which such Conversion Shares were issuable. This Exchange Note shall remain convertible after the Maturity Date hereof until this Exchange Note is repaid or converted in full.

1.8. Repayment. Notwithstanding anything to the contrary contained in this Exchange Note, subject to the terms of this Section, at any time after the Issue Date Borrower shall have the right, exercisable on not less than five (5) Trading Days prior written notice to Holder of this Exchange Note, to prepay the outstanding balance on this Exchange Note in full, in accordance with this Section, without penalty or premium. Any notice of prepayment hereunder (an "Optional Prepayment Notice") shall be delivered to Holder of the Exchange Note at its registered addresses and shall state: (1) that Borrower is exercising its right to prepay the Exchange Note; and, (2) the date of prepayment, which shall be not more than ten (10) Trading Days from the date of the Optional Repayment Notice. On the date fixed for prepayment (the "Optional Prepayment Date"), Borrower shall make payment to or upon the order of Holder as specified by Holder in writing to Borrower at least one (1) business day prior to the Optional Prepayment Date. If Borrower delivers an Optional Prepayment Notice and fails to pay the amount due to Holder of the Exchange Note within two (2) business days following the Optional Prepayment Date, Borrower shall forever forfeit its right to prepay the Exchange Note pursuant to this Section. Thereafter, Borrower shall have no right to prepay this Exchange Note. However, Borrower shall continue to have the right to repay all obligations hereunder on, as of, and after the Maturity Date.

ARTICLE II. CERTAIN COVENANTS

2.1. Distributions on Capital Stock. So long as any part of this Exchange Note remains unpaid, Borrower shall not without Holder's written consent (a) pay, declare or set apart for such payment, any dividend or other distribution (whether in cash, property or other securities) on shares of capital stock other than dividends on shares of Common Stock solely in the form of additional shares of Common Stock or (b) directly or indirectly or through any subsidiary make any other payment or distribution in respect of its capital stock except for distributions pursuant to any shareholders' rights plan which is approved by a majority of Borrower's disinterested directors.

2.2. Restriction on Stock Repurchases. So long as any part of the Exchange Note remains unpaid, Borrower shall not without Holder's written consent redeem, repurchase or otherwise acquire (whether for cash or in exchange for property or other securities or otherwise) in any one transaction or series of related transactions any issued and outstanding shares of capital stock of Borrower.

2.3. Borrowings; Liens. So long as any part of the Exchange Note remains unpaid, Borrower shall not create, incur, assume guarantee, endorse, contingently agree to purchase or otherwise become liable upon the obligation of any person, firm, partnership, joint venture or corporation, except by the endorsement of negotiable instruments for deposit or collection, or suffer to exist any liability for borrowed money, except (a) borrowings in existence or committed on the date hereof and of which Borrower has informed Holder in writing prior to the date hereof; or, (b) indebtedness to trade creditors or financial institutions incurred in the ordinary course of business; or, (c) borrowings assumed as a result of an acquisition or similar transaction; or, (d) indebtedness of a subsidiary.

2.4. Sale of Assets. So long as any part of the Exchange Note remains unpaid, Borrower shall not, without Holder's written consent, sell, lease or otherwise dispose of substantially all of its assets outside the ordinary course of business. Any consent to such a disposition of assets may be conditioned on a specified use of the proceeds of disposition.

2.5. Advances and Loans. So long as any part of this Exchange Note remains unpaid, Borrower shall not, without Holder's written consent, lend money, give credit or make advances to any person, firm, joint venture or corporation, including, without limitation, officers, directors, employees, officers, subsidiaries and affiliates of Borrower, except loans, credits, or advances in existence or committed on the date hereof and which Borrower has informed Holder in writing prior to the date hereof.

2.6. Charter. So long as any part of this Exchange Note remains unpaid, Borrower shall not amend its charter documents, including without limitation its articles of incorporation and bylaws, in any manner that materially and adversely affects any rights of Holder.

2.7. Transfer Agent. Borrower shall not change its transfer agent absent 5-days prior written notice to Holder. Any resignation by the transfer agent without a replacement transfer agent prior to such replacement taking effect shall constitute an Event of Default.

2.8. Unconditional Obligation; No Offset. Borrower acknowledges that this Exchange Note is an unconditional, valid, binding and enforceable obligation of Borrower not subject to offset, deduction or counterclaim of any kind. Borrower hereby waives any rights of offset it now has or may have hereafter against Holder, its successors and assigns, and agrees to make the payments and conversions called for herein in accordance with the terms of this Exchange Note.

2.9. Exchange. This Exchange Note is issued solely in exchange for the Original Note and the Warrant, and is expressly intended to satisfy all applicable requirements of Section 3(a)(9) of the Act. Securities Act of 1933, as amended from time-to-time (the "Act"). Borrower and Holder each represent and agree that (i) no additional consideration has been requested of or received from Holder; (ii) no additional consideration has been provided to Holder; and, (iii) Borrower has not paid any commission or remuneration for the solicitation of the exchange of the Original Note and the Warrant for this Exchange Note.

ARTICLE III. EVENTS OF DEFAULT

Any one or more of the following events which shall occur and/or be continuing shall constitute an event of default (each, an “Event of Default”):

3.1. Failure to Pay Principal or Interest. Borrower fails to pay the principal hereof or interest thereon when due on this Exchange Note, whether at maturity, upon acceleration or otherwise.

3.2. Conversion and the Shares. Borrower fails to issue shares of Common Stock to Holder (or announces or threatens in writing that it will not honor its obligation to do so at any time following the execution hereof or) upon exercise by Holder of the conversion rights of Holder in accordance with the terms of this Exchange Note, fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form) any certificate for shares of Common Stock issued to Holder upon conversion of or otherwise pursuant to this Exchange Note as and when required by this Exchange Note, Borrower directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form) any certificate for shares of Common Stock to be issued to Holder upon conversion of or otherwise pursuant to this Exchange Note as and when required by this Exchange Note, or fails to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any shares of Common Stock issued to Holder upon conversion of or otherwise pursuant to this Exchange Note as and when required by this Exchange Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph) and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for five (5) business days after Holder shall have delivered a Notice of Conversion. It is an obligation of Borrower to remain current in its obligations to its transfer agent. It shall be an event of default of this Exchange Note, if a conversion of this Exchange Note is delayed, hindered or frustrated due to a balance owed by Borrower to its transfer agent. If at the option of Holder, Holder advances any funds to Borrower’s transfer agent in order to process a conversion, such advanced funds shall be paid by Borrower to Holder within forty eight (48) hours of a demand from Holder.

3.3. Breach of Covenants. Borrower breaches any material covenant or other material term or condition contained in this Exchange Note and such breach continues for a period of seven (7) days after written notice thereof to Borrower from Holder.

3.4. Breach of Representations and Warranties. Any representation or warranty of Borrower made herein or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith, shall be false or misleading in any material respect when made and the breach of which has (or with the passage of time will have) a material adverse effect on the rights of Holder with respect to this Exchange Note.

3.5. Receiver or Trustee. Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business, or such a receiver or trustee shall otherwise be appointed.

3.6. Judgments. Any money judgment, writ or similar process shall be entered or filed against Borrower or any subsidiary of Borrower or any of its property or other assets for more than \$100,000.00, and shall remain unvacated, unbonded or unstayed for a period of twenty (20) days unless otherwise consented to by Holder, which consent will not be unreasonably withheld.

3.7. Bankruptcy. Bankruptcy, reorganization or liquidation proceedings or other proceedings, voluntary or involuntary, for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against Borrower or any subsidiary of Borrower.

3.8. Delisting of Common Stock. Borrower shall fail to maintain the listing of the Common Stock on at least one of the Pink Sheets or OTCQB or an equivalent replacement exchange, NASDAQ, NYSE, or AMEX.

3.9. Failure to Comply with the Exchange Act. Borrower shall fail to comply in any material respect with the reporting requirements of the Exchange Act; and/or Borrower shall cease to be subject to the reporting requirements of the Exchange Act.

3.10. Liquidation. Any dissolution, liquidation, or winding up of Borrower or any substantial portion of its business.

3.11. Cessation of Operations. Any cessation of operations by Borrower or Borrower admits it is otherwise generally unable to pay its debts as such debts become due, provided, however, that any disclosure of Borrower's ability to continue as a "going concern" shall not be an admission that Borrower cannot pay its debts as they become due.

3.12. Maintenance of Assets. The failure by Borrower, during the term of this Exchange Note, to maintain any material intellectual property rights, personal, real property or other assets which are necessary to conduct its business (whether now or in the future).

3.13. Financial Statement Restatement. The restatement of any financial statements filed by Borrower with the SEC for any date or period from two years prior to the Issue Date of this Exchange Note and until this Exchange Note is no longer outstanding, if the result of such restatement would, by comparison to the unrestated financial statement, have constituted a material adverse effect on the rights of Holder with respect to this Exchange Note.

3.14. Reverse Splits. Borrower effectuates a reverse split of its Common Stock without twenty (20) days prior written notice to Holder.

3.15. Replacement of Transfer Agent. In the event that Borrower proposes to replace its transfer agent, the Borrower fails to provide, prior to the effective date of such replacement, to the replacement transfer agent a fully executed copy of this Exchange Note.

3.16. Cross-Default. Notwithstanding anything to the contrary contained in this Exchange Note or the other related or companion documents, a breach or default by Borrower of any covenant or other term or condition contained in any of the Other Agreements (as defined below), after the passage of all applicable notice and cure or grace periods, shall, at the option of Holder, be considered a default under this Exchange Note, in which event Holder shall be entitled (but in no event required) to apply all rights and remedies of Holder under the terms of this Exchange Note. For purposes of this Exchange Note, "Other Agreements" means, collectively, all agreements and instruments between, among, or by Borrower, and, or for the benefit of, Holder and any affiliate of Holder, including, without limitation, promissory notes. Each of the loan transactions will be cross-defaulted with each other loan transaction and with all other existing and future debt of Borrower to Holder.

3.17. SEC Filings. Borrower fails to remain current in its filings with the SEC. Such a failure shall expressly constitute an Event of Default, and the Exchange Note shall become immediately due and payable. The possible reduction in the Conversion Price under Section 1.2(a) is an additional result of, and not an alternative remedy for, a breach of this Section 3.17.

3.18. Inside Information. Borrower or its officers, directors, and/or affiliates attempt to transmit, convey, disclose, or any actual transmittal, conveyance, or disclosure by Borrower or its officers, directors, and/or affiliates of, material non-public information concerning Borrower, to Holder or its successors and assigns, which is not immediately cured by Borrower's filing of a Form 8-K pursuant to Regulation FD on that same date.

3.19 Bid Price. Borrower shall lose the "bid" price for its Common Stock (\$0.0001 on the "Ask" with zero market makers on the "Bid" per Level 2) and/or a market (including the OTC Pink, OTCQB or an equivalent replacement exchange).

3.20 Insolvency. Borrower becomes insolvent or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, subject to applicable grace periods, if any.

