LANDSTAR, INC.

Financial Statements

December 31, 2017 and 2016

LANDSTAR, INC.

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December 31, 2017 and 2016

Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Landstar, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Landstar, Inc. (the "Company") as of December 31, 2017 and 2016, and the related statements of operations, stockholders' deficit, and cash flows, for each of the years in the two-year period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and cash flows for each of the years in the two-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Company will become a going concern. As described in Note 3 to the financial statements, the Company has not generated any revenue and has limitations as limitations on its operating capital resources, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Thayer O'Neal Company, LLC
We have served as the Company's auditor since 2018.
Houston, Texas
November 16, 2018

LANDSTAR, INC.

Balance Sheets

December 31, 2017 and 2016

	2017	2016
Assets		
Total assets	$ -	$ -
Liabilities		
Current liabilities:		
Accounts payable	$ 52,837	$ 65,740
Convertible notes payable	125,000	125,000
Derivative liability	295,800	19,700
Due to related party	7,990	-
Total current liabilities	481,627	210,440
Total liabilities	481,627	210,440
Stockholders' deficit		
Preferred stock, $0.001 par value; 50,000,000 shares authorized; 1,000,000 issued and outstanding as of December 31, 2017 and 2016	1,000	1,000
Common stock, $0.001 par value; 8,888,000,000 shares authorized; 3,947,676,982 issued and outstanding as of December 31, 2017 and 2016	3,947,677	3,947,677
Additional paid-in capital	1,286,802	1,286,802
Accumulated deficit	(5,717,106)	(5,445,919)
Total stockholders' deficit	(481,627)	(210,440)
Total liabilities and stockholders' deficit	$ -	$ -

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

LANDSTAR, INC.

Statements of Operations

For the Years Ended December 31, 2017 and 2016

	2017	2016
Revenue	$ -	$ -
Operating expenses:		
General and administrative	13,227	6,808
Sales and marketing	1,000	-
Total operating expenses	14,227	6,808
Loss from operations	(14,227)	(6,808)
Other income (expense):		
Other income	19,140	-
Loss from change in fair value of derivative liability	(276,100)	-
Net loss	$ (271,187)	$ (6,808)
Net loss per common share, basic and diluted	(0.00)	(0.00)
Weighted-average common shares, basic and diluted	3,947,676,982	3,947,676,982

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

LANDSTAR, INC.

Statements of Stockholders' Deficit

For the Years Ended December 31, 2017 and 2016

	Convertible Preferred Series A		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholder Deficit
	Shares	Amount	Shares	Amount			
Balance as of January 1, 2016	1,000,000	$ 1,000	3,947,676,982	$ 3,947,677	$ 1,286,802	$(5,439,111)	$ (203,632)
Net loss	-	-	-	-	-	(6,808)	(6,808)
Balance as of December 31, 2016	1,000,000	1,000	3,947,676,982	3,947,677	1,286,802	(5,445,919)	(210,440)
Net loss	-	-	-	-	-	(271,187)	(271,187)
Balance as of December 31, 2017	1,000,000	$ 1,000	3,947,676,982	$ 3,947,677	$ 1,286,802	$(5,717,106)	$ (481,627)

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

LANDSTAR, INC.

Statements of Cash Flows

For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Net loss	$ (271,187)	$ (6,808)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Loss from change in fair value of derivative liability	276,100	-
Changes in operating assets and liabilities:		
Accounts payable	(12,903)	6,808
Due to related party	7,990	
Net cash used in operating activities	-	-
Net change in cash	-	-
Cash as of beginning of year	-	-
Cash as of end of year	$ -	$ -

Supplemental cash flow information:

	2017	2016
Cash paid for interest	$ -	$ -
Cash paid for income tax	$ -	$ -

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description

LandStar, Inc. (the "Company") was incorporated as a Nevada corporation on May 4, 1998. The Company is developing products that enable secure data, at rest and in flight, across local devices, network, cloud, and databases.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 described in Note 4, below, generated a beneficial conversion feature ("BCF"), which arises when a debt or equity security is issued with an embedded conversion option that is beneficial to the investor or in the money at inception because the conversion option has an effective strike price that is less than the market price of the underlying stock at the commitment date. 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).