3.21 DWAC. Borrower fails to remain DWAC eligible.

3.22 Consequences of Event of Default. Upon the occurrence and during the continuation of any Event of Default specified in Section 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due at the Maturity Date) or Section 3.2, the Exchange Note shall become immediately due and payable and Borrower shall pay to Holder, in full satisfaction of its obligations hereunder, an amount equal to the Default Sum (as defined herein). Upon the occurrence and during the continuation of any Event of Default specified in Sections 3.1, and/or 3.3 through and including 3.21, exercisable through the delivery of written notice to Borrower by Holder (the "Default Notice"), and upon the occurrence of an Event of Default specified in the remaining sections of Articles III (other than failure to pay the principal hereof or interest thereon at the Maturity Date specified in Section 3.1, hereof), the Exchange Note shall become immediately due and payable and Borrower shall pay to Holder, in full satisfaction of its obligations hereunder, an amount equal to the greater of (i) 150% times the sum of (w) the then outstanding principal amount of this Exchange Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Exchange Note to the date of payment (the "Mandatory Prepayment Date") plus (y) "Default Interest", if any, in the amount of eighteen percent (18%) per annum from the date of the Event of Default on the amounts referred to in clauses (w) and/or (x) plus (z) any amounts owed to Holder pursuant to Sections 1.3 and 1.4(g) hereof (the then outstanding principal amount of this Exchange Note to the date of payment plus the amounts referred to in clauses (x), (y) and (z) shall collectively be known as the "Default Sum") or (ii) the "parity value" of the Default Sum to be prepaid, where parity value means (a) the highest number of shares of Common Stock issuable upon conversion of or otherwise pursuant to such Default Sum in accordance with Article I, treating the Trading Day immediately preceding the Mandatory Prepayment Date as the "Conversion Date" for purposes of determining the lowest applicable Conversion Price, unless the Default Event arises as a result of a breach in respect of a specific Conversion Date in which case such Conversion Date shall be the Conversion Date), multiplied by (b) the highest Closing Price for the Common Stock during the period beginning on the date of first occurrence of the Event of Default and ending one day prior to the Mandatory Prepayment Date (the "Default Amount") and all other amounts payable hereunder shall immediately become due and payable, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

If Borrower fails to pay the Default Amount within five (5) business days of written notice that such amount is due and payable, then Holder shall have the right at any time, so long as Borrower remains in default (and so long and to the extent that there are sufficient authorized shares), to require Borrower, upon written notice, to immediately issue, in lieu of the Default Amount, the number of shares of Common Stock of Borrower equal to the Default Amount divided by the Conversion Price then in effect. Holder may still convert any amounts due hereunder, including without limitation, the Default Sum, until such time as this Exchange Note has been repaid in full.

ARTICLE IV. MISCELLANEOUS

4.1. Failure or Indulgence Not Waiver. No failure or delay on the part of Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

4.2. Notices. 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, twenty four (24) hours after being sent; (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. Each party hereby expressly consents to the use of Electronic Transmission for communications and notices under this Exchange Note. For purposes of this Exchange Note, “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.

4.3. Amendments. This Exchange Note and any provision hereof may only be amended by an instrument in writing signed by Borrower and Holder. The term “Exchange Note” and all reference thereto, as used throughout this instrument, shall mean this instrument as originally executed, or if later amended or supplemented, then as so amended or supplemented.

4.4. Assignability. This Exchange Note shall be binding upon Borrower and its successors and assigns, and shall inure to be the benefit of Holder and its successors and assigns. Borrower may not assign this Exchange Note without the prior written consent of Holder. This Exchange Note, and nay portion thereof, and any share of Common Stock issued upon the conversion of this Exchange Note, may be offered, sold, assigned, pledged, or transferred by Holder without the consent of Borrower.

4.5. Cost of Collection. If default is made in the payment of this Exchange Note, Borrower shall pay Holder hereof costs of collection, including reasonable attorneys’ fees.

4.6. Governing Law. This Exchange Note shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of laws principles that would result in the application of the substantive laws of another jurisdiction. Any action brought by either party against the other concerning the transactions contemplated by this Agreement must be brought only in (i) the state courts in Dade or Broward County, Florida; or (ii) the state courts in New York County, New York, in the sole discretion of the party bringing the action. Both parties and the individual signing this Agreement on behalf of Borrower agree to submit to the jurisdiction of such courts. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Exchange Note is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform to such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or unenforceability of any other provision of this Exchange Note. Nothing contained herein shall be deemed to preclude Holder from bringing suit or taking other legal action against Borrower in any other jurisdiction to collect on Borrower's obligations to Holder, to realize on any collateral or any other security for such obligations, or to enforce a judgment or other decision in favor of Holder. **This Exchange Note shall be deemed an unconditional obligation of Borrower for the payment of money and, without limitation to any other remedies of Holder, may be enforced against Borrower by summary proceeding pursuant to New York Civil Procedure Law and Rules Section 3213 or any similar rule or statute in the jurisdiction where enforcement is sought. For purposes of such rule or statute, any other document or agreement to which Holder and Borrower are parties or which Borrower delivered to Holder, which may be convenient or necessary to determine Holder's rights hereunder or Borrower's obligations to Holder are deemed a part of this Exchange Note, whether or not such other document or agreement was delivered together herewith or was executed apart from this Exchange Note.**

4.7. Certain Amounts. Whenever pursuant to this Exchange Note Borrower is required to pay an amount in excess of the outstanding principal amount (or the portion thereof required to be paid at that time) plus accrued and unpaid interest plus Default Interest on such interest, Borrower and Holder agree that the actual damages to Holder from the receipt of cash payment on this Exchange Note may be difficult to determine and the amount to be so paid by Borrower represents stipulated damages and not a penalty and is intended to compensate Holder in part for loss of the opportunity to convert this Exchange Note and to earn a return from the sale of shares of Common Stock acquired upon conversion of this Exchange Note at a price in excess of the price paid for such shares pursuant to this Exchange Note. Borrower and Holder hereby agree that such amount of stipulated damages is not plainly disproportionate to the possible loss to Holder from the receipt of a cash payment without the opportunity to convert this Exchange Note into shares of Common Stock.

4.8. Disclosure. Upon receipt or delivery by Borrower of any notice in accordance with the terms of this Exchange Note, unless Borrower has in good faith determined that the matters relating to such notice do not constitute material, non-public information relating to Borrower, Borrower shall within four (4) days after any such receipt or delivery, publicly disclose such material, non-public information on a Current Report on Form 8-K, or such similar disclosure in accordance with the rules of the OTC Markets. In the event that Borrower believes that a notice contains material, non-public information relating to Borrower, Borrower so shall indicate to Holder contemporaneously with delivery of such notice, and in the absence of any such indication, Holder shall be allowed to presume that all matters relating to such notice do not constitute material, non-public information relating to Borrower.

4.9. Notice of Corporate Events. Except as otherwise provided below, Holder of this Exchange Note shall have no rights as a Holder of Common Stock unless and only to the extent that it converts this Exchange Note into Common Stock. Borrower shall provide Holder with prior notification of any meeting of Borrower's shareholders (and copies of proxy materials and other information sent to shareholders). In the event of any taking by Borrower of a record of its shareholders for the purpose of determining shareholders who are entitled to receive payment of any dividend or other distribution, any right to subscribe for, purchase or otherwise acquire (including by way of merger, consolidation, reclassification or recapitalization) any share of any class or any other securities or property, or to receive any other right, or for the purpose of determining shareholders who are entitled to vote in connection with any proposed sale, lease or conveyance of all or substantially all of the assets of Borrower or any proposed liquidation, dissolution or winding up of Borrower, Borrower shall mail a notice to Holder, at least twenty (20) days prior to the record date specified therein (or thirty (30) days prior to the consummation of the transaction or event, whichever is earlier), of the date on which any such record is to be taken for the purpose of such dividend, distribution, right or other event, and a brief statement regarding the amount and character of such dividend, distribution, right or other event to the extent known at such time. Borrower shall make a public announcement of any event requiring notification to Holder hereunder substantially simultaneously with the notification to Holder in accordance with this Section 4.9.

4.10. Remedies. Borrower acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to Holder, by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, Borrower acknowledges that the remedy at law for a breach of its obligations under this Exchange Note will be inadequate and agrees, in the event of a breach or threatened breach by Borrower of the provisions of this Exchange Note, that Holder shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Exchange Note and to enforce specifically the terms and provisions thereof, without the necessity of showing economic loss and without any bond or other security being required.

4.11. Voluntary Agreement. Borrower has carefully read this Exchange Note and has asked any questions needed for Borrower to understand the terms, consequences and binding effect of this Exchange Note and fully understand them. Borrower has had the opportunity to seek the advice of an attorney of Borrower's choosing, or has waived the right to do so, and is executing this Exchange Note voluntarily and without any duress or undue influence by Holder or anyone else.

4.12. Accredited Investor Status. Holder is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D.

4.13. Severability. If any part of this Exchange Note is construed to be in violation of any law, such part shall be modified to achieve the objective of Borrower and Holder to the fullest extent permitted by law and the balance of this Exchange Note shall remain in full force and effect.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, Borrower has caused this Exchange Note to be signed in its name by its duly authorized officer as of the Issue Date first set forth above.

DATA443 RISK MITIGATION, INC.,
a Nevada corporation

BY: _____
NAME: _____
TITLE: _____
DATED: _____

ACKNOWLEDGED, ACCEPTED, AND AGREED:

BLUE CITI LLC,
a New York limited liability company

BY: _____
NAME: _____
TITLE: _____
DATED: _____

EXHIBIT A
NOTICE OF CONVERSION

The undersigned hereby elects to convert principal under the 30 September 2020 Exchange Convertible Promissory Note issued in the original principal amount of \$325,000 (the "Exchange Note") by DATA443 RISK MITIGATION, INC., a Nevada corporation (the "Company"), into shares of common stock of the Company (the "Common Stock"), in accordance with the terms and conditions of the Exchange Note and as provided for herein, as of the date written below. If shares of Common Stock are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any.

By the delivery of this Notice of Conversion the undersigned represents and warrants to the Company that its ownership of the Common Stock does not exceed the amounts specified under Section 1.1 of this Exchange Note, as determined in accordance with Section 13(d) of the Exchange Act.

CONVERSION CALCULATIONS:

Date of Conversion: _____	Conversion Price: _____
Principal Amount Converted: _____	Interest Converted: _____
Number of Shares of Common Stock to be Issued: _____	
Remaining Principal Balance of the Exchange Note: _____	

HOLDER: _____

Authorized Signature: _____

Name: _____

Title: _____

Address for Delivery of Certificates: _____

OR

DWAC Instructions: Broker #: _____

Account #: _____

OR

Other Instructions:

SHARE SETTLEMENT AGREEMENT

JASON REMILLARD

and

DATA443 RISK MITIGATION, INC.

EFFECTIVE DATE:
14 August 2020

SHARE SETTLEMENT AGREEMENT

**I
PARTIES**

THIS SHARE SETTLEMENT AGREEMENT (the “Agreement”) is entered into as of and on the 14th day of August, 2020 (the “Effective Date”), by and between JASON REMILLARD, an individual residing in the State of North Carolina (“Remillard”); **and**, DATA443 RISK MITIGATION, INC., a Nevada corporation (“Data443”). Remillard and Data443 are sometimes referred to collectively herein as the “Parties”, and each individually as a “Party”.

**II
RECITALS**

A. The Parties previously engaged in transactions intended to be tax-free under which Data443 acquired from Remillard one hundred percent (100%) of the issued and outstanding ownership interests of both Myriad Software Productions, LLC and Data443 Risk Mitigation, Inc. (a North Carolina corporation), collectively referred to herein as the “Acquired Companies”.

B. As part of the consideration for the Acquired Companies, Data443 was obligated to issue to Remillard shares of Data443 common stock (the “Common Shares”), as reflected in the filings of Data443 with the Securities and Exchange Commission.

C. Data443 has failed to issue the Common Shares to Remillard for over two (2) years, and each Party is now willing to provide assurances to the other that it will not assert any claims of any kind against the other arising solely out of the failure to issue the Common Shares, without impacting any other consideration to be issued for the Acquired Companies, or with regard to any other relationship or claim of right whatsoever arising out of or in any manner or form related to any other relationship between the Parties.

D. The parties desire to resolve all issues related to the Common Shares.

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
SHARE ISSUANCE AND SETTLEMENT**

3.1 Issuance of Preferred Shares. As additional consideration hereunder, and in lieu of issuance of any of the Common Shares, Data443 shall immediately issue to Remillard one hundred forty four thousand (144,000) shares of its Series A Preferred Stock (the “Preferred Shares”). The Preferred Shares shall be deemed to be fully paid for, non-assessable, and owned free and clear by Remillard, and shall be deemed to have been issued for the Acquired Companies in the same manner as the Common Shares, and as of the same time as the Common Shares were to have been issued to Remillard.

3.2 No Further Right to the Common Shares. Upon issuance of the Preferred Shares, Remillard shall have no further right to any of the Common Shares, and Remillard hereby expressly agree to settle and release Data443 from any and all known and unknown claims of every nature and kind whatsoever, losses, fines, penalties, damages, demands, judgments, debts, obligations, interests, liabilities, causes of action, breaches of duty, costs, expenses, and injunctions of any nature whatsoever, arising out of the failure to issue the Common Shares. Remillard expressly does not waive any other right whatsoever, including without limitation, the right to receive any additional consideration for the Acquired Companies, other than the Common Shares.

3.3 **Tax Treatment.** The Parties agree that the issuance of the Preferred Shares is for no reason other than as settlement hereunder to replace the obligation to issue the Common Shares, and is intended to be a non-taxable event to all Parties. Neither Party shall take a position (i) on any tax return; (ii) in any filing with the Securities and Exchange Commission; (iii) in any financial statements; or, (iv) before any judicial, administrative, or taxing authority that is inconsistent with this Section 3.3, unless otherwise required by a final and binding determination or resolution of a governmental body with appropriate jurisdiction. Each Party agrees to promptly notify the other of any assertion by a taxing authority of a position that is inconsistent with this Section 3.3.

3.4 **After Acquired Information.** The Parties acknowledge that they may hereafter discover information, facts, or circumstances different from or in addition to those which they now know or believe to be true. Except as otherwise provided herein to the contrary, this Agreement shall remain in full force and effect in all respects notwithstanding such discovery, and the Parties expressly accept and assume the risk of such possible additions to or differences from those facts now known or believed to be true.

IV

ADDITIONAL REPRESENTATIONS AND OBLIGATIONS

4.1 **Independent Legal Counsel.** The Parties warrant, represent, and agree that in executing this Agreement, they do so with full knowledge of the rights each may have with respect to the other Party, and that each has received, or has had the opportunity to receive, independent legal advice as to these rights. Each of the Parties has executed this Agreement with full knowledge of these rights, and under no fraud, duress, or undue influence.

4.2 **Execution and Performance of Agreement**

4.2.1. **By Data443.** Data443 hereby warrants and represents to Remillard as follows:

(a) It 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. All proceedings have been taken and all authorizations have been secured which are necessary to authorize the execution, delivery, and performance by Data443 of this Agreement. This Agreement has been duly and validly executed and delivered by Data443 and constitutes the valid and binding obligations of Data443, enforceable in accordance with the respective terms.

(b) The consummation by Data443 of the transactions herein contemplated, including the execution, delivery and consummation of this Agreement, will not violate any judgment, law, order, writ, rule or regulation, or determination or decree of any arbitrator, court, or other governmental agency or administrative body (collectively, "Requirement of Law") applicable or binding upon Data443.

4.2.2. **By Remillard.** Remillard hereby warrants and represents to Data443 as follows:

(a) He 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. All proceedings have been taken and all authorizations have been secured which are necessary to authorize the execution, delivery, and performance by Remillard of this Agreement. This Agreement has been duly and validly executed and delivered by Remillard and constitutes the valid and binding obligations of Remillard, enforceable in accordance with the respective terms.

(b) The consummation by Remillard of the transactions herein contemplated, including the execution, delivery, and consummation of this Agreement, will not violate any Requirement of Law applicable or binding upon Remillard.

V

ADDITIONAL PROVISIONS

5.1 **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 by 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.

5.2 **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 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 herein; and, (ii) any course of performance and/or usage of the trade inconsistent with any of the terms hereof.

5.3 **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 hereof is held void or invalid for any reason by a court of competent jurisdiction, such invalidity shall not affect the remainder of this Agreement.

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

5.5 **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.

5.6 **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.

5.7 **Recovery of Fees by Prevailing Party.** In the event of any legal action (including arbitration) to enforce or interpret the provisions of 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 court shall determine. 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.

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

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

5.10 **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.

5.11 **Assignability.** This Agreement is not assignable by either Party without the expressed written consent of all Parties.

5.12 **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 the Parties; shall be deemed to have been drafted by all Parties; and, 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.

5.13 **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.

5.14 **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 5.14.

5.15 **Notices.**

5.15.1. **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 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.

5.15.2. **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 can be rendered into clearly legible tangible form.

5.15.3. **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 5.15.

5.16 **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 5.16 shall not include any obligation to incur substantial expense or liability.

5.17 **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.

VI
EXECUTION

IN WITNESS WHEREOF, this Agreement has been duly executed by the Parties in Wake County, North Carolina, and shall be effective as of and on the Effective Date. Each of the undersigned 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.

REMILLARD:

DATA443

DATA443 RISK MITIGATION, INC.,
a Nevada corporation

JASON REMILLARD

DATED: _____

BY: _____

NAME: _____

TITLE: _____

DATED: _____

NEITHER THE ISSUANCE NOR SALE OF THE SECURITIES REPRESENTED BY THIS NOTE, NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR, (B) AN OPINION OF COUNSEL (SELECTED BY HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT; OR, (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

\$300,000.00

Issue Date: 24 August 2020

24 AUGUST 2020 CONVERTIBLE PROMISSORY NOTE

FOR VALUE RECEIVED, DATA443 RISK MITIGATION, INC., a Nevada corporation ("Borrower", or "Company"), hereby promises to pay to the order BLUE CITI LLC, a New York limited liability company, or its registered assigns (the "Holder"), on the twelve (12) month anniversary of the Issue Date (the "Maturity Date"), the sum of Three Hundred Thousand Dollars (\$300,000) as set forth herein, together with interest on the unpaid principal balance hereof at the rate of ten percent (10%) per annum (the "Interest Rate") from the Issue Date until this 24 August 2020 Convertible Promissory Note (the "Note"), plus any and all other amounts due hereunder, are paid in full, and any additional amounts set forth herein, including without limitation any Additional Principal (as defined herein). Interest shall be computed on the basis of a 365-day year and the actual number of days elapsed. Any amount of principal or interest on this Note which is not paid when due shall bear interest at the rate of eighteen percent (18%) per annum from the due date thereof until same is paid ("Default Interest"). All payments due hereunder shall be made in lawful money of the United States of America. All payments shall be made at such address as Holder shall hereafter give to Borrower by written notice made in accordance with the provisions of this Note. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a business day, the same shall instead be due on the next succeeding day which is a business day and, in the case of any interest payment date which is not the date on which this Note is paid in full, the extension of the due date thereof shall not be taken into account for purposes of determining the amount of interest due on such date. As used in this Note, the term "business day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the city of New York, New York are authorized or required by law or executive order to remain closed. Each capitalized term used herein, and not otherwise defined, shall have the meaning ascribed thereto in that certain Securities Purchase Agreement concurrently entered into by and between Borrower and Holder and dated as of the Issue Date (the "Purchase Agreement"). This Note is subject to an original issue discount in the amount of Twenty Five Thousand Dollars (\$25,000), such that Holder shall remit to Borrower the sum of Two Hundred Seventy Five Thousand (\$275,000) as the full and complete "Purchase Price" for this Note, as defined in the Purchase Agreement.

This Note is free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of Borrower and will not impose personal liability upon the holder thereof.

The following terms shall apply to this Note:

ARTICLE I. CONVERSION RIGHTS

1.1. Conversion Right. Holder shall have the right, in its sole and absolute discretion, and at any time following six (6) months after the Issue Date to convert all or any part of the outstanding amount due under this Note into fully paid and non-assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price determined as provided herein (a "Conversion"); provided, however, that in no event shall Holder be entitled to convert any portion of this Note in excess of that portion of this Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Notes or the unexercised or unconverted portion of any other security of Borrower subject to a limitation on conversion or exercise analogous to the limitations contained herein), and (2) the number of shares of Common Stock issuable upon the conversion of the portion of this Note with respect to which the determination of this proviso is being made, would result in beneficial ownership by Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock. For purposes of this Note, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Regulation 13D-G thereunder, except as otherwise provided in clause (1), above. However, the limitations on conversion may be waived by Holder upon, at the election of Holder, not less than 61 days' prior notice to Borrower, and the provisions of the conversion limitation shall continue to apply until such 61st day (or such later date, as determined by Holder, as may be specified in such notice of waiver). The number of shares of Common Stock to be issued upon each Conversion of this Note ("Conversion Shares") shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the "Notice of Conversion"), delivered to Borrower by Holder in accordance with Section 1.4 below; provided that the Notice of Conversion is submitted by facsimile or E-Mail (or by other means resulting in, or reasonably expected to result in, notice) to Borrower before 11:59 p.m., New York, New York time on such conversion date (the "Conversion Date"). The term "Conversion Amount" means, with respect to any Conversion of this Note, the sum of (1) the principal amount of this Note to be converted in such Conversion; plus (2) accrued and unpaid interest, if any, on such principal amount being converted at the interest rates provided in this Note to the Conversion Date; plus (3) at Holder's option, Default Interest, if any, on the amounts referred to in the immediately preceding clauses (1) and/or (2); plus (4) any Additional Principal for such Conversion; plus (5) at Holder's option, any amounts owed to Holder pursuant to Sections 1.2(c) and 1.4(g) hereof.

1.2. Conversion Price.

a) **Calculation of Conversion Price.** For purposes hereof, the conversion price hereunder (the "Conversion Price") shall equal sixty percent (60%) of the lowest trade price of the Common Stock on the Principal Market during the twenty (20) consecutive Trading Days immediately preceding the (i) Issue Date; or, (ii) Conversion Date. If an Event of Default under Article III of this Note has occurred, Holder, in its sole discretion, may elect to use a Conversion Price which shall use a fifty percent (50%) factor rather than the 60% provided for above. If Borrower's Common Stock is not traded on the Pink Sheets or OTCQB or an equivalent marketplace, NASDAQ, NYSE, or AMEX, then such sale price shall be the sale price of such security on the principal securities exchange or trading market where such security is listed or traded or, if no sale price of such security is available in any of the foregoing manners, the average of the closing bid prices of any market makers for such security that are listed in the "Pink Sheets" by OTC Markets. If such sale price cannot be calculated for such security on such date in the manner provided above, such price shall be the fair market value as mutually determined by Borrower and Holder. If Borrower's Common Stock is chilled for deposit at DTC, becomes chilled at any point while this Note remains outstanding or deposit or other additional fees are payable due to a Yield Sign, Stop Sign or other trading restrictions, then such percentage figure specified above shall be reduced to forty percent (40%). In the event that the shares of Borrower's Common Stock are not deliverable via DWAC following the conversion of any amount hereunder, an additional 5% discount will be attributed to the Conversion Price.

b) **Cooperation.** Borrower agrees to cooperate with all conversions hereunder, and that it will take all reasonable steps necessary or appropriate, including providing a board of directors resolution authorizing the issuance of common stock to Holder. So long as the requested sale may be made pursuant to Rule 144, Borrower agrees to accept an opinion of counsel to Holder confirming the rights of Holder to sell shares of Common Stock issuable or issued to Holder on conversion of this Note pursuant to Rule 144 as promulgated by the SEC ("Rule 144"), as such Rule 144 may be in effect from time to time, which opinion will be issued at Borrower's expense and the conversion dollar amount will be reduced by \$500.00 to cover the cost of such legal opinion. "Trading Day" shall mean any day on which the Common Stock is tradable for any period on the principal securities exchange or other securities market on which the Common Stock is then traded.

c) **Additional Principal.** If at any time the Conversion Price as determined hereunder for any Conversion would be less than the par value of the Common Stock, then the Conversion Price hereunder shall equal such par value for such Conversion and the Conversion Amount for such Conversion shall be increased to include Additional Principal, where "Additional Principal" means such additional amount to be added to the Conversion Amount to the extent necessary to cause the number of Conversion Shares issuable upon such Conversion to equal the same number of Conversion Shares as would have been issued had the Conversion Price not been subject to the minimum price set forth in this Section 1.2(c).

d) **Failure to Timely Deliver.** Without in any way limiting Holder's right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion of this Note is not delivered by the Deadline (as defined below) Borrower shall pay to Holder \$1,000.00 per day in cash, for each day beyond the Deadline that Borrower fails to deliver such Common Stock. Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of Holder, shall be added to the principal amount of this Note, in which event interest shall accrue thereon in accordance with the terms of this Note and such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Note. Borrower agrees that the right to convert this Note is a valuable right to Holder. The damages resulting from a failure, attempt to frustrate, or interference with such conversion right are difficult if not impossible to quantify. Accordingly the parties acknowledge the liquidated damages provision contained herein is justified.