Income Taxes

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

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

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position.

The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The determination of recording or releasing tax valuation allowance is made, in part, pursuant to an assessment performed by management regarding the likelihood that the Company will generate future taxable income against which benefits of its deferred tax assets may or may not be realized. This assessment requires management to exercise significant judgment and make estimates with respect to its ability to generate taxable income in future periods.

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Net Loss Per Common Share

The Company calculates net loss per common share as a measurement of the Company's performance while giving effect to all dilutive potential common shares that were outstanding during the reporting period. As the Company had a net loss for all periods presented, the inclusion of common stock options or other similar instruments would be anti-dilutive. Therefore, the weighted average shares used to calculate both basic and diluted earnings per share are the same.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segments

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

Recently Issued Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment*. The FASB issued ASU 2016-09 to simplify several aspects of the accounting for share-based payment transactions, including income tax consequences. The guidance is currently effective for the Company for the year-ending December 31, 2018. The Company is currently evaluating the effect of this guidance on its financial statements.

In November 2015, FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. The new standard requires that deferred tax assets and liabilities be classified as noncurrent in a classified statement of financial position. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual report period. The amendments in this ASU may be applied either prospectively to all deferred tax assets and liabilities or retrospectively to all periods presented. The Company adopted this standard as of December 31, 2017.

In August 2014, FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern*, which requires management to assess an entity's ability to continue as a going concern and to provide related disclosures in certain circumstances. Under the new guidance, disclosures are required when conditions give rise to substantial doubt about an entity's ability to continue as a going concern within one year from the financial statement issuance date. The guidance is effective for annual periods ending after December 15, 2016, and all annual and interim periods thereafter. The Company adopted ASU 2014-15 for the year ended December 31, 2016.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). The provisions of ASU 2016-02 set out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months, regardless of their classification. Leases with a term of 12 months or less will be accounted for in a similar manner as under existing guidance for operating leases. ASU 2016-02 supersedes the previous lease standard, Topic 840, *Leases*. This guidance is effective for the Company for the year ending December 31, 2020. The Company is currently evaluating the impact that the implementation of this standard will have on the Company's financial statements.

NOTE 2: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The Company has restated previously issued financial statements as of December 31, 2017 and 2016, to reflect the correction of errors related to understatements of accounts payable and amounts due to a related party, and accounting for liabilities created by a beneficial conversion feature associated with the issuance of a convertible note payable.

The following sets forth the previously reported and restated amounts of selected items within the balance sheet and statement of operations as of and for the year ended December 31, 2017 and 2016:

	2017		
	As Previously Reported	Correction of Errors	As Restated
Accounts payable	$ -	$ 52,837	$ 52,837
Due to related party	-	7,990	7,990
Derivative liability	-	295,800	295,800
Stockholders' deficit, December 31, 2017	125,000	356,627	481,627
Net loss for the year ended December 31, 2017	-	271,187	271,187

NOTE 2: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (concluded)

	2016		
	As Previously Reported	Correction of Errors	As Restated
Accounts payable	$ -	$ 65,740	$ 65,740
Derivative liability	-	19,700	19,700
Stockholders' deficit, January 1, 2016	125,000	78,632	203,632
Stockholders' deficit, December 31, 2016	125,000	85,540	210,440
Net loss for the year ended December 31, 2016	-	6,808	6,808

NOTE 3: LIQUIDITY AND GOING CONCERN

The accompanying 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. The Company has not generated significant income to date. The Company is subject to the risks and uncertainties associated with a business with no substantive 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 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 has made one product acquisition, ClassiDocs, and completed the acquisition of one entity, Data443 Risk Mitigation, Inc ("Data443"). The Company is actively seeking new products and entities to acquire, with several candidates identified. 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 December 31, 2017, the Company had operating losses, negative net working capital, and an accumulated deficit. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 4: CONVERTIBLE NOTE PAYABLE

Convertible note payable consists of a non-interest bearing convertible note for the original principal of $125,000, payable on demand and convertible at the option of the holder into common shares at the conversion price of $0.00005 per share. The outstanding principal for the convertible note was $125,000 as of December 31, 2017 and 2016. The embedded conversion feature in this note created a beneficial conversion feature ("BCF") totaling $296,000 and $375,000 as of December 31, 2017 and 2016.