1.3. Authorized Shares; Reserved Amount. Borrower covenants that at all times while this Note is outstanding it will have a sufficient number of shares of authorized and unissued Common Stock, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion or adjustment of this Note. Borrower is NOT required to maintain any separate reserve of shares of Common Stock with Borrower's transfer agent exclusively under this Note. However, Borrower shall ensure that as of the Issue Date at least one hundred million (100,000,000) shares of Common Stock will be irrevocably reserved for the benefit of Holder with Borrower's transfer agent. Borrower and Holder have also previously executed that certain Blue Citi Notes August 2020 Agreement which further provides for reserves of Common Stock for conversion under this Note, the terms and conditions of which (with regard to reserves of Common Stock) are hereby incorporated herein by reference.

1.4. Method of Conversion.

a) Mechanics of Conversion. Subject to Section 1.1, this Note may be converted by Holder in whole or in part at any time following the Maturity Date, and not before, by submitting to Borrower a Notice of Conversion (by facsimile, E-Mail or other reasonable means of communication dispatched on the Conversion Date prior to 11:59 p.m., New York, New York time).

b) Book Entry upon Conversion. Notwithstanding anything to the contrary set forth herein, upon conversion of this Note in accordance with the terms hereof, Holder shall not be required to physically surrender this Note to Borrower unless the entire unpaid principal amount of this Note is so converted. Holder and Borrower shall maintain records showing the principal amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to Holder and Borrower, so as not to require physical surrender of this Note upon each such conversion. In the event of any dispute or discrepancy, such records of Borrower shall, *prima facie*, be controlling and determinative in the absence of manifest error. Notwithstanding the foregoing, if any portion of this Note is converted as aforesaid, Holder may not transfer this Note unless Holder first physically surrenders this Note to Borrower, whereupon Borrower will forthwith issue and deliver upon the order of Holder a new Note of like tenor, registered as Holder (upon payment by Holder of any applicable transfer taxes) may request, representing in the aggregate the remaining unpaid principal amount of this Note. Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note represented by this Note may be less than the amount stated on the face hereof.

c) Payment of Taxes. Borrower shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock or other securities or property on conversion of this Note, and Borrower shall not be required to issue or deliver any such shares or other securities or property unless and until the person or persons (other than Holder or the custodian in whose street name such shares are to be held for Holder's account) requesting the issuance thereof shall have paid to Borrower the amount of any such tax or shall have established to the satisfaction of Borrower that such tax has been paid.

d) Delivery of Common Stock upon Conversion. Upon receipt by Borrower from Holder of a facsimile transmission or E-Mail (or other reasonable means of communication) of a Notice of Conversion meeting the requirements for conversion as provided in this Section 1.4, Borrower shall issue and deliver or cause to be issued and delivered to or upon the order of Holder certificates for the Common Stock issuable upon such conversion within three (3) business days after such receipt or such an event (the "Deadline") (and, solely in the case of conversion of the entire unpaid principal amount hereof, surrender of this Note) in accordance with the terms hereof.

e) Obligation of Borrower to Deliver Common Stock. Upon receipt by Borrower of a duly and properly executed Notice of Conversion, Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, and the outstanding principal amount and the amount of accrued and unpaid interest on this Note shall be reduced to reflect such conversion or adjustment, and, unless Borrower defaults on its obligations under this Article I, all rights with respect to the portion of this Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as herein provided, on such conversion. If Holder shall have given a Notice of Conversion as provided herein, Borrower's obligation to issue and deliver the certificates for Common Stock shall be absolute and unconditional, irrespective of the absence of any action by Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of Borrower to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by Holder of any obligation to Borrower, and irrespective of any other circumstance which might otherwise limit such obligation of Borrower to Holder in connection with such conversion. The Conversion Date specified in the Notice of Conversion shall be the Conversion Date so long as the Notice of Conversion is received by Borrower before 11:59 p.m., New York, New York time, on such date.

f) Delivery of Common Stock by Electronic Transfer. In lieu of delivering physical certificates representing the Common Stock issuable upon conversion, provided Borrower is participating in the Depository Trust Company (“DTC”) Fast Automated Securities Transfer (“FAST”) program, upon request of Holder and its compliance with the provisions contained in Section 1.1 and in this Section 1.4, Borrower shall use its best efforts to cause its transfer agent to electronically transmit the Common Stock issuable upon conversion to Holder by crediting the account of Holder’s Prime Broker with DTC through its Deposit Withdrawal Agent Commission (“DWAC”) system.

g) Failure to Deliver Common Stock Prior to Deadline. Without in any way limiting Holder’s right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion or adjustment of this Note is not delivered by the Deadline, Borrower shall pay to Holder \$1,000.00 per day in cash, for each day beyond the Deadline that Borrower fails to deliver such Common Stock to Holder. Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of Holder, shall be added to the principal amount of this Note, in which event interest shall accrue thereon in accordance with the terms of this Note and such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Note. Borrower agrees that the right to convert and/or receive shares in the event of an adjustment is a valuable right to Holder. The damages resulting from a failure, attempt to frustrate, or interference with such conversion or adjustment right are difficult if not impossible to qualify. Accordingly the parties acknowledge that the liquidated damages provision contained in this Section 1.4(g) are justified.

h) Rule 144. Borrower acknowledges that it will take all reasonable steps necessary or appropriate, including accepting an opinion of counsel to Holder confirming the rights of Holder to sell shares of Common Stock issued to Holder on conversion or adjustment of the Note pursuant to Rule 144. So long as the requested sale may be made pursuant to Rule 144 Borrower agrees to accept an opinion of counsel to Holder which opinion will be issued at Borrower’s expense.

i) Charges and Expenses. Issuance of Common Stock to Holder, or any of its assignees, upon the conversion of this Note shall be made without charge to Holder for any issuance fee, transfer tax, legal opinion and related charges, postage/ mailing charge or any other expense with respect to the issuance of such Common Stock. Company shall pay all Transfer Agent fees incurred from the issuance of the Common Stock to Holder, as well as any and all other fees and charges required by the Transfer Agent as a condition to effectuate such issuance. Any such fees or charges as noted in this Section that are paid by Holder (whether from Borrower’s delays, outright refusal to pay, or otherwise), will be automatically added to the Principal Amount of the Note and tack back to the Issue Date herein for purposes of Rule 144.

1.5. Restricted Securities. The shares of Common Stock issuable upon conversion or adjustment of this Note may not be sold or transferred unless (i) such shares are sold pursuant to an effective registration statement under the Act or (ii) Borrower or its transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration or (iii) such shares are sold or transferred pursuant to Rule 144 under the Act (or a successor rule) ("Rule 144") or (iv) such shares are transferred to an "affiliate" (as defined in Rule 144) of Borrower who agrees to sell or otherwise transfer the shares only in accordance with this Section 1.5 and who is an Accredited Investor (as defined in the Purchase Agreement). Any legend set forth on any stock certificate evidencing any Conversion Shares shall be removed and Borrower shall issue to Holder a new certificate therefore free of any transfer legend if (i) Borrower or its transfer agent shall have received an opinion of counsel form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Common Stock may be made without registration under the Act, which opinion shall be reasonably acceptable to Borrower, or (ii) in the case of the Common Stock issued or issuable upon conversion of this Note, such security is registered for sale by Holder under an effective registration statement filed under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold.

1.6. Effect of Certain Events.

a) Effect of Merger, Consolidation, Etc. At the option of Holder, the sale, conveyance or disposition of all or substantially all of the assets of Borrower, the effectuation by Borrower of a transaction or series of related transactions in which more than 50% of the voting power of Borrower is disposed of, or the consolidation, merger or other business combination of Borrower with or into any other Person (as defined below) or Persons when Borrower is not the survivor shall either: (i) be deemed to be an Event of Default (as defined in Article III) pursuant to which Borrower shall be required to pay to Holder upon the consummation of and as a condition to such transaction an amount equal to the Default Amount (as defined in Article III) or (ii) be treated pursuant to Section 1.6(b) hereof. "Person" shall mean any individual, corporation, limited liability company, partnership, association, trust or other entity or organization.

b) Adjustment Due to Merger, Consolidation, Etc. If, at any time when this Note is issued and outstanding and prior to conversion of all of the Notes, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock of Borrower shall be changed into the same or a different number of shares of another class or classes of stock or securities of Borrower or another entity, or in case of any sale or conveyance of all or substantially all of the assets of Borrower other than in connection with a plan of complete liquidation of Borrower, then Holder of this Note shall thereafter have the right to receive upon conversion of this Note, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion, such stock, securities or assets which Holder would have been entitled to receive in such transaction had this Note been converted in full immediately prior to such transaction (without regard to any limitations on conversion set forth herein), and in any such case appropriate provisions shall be made with respect to the rights and interests of Holder of this Note to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Conversion Price and of the number of shares issuable upon conversion of the Note) shall thereafter be applicable, as nearly as may be practicable in relation to any securities or assets thereafter deliverable upon the conversion hereof. Borrower shall not affect any transaction described in this Section 1.6(b) unless (a) it first gives, to the extent practicable, thirty (30) days prior written notice (but in any event at least fifteen (15) days prior written notice) of the record date of the special meeting of shareholders to approve, or if there is no such record date, the consummation of, such merger, consolidation, exchange of shares, recapitalization, reorganization or other similar event or sale of assets (during which time, for clarification, Holder shall be entitled to convert this Note) and (b) the resulting successor or acquiring entity assumes by written instrument the obligations of this Section 1.6(b). The above provisions shall similarly apply to successive consolidations, mergers, sales, transfers or share exchanges.

c) Adjustment Due to Distribution. If Borrower shall declare or make any distribution of its assets (or rights to acquire its assets) to holders of Common Stock as a dividend, stock repurchase, by way of return of capital or otherwise (including any dividend or distribution to Borrower's shareholders in cash or shares (or rights to acquire shares) of capital stock of a subsidiary (i.e., a spin-off) (a "Distribution"), then Holder of this Note shall be entitled, upon any conversion of this Note after the date of record for determining shareholders entitled to such Distribution, to receive the amount of such assets which would have been payable to Holder with respect to the shares of Common Stock issuable upon such conversion had such Holder been the holder of such shares of Common Stock on the record date for the determination of shareholders entitled to such Distribution. Such assets shall be held in escrow by the Company pending any such conversion

d) Purchase Rights. If, at any time when any part of the Note remains outstanding, Borrower issues any convertible securities or rights to purchase stock, warrants, securities or other property (the "Purchase Rights") pro rata to the record holders of any class of Common Stock, then Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such Holder could have acquired if such Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without regard to any limitations on conversion contained herein) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

e) Stock Dividends and Stock Splits. If the Company, at any time while this Note is outstanding: (A) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any securities convertible into or exercisable for Common Stock; (B) subdivides outstanding shares of Common Stock into a larger number of shares; (C) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares; or (D) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Company, then the Conversion Price (and each sale or bid price used in determining the Conversion Price) shall be multiplied by a fraction, of which the numerator shall be the number of shares of Common Stock outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

f) Notice of Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price as a result of events described in this Section 1.6, Borrower, at its expense, shall promptly compute such adjustment or readjustment and prepare and furnish to Holder a certificate setting forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based. Borrower shall, upon written request of Holder, furnish to such Holder a like certificate setting forth (i) such adjustment or readjustment, (ii) the Conversion Price at the time in effect and (iii) the number of shares of Common Stock and the amount, if any, of other securities or property which at the time would be received upon conversion of the Note.

1.7. **Revocation.** If any Conversion Shares are not received by the Deadline, Holder may revoke the applicable Conversion pursuant to which such Conversion Shares were issuable. This Note shall remain convertible after the Maturity Date hereof until this Note is repaid or converted in full.

1.8. **Repayment.** Notwithstanding anything to the contrary contained in this Note, subject to the terms of this Section, at any time after the Issue Date ending on the 180th day following the Maturity Date (the "**Prepayment Termination Date**"), Borrower shall have the right, exercisable on not less than five (5) Trading Days prior written notice to Holder of this Note, to prepay the outstanding balance on this Note (principal and accrued interest), in full, in accordance with this Section. Any notice of prepayment hereunder (an "**Optional Prepayment Notice**") shall be delivered to Holder of the Note at its registered addresses and shall state: (1) that Borrower is exercising its right to prepay the Note, and (2) the date of prepayment which shall be not more than ten (10) Trading Days from the date of the Optional Repayment Notice. On the date fixed for prepayment (the "**Optional Prepayment Date**"), Borrower shall make payment of the Optional Prepayment Amount (as defined below) to or upon the order of Holder as specified by Holder in writing to Borrower at least one (1) business day prior to the Optional Prepayment Date. If Borrower exercises its right to prepay the Note, Borrower shall make payment to Holder of an amount in cash (the "**Optional Prepayment Amount**") equal to the sum of: (w) the then outstanding principal amount of this Note multiplied by (1) 125% if paid within 90-days after the Issue Date; (2) 130% if paid within 91-days after the Issue Date and no later than 120-days after the Issue Date; and, (3) 140% if paid within 121-days after the Issue Date and no later than 180-days after the Issue Date; plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the Optional Repayment Date; plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and (x); plus (z) any amounts owed to Holder pursuant to Sections 1.3 and 1.4(g) hereof. If Borrower delivers an Optional Prepayment Notice and fails to pay the Optional Prepayment Amount due to Holder of the Note within two (2) business days following the Optional Prepayment Date, Borrower shall forever forfeit its right to prepay the Note pursuant to this Section. After the Prepayment Termination Date, Borrower shall have no right to prepay this Note. However, Borrower shall continue to have the right to repay all obligations hereunder on, as of, and after the Maturity Date.

ARTICLE II. CERTAIN COVENANTS

2.1. **Distributions on Capital Stock.** So long as any part of this Note remains unpaid, Borrower shall not without Holder's written consent (a) pay, declare or set apart for such payment, any dividend or other distribution (whether in cash, property or other securities) on shares of capital stock other than dividends on shares of Common Stock solely in the form of additional shares of Common Stock or (b) directly or indirectly or through any subsidiary make any other payment or distribution in respect of its capital stock except for distributions pursuant to any shareholders' rights plan which is approved by a majority of Borrower's disinterested directors.

2.2. **Restriction on Stock Repurchases.** So long as any part of the Note remains unpaid, Borrower shall not without Holder's written consent redeem, repurchase or otherwise acquire (whether for cash or in exchange for property or other securities or otherwise) in any one transaction or series of related transactions any issued and outstanding shares of capital stock of Borrower.

2.3. Borrowings; Liens. So long as any part of the Note remains unpaid, Borrower shall not (i) create, incur, assume guarantee, endorse, contingently agree to purchase or otherwise become liable upon the obligation of any person, firm, partnership, joint venture or corporation, except by the endorsement of negotiable instruments for deposit or collection, or suffer to exist any liability for borrowed money, except (a) borrowings in existence or committed on the date hereof and of which Borrower has informed Holder in writing prior to the date hereof, or (b) indebtedness to trade creditors or financial institutions incurred in the ordinary course of business, or (c) borrowings assumed as a result of an acquisition or similar transaction; or (ii) enter into, create or incur any liens, claims or encumbrances of any kind, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom, securing any indebtedness occurring after the Issue Date.

2.4. Sale of Assets. So long as any part of the Note remains unpaid, Borrower shall not, without Holder's written consent, sell, lease or otherwise dispose of substantially all of its assets outside the ordinary course of business. Any consent to such a disposition of assets may be conditioned on a specified use of the proceeds of disposition.

2.5. Advances and Loans. So long as any part of this Note remains unpaid, Borrower shall not, without Holder's written consent, lend money, give credit or make advances to any person, firm, joint venture or corporation, including, without limitation, officers, directors, employees, officers, subsidiaries and affiliates of Borrower, except loans, credits, or advances in existence or committed on the date hereof and which Borrower has informed Holder in writing prior to the date hereof.

2.6. Charter. So long as any part of this Note remains unpaid, Borrower shall not amend its charter documents, including without limitation its articles of incorporation and bylaws, in any manner that materially and adversely affects any rights of Holder.

2.7. Transfer Agent. Borrower shall not change its transfer agent 5-days prior written notice to Holder. Any resignation by the transfer agent without a replacement transfer agent prior to such replacement taking effect shall constitute an Event of Default.

2.8. Unconditional Obligation; No Offset. Borrower acknowledges that this Note is an unconditional, valid, binding and enforceable obligation of Borrower not subject to offset, deduction or counterclaim of any kind. Borrower hereby waives any rights of offset it now has or may have hereafter against Holder, its successors and assigns, and agrees to make the payments and conversions called for herein in accordance with the terms of this Note.

ARTICLE III. EVENTS OF DEFAULT

Any one or more of the following events which shall occur and/or be continuing shall constitute an event of default (each, an "Event of Default"):

3.1. Failure to Pay Principal or Interest. Borrower fails to pay the principal hereof or interest thereon when due on this Note, whether at maturity, upon acceleration or otherwise.

3.2. Conversion and the Shares. Borrower fails to issue shares of Common Stock to Holder (or announces or threatens in writing that it will not honor its obligation to do so at any time following the execution hereof or) upon exercise by Holder of the conversion rights of Holder in accordance with the terms of this Note, fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form) any certificate for shares of Common Stock issued to Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, Borrower directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form) any certificate for shares of Common Stock to be issued to Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, or fails to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any shares of Common Stock issued to Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph) and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for five (5) business days after Holder shall have delivered a Notice of Conversion. It is an obligation of Borrower to remain current in its obligations to its transfer agent. It shall be an event of default of this Note, if a conversion of this Note is delayed, hindered or frustrated due to a balance owed by Borrower to its transfer agent. If at the option of Holder, Holder advances any funds to Borrower's transfer agent in order to process a conversion, such advanced funds shall be paid by Borrower to Holder within forty eight (48) hours of a demand from Holder.

3.3. Breach of Covenants. Borrower breaches any material covenant or other material term or condition contained in this Note and any collateral documents including but not limited to the Purchase Agreement and such breach continues for a period of seven (7) days after written notice thereof to Borrower from Holder.

3.4. Breach of Representations and Warranties. Any representation or warranty of Borrower made herein or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith (including, without limitation, the Purchase Agreement), shall be false or misleading in any material respect when made and the breach of which has (or with the passage of time will have) a material adverse effect on the rights of Holder with respect to this Note or the Purchase Agreement.

3.5. Receiver or Trustee. Borrower or any subsidiary of Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business, or such a receiver or trustee shall otherwise be appointed.

3.6. Judgments. Any money judgment, writ or similar process shall be entered or filed against Borrower or any subsidiary of Borrower or any of its property or other assets for more than \$50,000.00, and shall remain unvacated, unbonded or unstayed for a period of twenty (20) days unless otherwise consented to by Holder, which consent will not be unreasonably withheld.

3.7. Bankruptcy. Bankruptcy, reorganization or liquidation proceedings or other proceedings, voluntary or involuntary, for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against Borrower or any subsidiary of Borrower.

3.8. Delisting of Common Stock. Borrower shall fail to maintain the listing of the Common Stock on at least one of the Pink Sheets or OTCQB or an equivalent replacement exchange, NASDAQ, NYSE, or AMEX.

3.9. Failure to Comply with the Exchange Act. Borrower shall fail to comply in any material respect with the reporting requirements of the Exchange Act; and/or Borrower shall cease to be subject to the reporting requirements of the Exchange Act.

3.10. Liquidation. Any dissolution, liquidation, or winding up of Borrower or any substantial portion of its business.

3.11. Cessation of Operations. Any cessation of operations by Borrower or Borrower admits it is otherwise generally unable to pay its debts as such debts become due, provided, however, that any disclosure of Borrower's ability to continue as a "going concern" shall not be an admission that Borrower cannot pay its debts as they become due.

3.12. Maintenance of Assets. The failure by Borrower, during the term of this Note, to maintain any material intellectual property rights, personal, real property or other assets which are necessary to conduct its business (whether now or in the future).

3.13. Financial Statement Restatement. The restatement of any financial statements filed by Borrower with the SEC for any date or period from two years prior to the Issue Date of this Note and until this Note is no longer outstanding, if the result of such restatement would, by comparison to the unrestated financial statement, have constituted a material adverse effect on the rights of Holder with respect to this Note or the Purchase Agreement.

3.14. Reverse Splits. Borrower effectuates a reverse split of its Common Stock without twenty (20) days prior written notice to Holder.

3.15. Replacement of Transfer Agent. In the event that Borrower proposes to replace its transfer agent, the Borrower fails to provide, prior to the effective date of such replacement, to the replacement transfer agent a fully executed copy of this Note and the Purchase Agreement.

3.16. Cross-Default. Notwithstanding anything to the contrary contained in this Note or the other related or companion documents, a breach or default by Borrower of any covenant or other term or condition contained in any of the Other Agreements, after the passage of all applicable notice and cure or grace periods, shall, at the option of Holder, be considered a default under this Note and the Other Agreements, in which event Holder shall be entitled (but in no event required) to apply all rights and remedies of Holder under the terms of this Note and the Other Agreements by reason of a default under said Other Agreement or hereunder. "Other Agreements" means, collectively, all agreements and instruments between, among or by: (1) Borrower, and, or for the benefit of, (2) Holder and any affiliate of Holder, including, without limitation, promissory notes; provided, however, the term "Other Agreements" shall not include the related or companion documents to this Note. Each of the loan transactions will be cross-defaulted with each other loan transaction and with all other existing and future debt of Borrower to Holder.

3.17. SEC Filings. Borrower fails to remain current in its filings with the SEC. Such a failure shall expressly constitute an Event of Default, and the Note shall become immediately due and payable. The possible reduction in the Conversion Price under Section 1.2(a) is an additional result of, and not an alternative remedy for, a breach of this Section 3.17.

3.18. Inside Information. Borrower or its officers, directors, and/or affiliates attempt to transmit, convey, disclose, or any actual transmittal, conveyance, or disclosure by Borrower or its officers, directors, and/or affiliates of, material non-public information concerning Borrower, to Holder or its successors and assigns, which is not immediately cured by Borrower's filing of a Form 8-K pursuant to Regulation FD on that same date.

3.19 **Bid Price.** Borrower shall lose the “bid” price for its Common Stock (\$0.0001 on the “Ask” with zero market makers on the “Bid” per Level 2) and/or a market (including the OTC Pink, OTCQB or an equivalent replacement exchange).

3.20 **Insolvency.** Borrower becomes insolvent or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, subject to applicable grace periods, if any.

3.21 **DWAC.** Borrower fails to remain DWAC eligible.