NOTE 5: DERIVATIVE LIABILITY

Management determined that liabilities created by a beneficial conversion feature associated with the issuance of a convertible note payable (see Note 4) meets the criteria of a derivative and is required to be measured at fair value. The fair value of this derivative liability was determined based on management's estimate of the expected future cash flows required to settle the liability. This valuation technique involves management's estimates and judgment based on unobservable inputs and is classified in level 3.

Derivative liability as of December 31, 2016	$ 19,700
Change in fair value of derivative liability	276,100
Derivative liability as of December 31, 2017	$ 295,800
The amount of net loss for the period attributable to the unrealized losses relating to liability still held at the reporting date	$ 276,100

NOTE 6: CAPITAL STOCK

Preferred Stock

The Company is authorized to issue 50,000,000 shares of preferred stock with a par value of $0.001, of which 1,000,000 shares have been designated as Series A. As of December 31, 2017 and 2016, 1,000,000 shares of Series A were issued and outstanding, and each share of Series A was (i) convertible into 1,000 shares of common stock, and (ii) entitled to vote 1,000 shares of common stock on all matters submitted to a vote by shareholders voting common stock. All issued and outstanding shares of Series A are held by Mr. Jason Remillard, ("Mr. Remillard") sole director and sole officer of the Company.

Common Stock

The Company is authorized to issue 8,888,000,000 shares of common stock with a par value of $0.001 per share. All shares have equal voting rights, are non-assessable, and have one vote per share. The total number of shares of Company common stock issued and outstanding as of December 31, 2017 and 2016 was 3,947,676,982.

NOTE 7: INCOME TAXES

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

	2017	2016
Noncurrent:		
Deferred tax assets:		
Tax loss	$ 1,250,100	$ 1,941,500
Valuation allowance	(1,250,100)	(1,941,500)
Total deferred tax assets, noncurrent	$ -	$ -

The Company has established a valuation allowance against its deferred tax assets due to the uncertainty surrounding the realization of such assets. During 2017 and 2016, the valuation allowance decreased by $691,400 and increased by $2,400, respectively. The Company has net operating and economic loss carryforwards of $5,441,000 available to offset future federal and state taxable income.

The reasons for the difference between actual income tax expense (benefit) for the years ended December 31, 2017 and 2016, and the amount computed by applying the statutory federal income tax rate to losses before income tax (benefit) are as follows:

	2017		2016	
	Amount	% of Pretax Earnings	Amount	% of Pretax Earnings
Income tax benefit at statutory rate	$ (92,200)	(34.0%)	(2,300)	(34.0%)
State income taxes, net of federal tax benefit	(5,400)	(2.0%)	(100)	(1.5%)
Change in valuation allowance	97,600	36.0%	2,400	35.5%
Income tax benefit	$ -	0.0%	$ -	0.0%

NOTE 8: RELATED PARTY TRANSACTIONS

During 2017, Mr. Remillard made certain advances to the Company totaling $7,990 to be used for operating expenses. As of December 31, 2017, $7,990 was included in due from related party for those advances.

NOTE 9: LEGAL AND OTHER MATTERS

On or about April 9, 2018, a Current Report on Form 8-K ("8-K") was filed under the name "Landstar, Inc." The filing was not authorized by the Company and the Company has had no communication with the named filer. The 8-K purports to present financial statements for the years ended December 31, 2017 and 2016, and includes an entry for "long-term debt with interest" for $1,000,000 on the balance sheet. Although the Company is aware of an unsubstantiated claim for a $500,000 debt obligation, the Company is not familiar with the allegations that form the basis for this claim. The Company has yet to initiate action in response, though the Company intends to vigorously dispute this claim.