Upon the occurrence and during the continuation of any Event of Default specified in Section 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due at the Maturity Date), the Note shall become immediately due and payable and Borrower shall pay to Holder, in full satisfaction of its obligations hereunder, an amount equal to the Default Sum (as defined herein). UPON THE OCCURRENCE AND DURING THE CONTINUATION OF ANY EVENT OF DEFAULT SPECIFIED IN SECTION 3.2, THE NOTE SHALL BECOME IMMEDIATELY DUE AND PAYABLE AND THE BORROWER SHALL PAY TO THE HOLDER, IN FULL SATISFACTION OF ITS OBLIGATIONS HEREUNDER, AN AMOUNT EQUAL TO: (Y) THE DEFAULT SUM (AS DEFINED HEREIN); MULTIPLIED BY (Z) TWO (2). Upon the occurrence and during the continuation of any Event of Default specified in Sections 3.1, and/or 3.3 through and including 3.21, exercisable through the delivery of written notice to Borrower by Holder (the “Default Notice”), and upon the occurrence of an Event of Default specified in the remaining sections of Articles III (other than failure to pay the principal hereof or interest thereon at the Maturity Date specified in Section 3.1, hereof), the Note shall become immediately due and payable and Borrower shall pay to Holder, in full satisfaction of its obligations hereunder, an amount equal to the greater of (i) 150% times the sum of (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the date of payment (the “Mandatory Prepayment Date”) plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and/or (x) plus (z) any amounts owed to Holder pursuant to Sections 1.3 and 1.4(g) hereof (the then outstanding principal amount of this Note to the date of payment plus the amounts referred to in clauses (x), (y) and (z) shall collectively be known as the “Default Sum”) or (ii) the “parity value” of the Default Sum to be prepaid, where parity value means (a) the highest number of shares of Common Stock issuable upon conversion of or otherwise pursuant to such Default Sum in accordance with Article I, treating the Trading Day immediately preceding the Mandatory Prepayment Date as the “Conversion Date” for purposes of determining the lowest applicable Conversion Price, unless the Default Event arises as a result of a breach in respect of a specific Conversion Date in which case such Conversion Date shall be the Conversion Date), multiplied by (b) the highest Closing Price for the Common Stock during the period beginning on the date of first occurrence of the Event of Default and ending one day prior to the Mandatory Prepayment Date (the “Default Amount”) and all other amounts payable hereunder shall immediately become due and payable, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

If Borrower fails to pay the Default Amount within five (5) business days of written notice that such amount is due and payable, then Holder shall have the right at any time, so long as Borrower remains in default (and so long and to the extent that there are sufficient authorized shares), to require Borrower, upon written notice, to immediately issue, in lieu of the Default Amount, the number of shares of Common Stock of Borrower equal to the Default Amount divided by the Conversion Price then in effect. Holder may still convert any amounts due hereunder, including without limitation, the Default Sum, until such time as this Note has been repaid in full.

ARTICLE IV. MISCELLANEOUS

4.1. Failure or Indulgence Not Waiver. No failure or delay on the part of Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

4.2. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be provided in accordance with Section 11(j) of the Purchase Agreement.

4.3. Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by Borrower and Holder. The term “Note” and all reference thereto, as used throughout this instrument, shall mean this instrument as originally executed, or if later amended or supplemented, then as so amended or supplemented.

4.4. Assignability. This Note shall be binding upon Borrower and its successors and assigns, and shall inure to be the benefit of Holder and its successors and assigns. Borrower may not assign this Note without the prior written consent of Holder. This Note, and any portion thereof, and any share of Common Stock issued upon the conversion of this Note, may be offered, sold, assigned, pledged, or transferred by Holder without the consent of Borrower.

4.5. Cost of Collection. If default is made in the payment of this Note, Borrower shall pay Holder hereof costs of collection, including reasonable attorneys’ fees.

4.6. Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of laws principles that would result in the application of the substantive laws of another jurisdiction. Any action brought by either party against the other concerning the transactions contemplated by this Agreement must be brought only in (i) the state courts in Dade or Broward County, Florida; or (ii) the state courts in New York County, New York, in the sole discretion of the party bringing the action. Both parties and the individual signing this Agreement on behalf of Borrower agree to submit to the jurisdiction of such courts. The prevailing party shall be entitled to recover from the other party its reasonable attorney’s fees and costs. In the event that any provision of this Note is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform to such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or unenforceability of any other provision of this Note. Nothing contained herein shall be deemed or operate to preclude Holder from bringing suit or taking other legal action against Borrower in any other jurisdiction to collect on Borrower’s obligations to Holder, to realize on any collateral or any other security for such obligations, or to enforce a judgment or other decision in favor of Holder. **This Note shall be deemed an unconditional obligation of Borrower for the payment of money and, without limitation to any other remedies of Holder, may be enforced against Borrower by summary proceeding pursuant to New York Civil Procedure Law and Rules Section 3213 or any similar rule or statute in the jurisdiction where enforcement is sought. For purposes of such rule or statute, any other document or agreement to which Holder and Borrower are parties or which Borrower delivered to Holder, which may be convenient or necessary to determine Holder’s rights hereunder or Borrower’s obligations to Holder are deemed a part of this Note, whether or not such other document or agreement was delivered together herewith or was executed apart from this Note.**

4.7. Certain Amounts. Whenever pursuant to this Note Borrower is required to pay an amount in excess of the outstanding principal amount (or the portion thereof required to be paid at that time) plus accrued and unpaid interest plus Default Interest on such interest, Borrower and Holder agree that the actual damages to Holder from the receipt of cash payment on this Note may be difficult to determine and the amount to be so paid by Borrower represents stipulated damages and not a penalty and is intended to compensate Holder in part for loss of the opportunity to convert this Note and to earn a return from the sale of shares of Common Stock acquired upon conversion of this Note at a price in excess of the price paid for such shares pursuant to this Note. Borrower and Holder hereby agree that such amount of stipulated damages is not plainly disproportionate to the possible loss to Holder from the receipt of a cash payment without the opportunity to convert this Note into shares of Common Stock.

4.8. Disclosure. Upon receipt or delivery by Borrower of any notice in accordance with the terms of this Note, unless Borrower has in good faith determined that the matters relating to such notice do not constitute material, non-public information relating to Borrower, Borrower shall within four (4) days after any such receipt or delivery, publicly disclose such material, non-public information on a Current Report on Form 8-K, or such similar disclosure in accordance with the rules of the OTC Markets. In the event that Borrower believes that a notice contains material, non-public information relating to Borrower, Borrower so shall indicate to Holder contemporaneously with delivery of such notice, and in the absence of any such indication, Holder shall be allowed to presume that all matters relating to such notice do not constitute material, non-public information relating to Borrower.

4.9. Notice of Corporate Events. Except as otherwise provided below, Holder of this Note shall have no rights as a Holder of Common Stock unless and only to the extent that it converts this Note into Common Stock. Borrower shall provide Holder with prior notification of any meeting of Borrower's shareholders (and copies of proxy materials and other information sent to shareholders). In the event of any taking by Borrower of a record of its shareholders for the purpose of determining shareholders who are entitled to receive payment of any dividend or other distribution, any right to subscribe for, purchase or otherwise acquire (including by way of merger, consolidation, reclassification or recapitalization) any share of any class or any other securities or property, or to receive any other right, or for the purpose of determining shareholders who are entitled to vote in connection with any proposed sale, lease or conveyance of all or substantially all of the assets of Borrower or any proposed liquidation, dissolution or winding up of Borrower, Borrower shall mail a notice to Holder, at least twenty (20) days prior to the record date specified therein (or thirty (30) days prior to the consummation of the transaction or event, whichever is earlier), of the date on which any such record is to be taken for the purpose of such dividend, distribution, right or other event, and a brief statement regarding the amount and character of such dividend, distribution, right or other event to the extent known at such time. Borrower shall make a public announcement of any event requiring notification to Holder hereunder substantially simultaneously with the notification to Holder in accordance with this Section 4.9.

4.10. Remedies. Borrower acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to Holder, by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, Borrower acknowledges that the remedy at law for a breach of its obligations under this Note will be inadequate and agrees, in the event of a breach or threatened breach by Borrower of the provisions of this Note, that Holder shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Note and to enforce specifically the terms and provisions thereof, without the necessity of showing economic loss and without any bond or other security being required.

4.11. Voluntary Agreement. Borrower has carefully read this Note and has asked any questions needed for Borrower to understand the terms, consequences and binding effect of this Note and fully understand them. Borrower has had the opportunity to seek the advice of an attorney of Borrower's choosing, or has waived the right to do so, and is executing this Note voluntarily and without any duress or undue influence by Holder or anyone else.

4.12. Severability. If any part of this Note is construed to be in violation of any law, such part shall be modified to achieve the objective of Borrower and Holder to the fullest extent permitted by law and the balance of this Note shall remain in full force and effect.

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(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its duly authorized officer as of the Issue Date first set forth above.

DATA443 RISK MITIGATION, INC.,
a Nevada corporation

BY: _____
NAME: _____
TITLE: _____
DATED: _____

ACKNOWLEDGED, ACCEPTED, AND AGREED:

BLUE CITI LLC,
a New York limited liability company

BY: _____
NAME: _____
TITLE: _____
DATED: _____

EXHIBIT A
NOTICE OF CONVERSION

The undersigned hereby elects to convert principal under the 24 August 2020 Convertible Promissory Note issued in the original principal amount of \$300,000 (the "Note") by DATA443 RISK MITIGATION, INC., a Nevada corporation (the "Company"), into shares of common stock of the Company (the "Common Stock"), in accordance with the terms and conditions of the Note and as provided herein, as of the date written below. If shares of Common Stock are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any.

By the delivery of this Notice of Conversion the undersigned represents and warrants to the Company that its ownership of the Common Stock does not exceed the amounts specified under Section 1.1 of this Note, as determined in accordance with Section 13(d) of the Exchange Act.

CONVERSION CALCULATIONS:

Date of Conversion: _____
Conversion Price: _____
Principal Amount Converted: _____
Interest Converted: _____
Number of Shares of Common Stock to be Issued: _____
Remaining Principal Balance of the Note: _____

HOLDER: _____

Authorized Signature: _____

Name: _____

Title: _____

Address for Delivery of Certificates: _____

OR

DWAC Instructions: Broker #: _____

Account #: _____

OR

Other Instructions:



August 26, 2020

Mr. Jason Remillard
 Chief Executive Officer
 Data443 Risk Mitigation, Inc.
 101 J Morris Commons Lane, Suite 105
 Morrisville, NC 27560

Dear Mr. Remillard:

We are pleased that **Data443 Risk Mitigation, Inc.**, (the "**Company**") has decided to retain Maxim Group LLC ("**Maxim**") to provide general financial advisory, investment banking to the Company as set forth herein. This letter agreement ("**Agreement**") will confirm Maxim's acceptance of such retention and set forth the terms of our engagement.

1. **Retention.** The Company hereby retains Maxim as its financial advisor and investment banker to provide general financial advisory and investment banking services, and Maxim accepts such retention on the terms and conditions set forth in this Agreement. In connection with this Agreement, Maxim may provide certain or all of the following services (collectively referred to as the "**Advisory Services**"):

- (a) assist management of the Company and advise the Company with respect to its strategic planning process and business plans including an analysis of markets, positioning, financial models, organizational structure, potential strategic alliances and capital requirements;
- (b) advise the Company on matters relating to its capitalization;
- (c) assist management of the Company with the preparation of the Company's marketing materials and investor presentations;
- (d) assist the Company in broadening its shareholder base including non-deal road show activity;
- (e) assist the Company with strategic introductions;
- (f) work closely with the Company's management team to develop a set of long and short-term goals with special focus on enhancing corporate and shareholder value. This will include assisting the Company in determining key business actions, including assistance with strategic partnership discussions and review of financing requirements, intended to help enhance shareholder value and exposure to the investment community;
- (g) advise the Company on potential financing alternatives, including facilitation and negotiation of any financial or structural aspects of such alternatives; and
- (h) provide such other financial advisory and investment banking services upon which the parties may mutually agree.

It is expressly understood and agreed that: (1) Maxim shall be required to perform only such tasks as may be necessary or desirable in connection with the rendering of its services hereunder and therefore may not perform all of the tasks enumerated above during the term of this Agreement; (2) Maxim need

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not perform each of the above-referenced tasks in order to receive the fees described in Section 3; and (3) Maxim's tasks may not be limited to those enumerated in this paragraph.