Chuguan Industry Co. Ltd., which the Company believes is located in Beijing, China, appears on the Company's shareholder list as a shareholder of record for 1,500,000,000 shares of Company common stock. However, the Company's research has uncovered credible documentation that these shares were cancelled and should not be listed as issued and outstanding. The Company continues to investigate the validity of the cancellation documentation in order to determine if these shares are actually outstanding.

In the normal course of business, the Company may become a party to litigation matters involving claims against the Company. The Company's management is unaware of any other pending or threatened assertions and there are no current matters that would have a material effect on the Company's financial position or results of operations.

NOTE 10: SUBSEQUENT EVENTS

Myriad Software Productions, LLC Acquisition

In January 2018 the Company acquired substantially all of the assets of Myriad Software Productions, LLC ("Myriad"), which was wholly owned 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 the following: $50,000 paid at closing, (ii) $250,000 in the form of a promissory note, and (iii) $1,200,000 in shares of common stock, valued as of the closing, which equated to 1,200,000,000 shares of Company common stock.

NOTE 10: SUBSEQUENT EVENTS (continued)

As the transaction was a business combination among entities under common control, the Company recorded the assets and liabilities of Myriad at carrying value, as though the transaction occurred at the beginning of the applicable period, or January 1, 2018. The following table summarizes the carrying value of the assets acquired and liabilities assumed as of January 1, 2018:

Carrying value of operating assets acquired:		
Cash	$	4,478
Carrying value of liabilities assumed:		
Accounts payable		116,039
Net carrying value acquired	$	(111,561)

Data443 Risk Mitigation, Inc. Acquisition

During June 2018, the Company acquired Data443 through a share exchange whereby the outstanding common stock in Data443, which was wholly owned by Mr. Remillard, was exchanged for shares of common stock of the Company. The total consideration issued for the acquisition of Data443 was as follows:

(a) 100,000,000 shares of Company common stock, and

(b) On the 18-month anniversary of the closing of the share exchange (the "Earn Out Date"), an additional 100,000,000 shares of Company common stock (the "Earn Out Shares") provided that Data443 has at least an additional $1,000,000 in revenue by the Earn Out Date (not including revenue directly from acquisitions).

None of the shares of common stock to be issued to Mr. Remillard under the share exchange have been issued.

As the transaction was a business combination among entities under common control, the Company recorded the assets and liabilities of Data443 at carrying value, as though the transaction occurred at the beginning of the applicable period, or January 1, 2018. The following table summarizes the carrying value of the liabilities assumed as of January 1, 2018:

Carrying value of liabilities assumed:		
Accounts payable	$	17,993
Net carrying value acquired	$	(17,993)

NOTE 10: SUBSEQUENT EVENTS (continued)

Equity Purchase Agreement

On or about February 5, 2018, the Company entered into the EPA with Blue Citi, under which Blue Citi could purchase up to $10,000,000 of the Company's common stock over a period of time terminating on the earlier of, (i) 24 months from the date on which the EPA was executed, or (ii) the date on which Blue Citi purchased the aggregate maximum purchase price of $10,000,000 pursuant to the EPA. The purchase price for the Company's shares of common stock to be paid by Blue Citi was 85% of the price of Company shares traded on the principal market of the Company's common stock pursuant to a specific time period and formula in the EPA.

Additionally, in connection with the EPA, the Company agreed to a $100,000 commitment fee (the "Commitment Fee"), payable in common shares which equated to 28,571,429 shares of Company common stock (the "Commitment Shares").

During September 2018, in connection with the Convertible Note Amendment (note 5), the Company and Blue Citi agreed to terminate the EPA.