2. Information. In connection with Maxim's activities hereunder, the Company will cooperate with Maxim and furnish Maxim upon request with all information regarding the business, operations, properties, financial condition, management and prospects of the Company (all such information so furnished being the "**Information**") which Maxim deems appropriate and will provide Maxim with access to the Company's officers, directors, employees, independent accountants and legal counsel. The Company represents and warrants to Maxim that all Information made available to Maxim hereunder will be complete and correct in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in light of the circumstances under which such statements are or will be made. The Company further represents and warrants that any projections and other forward-looking information provided by it to Maxim will have been prepared in good faith and will be based upon assumptions which, in light of the circumstances under which they are made, are reasonable. The Company recognizes and confirms that Maxim: (i) will use and rely primarily on the Information and on information available from generally recognized public sources in performing the services contemplated by this Agreement without having independently verified the same; (ii) does not assume responsibility for the accuracy or completeness of the Information and such other information; and (iii) will not make an appraisal of any assets of the Company. Any advice rendered by Maxim pursuant to this Agreement may not be disclosed publicly without Maxim's prior written consent. Maxim hereby acknowledges that certain of the Information received by Maxim may be confidential and/or proprietary, including Information with respect to the Company's technologies, products, business plans, marketing, and other Information which must be maintained by Maxim as confidential. Maxim agrees that it will not disclose such confidential and/or proprietary Information to any other companies in the industry in which the Company is involved.

3. Compensation. As consideration for Maxim's services pursuant to this Agreement, Maxim shall be entitled to receive, and the Company agrees to pay Maxim, the following compensation:

- (a) The Company shall pay to Maxim a non-refundable monthly fee of \$2,500 (USD) for the term of this Agreement, which amount shall accrue and be payable on the date that is six months after the execution of this Agreement. In no event shall the Company pay fewer than six (6) monthly fee payments to Maxim. The monthly fee payments shall be payable by wire or other immediately available funds. The fees appearing in Exhibit B hereto (the "**Fee Schedule**") shall be earned by and paid to Maxim by the Company in connection with any Financings or Transactions (as such terms are defined hereafter) undertaken by the Company, the terms of which will be mutually agreed upon under separate advisory, placement agency and/or underwriting agreements. The fees enumerated in Exhibit B are separate and apart from the monthly fee payments enumerated earlier in this paragraph.
- (b) The Company will issue to Maxim or its designees five percent (5%) of the total outstanding common stock shares ("**Common Stock**") of the Company based on the following schedule:
 - a. Two and a half percent (2.50%) of Company's outstanding Common Stock, upon execution of the Agreement
 - b. Two and a half percent (2.49%) of the Company's outstanding Common Stock, upon an uplisting of the Company's Common Stock to a national exchange (NASDAQ or NYSE).

The shares of Common Stock shall be non-dilutable for a period of two (2) years following the date of issuance. The Common Stock will have unlimited piggyback registration rights and the same rights afforded other holders of the Company's Common Stock. Upon Maxim's request, the Company will use its best efforts to promptly deliver an opinion of its counsel to the transfer agent to remove the restrictive legend from the Common Stock pursuant to Rule 144; however, this requirement does not apply if the Company reasonably believes in good faith that the conditions for removal of the restrictive legend under Rule 144 have not been met.

- (c) The Company and Maxim acknowledge and agree that, in the course of performing services hereunder, Maxim may communicate with (as the Company's advisor) or introduce the Company to third parties who may be interested in providing financing to the Company (a "**Financing**") or in entering into a transaction with the Company, including, without limitation, a merger, acquisition or sale of stock or assets (in which the Company may be the acquiring or the acquired entity), joint venture, strategic alliance or other similar transaction (any such transaction, a "**Transaction**"). The Company agrees that if during the term of this Agreement or within twelve (12) months from the effective date of the termination of this Agreement either the Company or any party to whom the Company was introduced, directly or indirectly, by Maxim, or who was contacted by Maxim on behalf of the Company in connection with its services for the Company, proposes a Financing or any Transaction involving the Company, then, if any such Financing or Transaction is consummated, the Company shall pay to Maxim fees in accordance with the Fee Schedule. Such fees shall be payable to Maxim in cash at the closing or closings of the Financing or Transaction to which it relates.

4. **Expenses.** In addition to payment to Maxim of the compensation set forth in Section 3 hereof, the Company shall promptly upon request from time to time reimburse Maxim for all reasonable expenses (including, without limitation, fees and disbursements of counsel and all travel and other out-of-pocket expenses) incurred by Maxim in connection with its engagement hereunder. Maxim will provide the Company an invoice and copies of receipts pursuant to its expenses and such expenses shall not exceed \$5,000 without prior authorization of the Company; provided that the foregoing limitation and consent shall not apply to legal fees.

5. **Indemnification.** The Company agrees to indemnify Maxim in accordance with the indemnification and other provisions attached to this Agreement as Exhibit A (the "**Indemnification Provisions**"), which provisions are incorporated herein by reference and shall survive the termination or expiration of this Agreement.

6. **Future Rights.** As additional consideration for its services hereunder and as an inducement to cause Maxim to enter into this Agreement, if at any time during the term of this Agreement or within twelve (12) months from the effective date of the termination of this Agreement, the Company proposes to effect a public offering of its securities on a US exchange, private placement of securities or other Financing, the Company shall offer to retain Maxim as lead book running manager of such offering, or as its exclusive agent in connection with such Financing or other matter, upon such terms as the parties may mutually agree, such terms to be set forth in a separate engagement letter or other agreement between the parties. This right shall not apply if the Company terminates Maxim for Cause as that term is defined below. Such offer shall be made in writing in order to be effective. The Company shall not offer to retain any other investment banking firm in connection with any such offering or Financing, on terms more favorable than those discussed with Maxim without offering to retain Maxim on such more favorable terms. Maxim shall notify the Company within 90 days of its receipt of the written offer contemplated above as to whether or not it agrees to accept such retention. If Maxim should decline such retention, the Company shall have no

further obligations to Maxim, except as specifically provided for herein.

7. Other Activities. The Company acknowledges that Maxim has been, and may in the future be, engaged to provide services as an underwriter, placement agent, finder, advisor and investment banker to other companies in the industry in which the Company is involved. Subject to the confidentiality provisions of Maxim contained in Section 2 hereof, the Company acknowledges and agrees that nothing contained in this Agreement shall limit or restrict the right of Maxim or of any member, manager, officer, employee, agent or representative of Maxim, to be a member, manager, partner, officer, director, employee, agent or representative of, investor in, or to engage in, any other business, whether or not of a similar nature to the Company's business, nor to limit or restrict the right of Maxim to render services of any kind to any other corporation, firm, individual or association. Maxim may, but shall not be required to, present opportunities to the Company.

8. Term and Termination; Survival of Provisions. Either Maxim or the Company may terminate this Agreement at any time upon 30 days' prior written notice to the other party after the six (6) month anniversary of this Agreement. In the event of such termination, the Company shall pay and deliver to Maxim: (i) all compensation earned through the date of such termination ("**Termination Date**") pursuant to any provision of Section 3 hereof, (ii) all compensation which may be earned by Maxim after the Termination Date pursuant to Section 3 hereof, and (iii) shall reimburse Maxim for all expenses incurred by Maxim in connection with its services hereunder pursuant to Section 4 hereof. All such fees and reimbursements due to Maxim pursuant to the immediately preceding sentence shall be paid to Maxim on or before the Termination Date (in the event such fees and reimbursements are earned or owed as of the Termination Date) or upon the closing of a Financing or Transaction or any applicable portion thereof (in the event such fees are due pursuant to the terms of Section 3 hereof). In the event, however in the course of due diligence performed by Maxim, Maxim deems it necessary to terminate the engagement, Maxim may do so at any time upon immediate written notice. If the Company terminates the Agreement for Cause (as hereinafter defined), upon thirty (30) days' notice and effective within five months of the execution of this Agreement, Maxim shall return the pro rata amount of the Common Stock described in Section 3(b)(a) above based on the amount of time remaining in such five month period. Pursuant to this Agreement, "Cause" shall mean gross negligence, willful misconduct or an uncured material breach of this Agreement by Maxim of which the Company has provided Maxim with reasonable notice and opportunity to cure. Notwithstanding anything expressed or implied herein to the contrary: (i) any other agreement entered into between Maxim and the Company may only be terminated in accordance with the terms thereof, notwithstanding an actual or purported termination of this Agreement, and (ii) the terms and provisions of Sections 3, 4, 5 (including, but not limited to, the Indemnification Provisions attached to this Agreement and incorporated herein by reference), 6, 8, 9, 10, 11, 15 and 17 shall survive the termination of this Agreement.



Data443 Risk Mitigation, Inc.
August 26, 2020

9. Notices. All notices will be in writing and will be effective when delivered in person or sent via U.S. Mail or private carrier or via facsimile and confirmed by letter, to the party to whom it is addressed at the following addresses or such other address as such party may advise the other in writing:

To the Company:

Data443 Risk Mitigation, Inc.
101 J Morris Commons Lane, Suite 105
Morrisville, NC 27560
Attention: Jason Remillard

To Maxim:

James Siegel, Esq.
Maxim Group LLC
405 Lexington Avenue
New York, NY 10174
Telephone: (212) 895-3508
Facsimile: (212) 895-3888

Mr. Clifford Teller
Maxim Group LLC
405 Lexington Avenue
New York, NY 10174

10. Governing Law; Arbitration. This Agreement shall be enforced, governed by and construed in accordance with the laws of New York without regard to principles of conflict of laws. Any controversy between the parties to this Agreement, or arising out of the Agreement, shall be resolved by arbitration before the American Arbitration Association ("AAA") in New York City. The following arbitration agreement should be read in conjunction with these disclosures:

- (a) ARBITRATION IS FINAL AND BINDING ON THE PARTIES;
- (b) THE PARTIES ARE WAIVING THEIR RIGHT TO SEEK REMEDIES IN COURT, INCLUDING THE RIGHT TO JURY TRIAL;
- (c) PRE-ARBITRATION DISCOVERY IS GENERALLY MORE LIMITED THAN AND DIFFERENT FROM COURT PROCEEDING; AND
- (d) THE ARBITRATORS' AWARD IS NOT REQUIRED TO INCLUDE FACTUAL FINDING OR LEGAL REASONING AND ANY PARTY'S RIGHT TO APPEAL OR TO SEEK MODIFICATION OF RULINGS BY THE ARBITRATORS IS STRICTLY LIMITED.

ARBITRATION AGREEMENT. ANY AND ALL CONTROVERSIES, DISPUTES OR CLAIMS BETWEEN MAXIM AND YOU OR YOUR AGENTS, REPRESENTATIVES, EMPLOYEES, DIRECTORS, OFFICERS OR CONTROL PERSONS, ARISING OUT OF, IN CONNECTION WITH, OR WITH RESPECT TO (a) ANY PROVISIONS OF OR THE VALIDITY OF THIS AGREEMENT OR ANY RELATED AGREEMENTS, (b) THE RELATIONSHIP OF THE PARTIES HERETO, OR (c) ANY CONTROVERSY ARISING OUT OF YOUR BUSINESS SHALL BE CONDUCTED BY THE

AMERICAN ARBITRATION ASSOCIATION UNDER ITS COMMERCIAL ARBITRATION RULES. ARBITRATION MUST BE COMMENCED BY SERVICE OF A WRITTEN DEMAND FOR ARBITRATION OR A WRITTEN NOTICE OF INTENTION TO ARBITRATE. IF YOU ARE A PARTY TO SUCH ARBITRATION, TO THE EXTENT PERMITTED BY THE RULES OF THE APPLICABLE ARBITRATION TRIBUNAL, THE ARBITRATION SHALL BE CONDUCTED IN NEW YORK, NEW YORK. THE DECISION AND AWARD OF THE ARBITRATORS(S) SHALL BE CONCLUSIVE AND BINDING UPON ALL PARTIES, AND ANY JUDGMENT UPON ANY AWARD RENDERED MAY BE ENTERED IN THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK, NEW YORK, OR ANY OTHER COURT HAVING JURISDICTION THEREOF, AND NEITHER PARTY SHALL OPPOSE SUCH ENTRY.

11. Amendments. This Agreement may not be modified or amended except in a writing duly executed by the parties hereto.

12. Headings. The section headings in this Agreement have been inserted as a matter of reference and are not part of this Agreement.