Consulting Agreements

During 2018, through Data443, the Company has signed consulting contracts with a team of consultants and advisors, of which, four provide senior leadership to the Company in corporate development, technology development, finance, operations, and sales and marketing, with the others providing services in administration, marketing, sales, and engineering. Additionally, the Company engages junior- and mid-level engineering consultants on a project-by-project basis to further develop technology and to implement services for prospective clients. Collectively, the team is paid approximately $200,000 each quarter. Additionally, the Company has granted stock and stock options to some of these consultants and advisors as part of their compensation and/or in lieu of cash to reduce cash outlays. Stock and stock option grants are awarded selectively to consultants upon their start dates, and every quarter thereafter, during the term of their engagement, at a fixed dollar amount. Each stock and stock option grant is irrevocable, and some stock grants include registration rights; however, each stock and stock option grant is restricted until the one-year anniversary from the date of each respective grant.

NOTE 10: SUBSEQUENT EVENTS (continued)

Convertible Notes Payable

During 2018, the following convertible notes payable were issued:

1. Non-interest bearing convertible note held by Blue Citi LLC ("Blue Citi") for the original principal of $125,000, payable on demand and convertible at the option of the holder into common shares at the conversion price of $0.00005 per share. The outstanding principal for the convertible note was $100,000 and $125,000 as of September 30, 2018 and December 31, 2017. During the nine-month period ending September 30, 2018, Blue Citi converted $25,000 of this convertible note into 500,000,000 shares of common stock.

2. Convertible note held by Blue Citi for a total principal of $829,680. The note (i) accrues interest at the rate of 8% per annum; (ii) can be converted into shares of our common stock at a 10% discount to the lowest trading price during the ten consecutive trading days immediately preceding the date of conversion (40% discount upon an event of default under the note), and (iii) is due and payable upon the 18-month anniversary of its issuance.

   During September 2018, this convertible note was issued to Blue Citi in connection with a restructuring (the "Convertible Note Restructuring") of previously outstanding convertible notes with Blue Citi. Immediately prior to the issuance of this note, various convertible notes totaling $810,000, which had been issued between February and September 2018, were outstanding with Blue Citi, along with associated accrued interest total $19,680. Those notes (i) accrued interest at the rate of 8% per annum; (ii) could be converted into shares of the Company's common stock at a 25% discount to the lowest trading price during the ten consecutive trading days immediately preceding the date of conversion (50% discount upon an event of default under the note), and (iii) were due and payable upon the 12-month or 18-month anniversary of their issuance.

3. Various convertible notes held by Blue Citi for a total principal of $400,000 issued during October and November 2018. The notes (i) accrue interest at the rate of 8% per annum; (ii) can be converted into shares of our common stock at a 10% discount to the lowest trading price during the ten consecutive trading days immediately preceding the date of conversion (40% discount upon an event of default under the note), and (iii) are due and payable upon the 18-month anniversary of its issuance.

Each of these convertible notes (collectively the "Convertible Notes") contains an embedded conversion feature that the Company has determined is a derivative requiring bifurcation.

During 2018, the Company converted $25,000 of a convertible promissory note into 500,000,000 shares of Company common stock.

NOTE 10: SUBSEQUENT EVENTS (concluded)

Stock Options and Restricted Stock

During 2018, the Company granted options to purchase common stock and restricted stock awards to certain consultants and advisors as consideration for services rendered. The terms of the stock option grants and awards of restricted stock are determined by the Company's Board of Directors. The Company's stock options and awards of restricted stock generally vest over a period of one year and have a maximum term of ten years. As of November 16, 2018 approximately 207,970,754 options and approximately 151,844,997 shares of restricted stock had been granted.

Other Items

On or about July 29, 2018, the Company entered into a letter of intent to acquire from Modevity, LLC ("Modevity"), an enterprise cloud-based data storage, protection, and workflow automation platform known as ARALOC™. Included as part of the proposed purchase, the Company would also acquire all technology, sales assets, and customers of Modevity. The total consideration for this agreement includes a deposit of $50,000 which was made in July 2018, and (i) an additional $150,000, payable at closing, (ii) $750,000, in the form of a 10-month promissory note, and (iii) 164,533,821 shares of Company common stock.

The Company has evaluated subsequent events through November 16, 2018, the date at which the financial statements were available for issuance.