13. Successors and Assigns. The benefits of this Agreement shall inure to the parties hereto, their respective successors and assigns and to the indemnified parties hereunder and their respective successors and assigns, and the obligations and liabilities assumed in this Agreement shall be binding upon the parties hereto and their respective successors and assigns. Notwithstanding anything contained herein to the contrary, neither Maxim nor the Company shall assign any of its obligations hereunder without the prior written consent of the other party.

14. No Third Party Beneficiaries. This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person or entity not a party hereto, except those entitled to the benefits of the Indemnification Provisions. Without limiting the foregoing, the Company acknowledges and agrees that Maxim is not being engaged as, and shall not be deemed to be, an agent or fiduciary of the Company's stockholders or creditors or any other person by virtue of this Agreement or the retention of Maxim hereunder.

15. Waiver. Any waiver or any breach of any of the terms or conditions of this Agreement shall not operate as a waiver of any other breach of such terms or conditions or of any other term or condition, nor shall any failure to insist upon strict performance or to enforce any provision hereof on any one occasion operate as a waiver of such provision or of any other provision hereof or a waiver of the right to insist upon strict performance or to enforce such provision or any other provision on any subsequent occasion. Any waiver must be in writing.

16. Counterparts. This Agreement may be executed in any number of counterparts and by facsimile transmission, each of which shall be deemed to be an original instrument, but all of which taken together shall constitute one and the same agreement. Facsimile signatures shall be deemed to be original signatures for all purposes.

17. Disclaimers. The Company agrees that any and all decisions, acts, actions, or omissions with respect to the services contemplated by this Agreement and the other matters contemplated herein shall be the sole responsibility of the Company, and that the performance by Maxim of services hereunder will in no way expose Maxim to any liability for any such decisions, acts, actions or omissions of the Company.

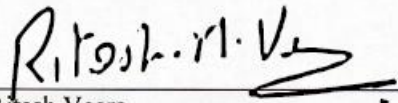


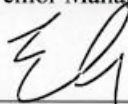
Data443 Risk Mitigation, Inc.
August 26, 2020

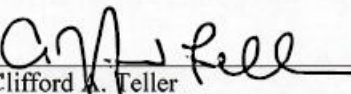
If the terms of our engagement as set forth in this letter are satisfactory to you, please confirm by signing and returning one copy of this letter.

Very truly yours,

MAXIM GROUP LLC

By: 
Ritesh Veera
Senior Managing Director, Investment Banking

By: 
Eddie Grossman
Director, Investment Banking

By: 
Clifford A. Teller
Executive Managing Director, Investment Banking

Agreed to and accepted this 28th day of August, 2020

Data443 Risk Mitigation, Inc.



Jason Remillard
Chief Executive Officer

Exhibit A

INDEMNIFICATION PROVISIONS

Capitalized terms used in this Exhibit shall have the meanings ascribed to such terms in the Agreement to which this Exhibit is attached.

The Company agrees to indemnify and hold harmless Maxim and each of the other Indemnified Parties (as hereinafter defined) from and against any and all losses, claims, damages, obligations, penalties, judgments, awards, liabilities, costs, expenses and disbursements, and any and all actions, suits, proceedings and investigations in respect thereof and any and all legal and other costs, expenses and disbursements in giving testimony or furnishing documents in response to a subpoena or otherwise (including, without limitation, the costs, expenses and disbursements, as and when incurred, of investigating, preparing, pursuing or defending any such action, suit, proceeding or investigation (whether or not in connection with litigation in which any Indemnified Party is a party)) (collectively, "**Losses**"), directly or indirectly, caused by, relating to, based upon, arising out of, or in connection with, Maxim's acting for the Company, including, without limitation, any act or omission by Maxim in connection with its acceptance of or the performance or non-performance of its obligations under the Agreement between the Company and Maxim to which these indemnification provisions are attached and form a part (the "**Agreement**"), any breach by the Company of any representation, warranty, covenant or agreement contained in the Agreement (or in any instrument, document or agreement relating thereto, including any agency agreement), or the enforcement by Maxim of its rights under the Agreement or these indemnification provisions, except to the extent that any such Losses are found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted primarily and directly from the gross negligence or willful misconduct of the Indemnified Party seeking indemnification hereunder. The Company also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with the engagement of Maxim by the Company or for any other reason, except to the extent that any such liability is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted primarily and directly from such Indemnified Party's gross negligence or willful misconduct.

These Indemnification Provisions shall extend to the following persons (collectively, the "**Indemnified Parties**"): Maxim, its present and former affiliated entities, managers, members, officers, employees, legal counsel, agents and controlling persons (within the meaning of the federal securities laws), and the officers, directors, partners, stockholders, members, managers, employees, legal counsel, agents and controlling persons of any of them. These indemnification provisions shall be in addition to any liability which the Company may otherwise have to any Indemnified Party.

If any action, suit, proceeding or investigation is commenced, as to which an Indemnified Party proposes to demand indemnification, it shall notify the Company with reasonable promptness; provided, however, that any failure by an Indemnified Party to notify the Company shall not relieve the Company from its obligations hereunder. An Indemnified Party shall have the right to retain counsel of its own choice to represent it, and the fees, expenses and disbursements of such counsel shall be borne by the Company. Any such counsel shall, to the extent consistent with its professional responsibilities, cooperate with the Company and any counsel designated by the Company. The Company shall be liable for any settlement of any claim against any Indemnified Party made with the Company's written consent. The Company shall not, without the prior written consent of Maxim, settle or compromise any claim, or permit a default or consent to the entry of any judgment in respect thereof, unless such settlement, compromise or consent (i) includes, as an unconditional term thereof, the giving by the claimant to all of the Indemnified Parties of an unconditional release from all liability in respect of such claim, and (ii) does not contain any factual or legal admission by or with respect to an Indemnified Party or an adverse statement with respect to the character, professionalism,



August 26, 2020

expertise or reputation of any Indemnified Party or any action or inaction of any Indemnified Party.

In order to provide for just and equitable contribution, if a claim for indemnification pursuant to these indemnification provisions is made but it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) that such indemnification may not be enforced in such case, even though the express provisions hereof provide for indemnification in such case, then the Company shall contribute to the Losses to which any Indemnified Party may be subject (i) in accordance with the relative benefits received by the Company and its stockholders, subsidiaries and affiliates, on the one hand, and the Indemnified Party, on the other hand, and (ii) if (and only if) the allocation provided in clause (i) of this sentence is not permitted by applicable law, in such proportion as to reflect not only the relative benefits, but also the relative fault of the Company, on the one hand, and the Indemnified Party, on the other hand, in connection with the statements, acts or omissions which resulted in such Losses as well as any relevant equitable considerations. No person found liable for a fraudulent misrepresentation shall be entitled to contribution from any person who is not also found liable for fraudulent misrepresentation. The relative benefits received (or anticipated to be received) by the Company and its stockholders, subsidiaries and affiliates shall be deemed to be equal to the aggregate consideration payable or receivable by such parties in connection with the transaction or transactions to which the Agreement relates relative to the amount of fees actually received by Maxim in connection with such transaction or transactions. Notwithstanding the foregoing, in no event shall the amount contributed by all Indemnified Parties exceed the amount of fees previously received by Maxim pursuant to the Agreement.

Neither termination nor completion of the Agreement shall affect these Indemnification Provisions which shall remain operative and in full force and effect. The Indemnification Provisions shall be binding upon the Company and its successors and assigns and shall inure to the benefit of the Indemnified Parties and their respective successors, assigns, heirs and personal representatives.



August 26, 2020

Exhibit B**FEE SCHEDULE**

Capitalized terms used in this Exhibit shall have the meanings ascribed to such terms in the Agreement to which this Exhibit is attached.

1. For any Financing, the Company shall:

- (i) pay Maxim a cash fee of 8% of the amount of capital raised, invested or committed; and
- (ii) pay Maxim a cash fee for unallocated expenses of 1% of the amount of capital raised, invested or committed; and
- (iii) deliver a warrant to Maxim (the "**Agent Warrant**") to purchase shares of the Common Stock equal to eight percent (8%) of the number of shares of Common Stock underlying the securities issued in the Financing. Such Agent Warrant will be issued at each Closing and shall provide, among other things, that the Agent Warrant shall (i) be exercisable at an exercise price equal to the price of the securities (or the exercise price of the securities) issued to the investors in the Financing, (ii) expire five (5) years from the date of issuance, (iii) contain standard anti-dilution protection and such other anti-dilution protection provided to the investors in the Financing, (iv) include customary registration rights, including the registration rights provided to the investors, (v) contain provisions for cashless exercise and (vi) include such other terms as are normal and customary for warrants of this type.

2. Transaction Fees:

The Transaction Fees shall be payable to Maxim in cash at the closing or closings of the Transaction to which it relates and shall be equal to three percent (3%) of Transaction consideration as defined below. The amount of consideration paid in a Transaction shall include, for purposes of calculating such fee, all forms of consideration paid or received, directly or indirectly, by the Company and/or its stockholders in such Transaction, including, without limitation, cash, securities, notes or other evidences of indebtedness, assumption of liabilities (whether by operation of law or otherwise), or any combination thereof. If all or portion of the consideration paid in the Transaction is other than cash or securities, then the value of such non-cash consideration shall be the fair market value thereof on the date the Transaction is consummated as mutually agreed upon in good faith by the Company and Maxim. If such non-cash consideration consists of common stock, options, warrants or rights for which a public trading market existed prior to the consummation for the Transaction, then the value of such securities shall be determined based upon the closing or last sales price thereof on the date of the consummation of the Transaction. If such non-cash consideration consists of newly-issued, publicly-traded common stock, options, warrants or rights for which no public trading market existed prior to the consummation of the Transaction, then the value thereof shall be the average of the closing prices for the twenty (20) trading days subsequent to the fifth trading day after the consummation of the Transaction. In such event, the fee payable to Maxim pursuant to this Section 2 shall be paid on the thirtieth (30th) trading day subsequent to consummation of the Transaction. If no public market exists for the common stock, options, warrants or other rights issued in the Transaction, then the value thereof shall be as mutually agreed upon in good faith by the Company and Maxim. If the non-cash consideration paid in the Transaction consists of preferred stock or debt securities (regardless of whether a public trading market existed for such preferred stock or debt securities prior to consummation of the Transaction or exists thereafter),

Members FINRA & SIPC

405 Lexington Ave. * New York, NY 10174 * tel (212) 895-3500 * (800) 724-0761 * fax (212) 895-3783 * www.maximgrp.com
New York, NY * Long Island, NY * Redbank, NJ

the value thereof shall be the maximum liquidation value (without regard to accrued dividends) of the preferred stock or the principal amount of the debt securities, as the case may be. Any amounts payable by a purchaser to the Company, any stockholder of the Company or an affiliate of either the Company or any stockholder of the Company in connection with a non-competition, employment, consulting, licensing, supply or other agreement (or payable by the Company if the Company is the acquiring entity) shall be deemed to be part of the consideration paid in the Transaction. If all or a portion of the consideration payable in connection with the Transaction includes contingent future payments, then the Company shall pay to Maxim an additional cash fee, determined in accordance with this Section 2, as, when and if such contingency payments are received. However, in the event of an installment purchase at a fixed price and fixed time schedule, the Company agrees to pay Maxim, upon consummation of such Transaction, an additional cash fee, determined in accordance with this Section 2 based upon the present value of such installment payments using a discount rate of ten percent (10%). If with respect to any non-cash consideration the Company and Maxim are unable to agree on the fair market value thereof, then such value shall be determined by submission of the question to a reputable appraisal firm with experience valuing property of the nature of the subject consideration acceptable to the Company and Maxim (the fees and expenses of whom shall be borne equally by the Company and Maxim).



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 September 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: November 13, 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 September 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: November 13, 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: November 13, 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: November 13, 2020

By: /s/ Jason Remillard

Name: JASON REMILLARD

Title: Chief Financial Officer (Principal Accounting Officer)
