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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2019**

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 **000-52522**

SURGE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Nevada	**98-0550352**
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)
3124 Brother Blvd, Suite 104	
Bartlett TN	**38133**
(Address of principal executive offices)	(Zip Code)

(901) 302-9587
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	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 [X] 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 and post such files).
Yes [X] 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 [X]	Smaller reporting company [X]
(Do not check if a 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 to Section 7(a)(2)(B) of the Securities Act. [ ]

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

The number of shares of the registrant's common stock outstanding as of November 14, 2019 was 100,995,459 shares.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

SURGE HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	September 30, 2019 (unaudited)	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 143,903	$ 444,612
Accounts receivable, less allowance for doubtful accounts of $24,841 and $17,000, respectively	5,370,026	206,679
Note receivable	222,045	190,000
Lifeline revenue due from USAC	231,804	850,966
Customer phone supply	1,500	1,356,701
Prepaid expenses	111,462	10,862
Total current assets	6,080,740	3,059,820
Property and Equipment, less accumulated depreciation of $25,343 and $13,782, respectively	241,428	30,990
Intangible assets less accumulated amortization of $346,864	5,037,780	65,269
Goodwill	866,782	866,782
Investment in Centercom	249,417	-
Operating least right of use asset, net	195,797	-
Other long-term assets	61,457	61,457
Total assets	$ 12,733,401	$ 4,084,318
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses - others	$ 5,304,744	$ 3,104,234
Accounts payable and accrued expenses - related party	453,399	149,901
Credit card liability	560,754	394,840
Loss contingency	40,000	70,000
Deferred revenue	-	50,000
Derivative liability	18,511	51,058
Operating lease liability	20,040	-
Line of credit	912,870	-
Advance from related party	-	389,502
Notes payable and current portion of long-term debt, net	512,500	582,500
Total current liabilities	7,822,818	4,792,035
Long-term debt less current portion – related party	1,322,000	680,000
Operating lease liability – net	175,757	-
Trade payables - long term	864,140	600,516
Convertible promissory notes payable	4,233,000	-
Total liabilities	14,417,715	6,072,551
Commitments and contingencies		
Stockholders' deficit:		
Series A preferred stock: $0.001 par value; 100,000,000 shares authorized; 13,000,000 and 13,000,000 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	13,000	13,000
Series C convertible preferred stock; $0.001 par value; 1,000,000 shares authorized; 721,598 and 643,366 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	722	643
Common stock: $0.001 par value; 500,000,000 shares authorized; 101,966,436 shares and 88,046,391 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	101,966	88,047
Additional paid in capital	5,893,508	333,623
Accumulated deficit	(7,693,510)	(2,423,546)
Total stockholders' deficit	(1,684,314)	(1,988,233)
Total liabilities and stockholders' deficit	$ 12,733,401	$ 4,084,318

See accompanying notes to condensed consolidated financial statements

SURGE HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Revenue	$ 4,901,864	$ 4,051,027	$ 12,295,058	$ 11,536,590
Cost of revenue	3,023,292	2,240,447	7,814,614	6,160,717
Gross profit	1,878,572	1,810,580	4,480,444	5,375,873
Cost and expenses				
Depreciation and amortization	17,926	40,029	39,050	102,842
Selling, general and administrative	2,998,359	2,170,366	9,222,923	5,456,517
Total costs and expenses	3,016,285	2,210,395	9,261,973	5,559,359
Operating loss	(1,137,713)	(399,815)	(4,781,529)	(183,486)
Other expense (income):				
Interest expense, net	20,767	40,833	93,157	128,242
Change in fair value of derivative liability	-	6,724	-	4,105
Change in fair value of LTC cryptocurrency	-	12,581	-	63,487
Gain on investment in Centercom	(6,134)	-	(70,909)	-
(Gain)/loss on settlement of liabilities	-	(61,709)	466,187	(61,709)
Total other expense (income)	14,633	1,571	488,435	134,125
Net loss before provision for income taxes	(1,152,346)	(398,244)	(5,269,964)	(317,611)
Provision for income taxes	-	27,480	-	82,230
Net loss	$ (1,152,346)	$ (425,724)	$ (5,269,964)	$ (399,841)
Net loss per common share, basic and diluted	$ (0.01)	$ (0.00)	$ (0.06)	$ (0.01)
Weighted average common shares outstanding – basic and diluted	98,452,560	86,066,723	94,225,836	79,529,231

See accompanying notes to condensed consolidated financial statements.

SURGE HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Stockholders' Deficit
(Unaudited)

Three Months ended September 30, 2019

	Preferred Stock		Series C Preferred		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance, June 30, 2019	13,000,000	$ 13,000	721,598	$ 722	97,988,818	$ 97,989	$ 4,604,735	$ (6,541,164)	$ (1,824,718)
Issuance of common stock and warrants for services rendered	-	-	-	-	50,000	50	84,700	-	84,750
Sale of common stock and warrants	-	-	-	-	594,285	594	207,406	-	208,000
Issuance of common shares for asset purchase	-	-	-	-	3,333,333	3,333	996,667	-	1,000,000
Net loss	-	-	-	-	-	-	-	(1,152,346)	(1,152,346)
Balance, September 30, 2019	13,000,000	$ 13,000	721,598	$ 722	101,966,436	$ 101,966	$ 5,893,508	$ (7,693,510)	$ (1,684,314)

Three Months ended September 30, 2018

	Preferred Stock		Series C Preferred		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance, June 30, 2018	13,000,000	$ 13,000	594,966	$ 595	84,182,669	$ 84,183	$ (3,566,124)	$ (856,585)	$ (4,324,931)
Issuance of common stock and warrants for services rendered	-	-	-	-	-	-	24,613	-	24,613
Issuance of common stock for settlement of accounts payable	-	-	-	-	1,155,703	1,156	229,985	-	231,141
Issuance of common stock for settlement of debt and accrued interest	-	-	-	-	2,175,000	2,175	432,825	-	435,000
Net loss	-	-	-	-	-	-	-	(425,724)	(425,724)
Balance, September 30, 2018	13,000,000	$ 13,000	594,966	$ 595	87,513,372	$ 87,514	$ (2,878,701)	$ (1,282,309)	$ (4,059,901)

Nine Months ended September 30, 2019

	Preferred Stock		Series C Preferred		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance, December 31, 2018	13,000,000	$ 3,000	643,366	$ 643	88,046,391	$ 88,047	$ 333,623	$ (2,423,546)	$ (1,988,233)
Issuance of common stock and warrants for services rendered	-	-	-	-	596,000	596	307,277	-	307,873
Issuance of common stock for settlement of accounts payable	-	-	-	-	875,000	875	506,625	-	507,500
Sale of common stock and warrants	-	-	-	-	9,115,712	9,115	3,181,385	-	3,190,500
Issuance of common shares for asset purchase	-	-	-	-	3,333,333	3,333	996,667	-	1,000,000
Issuance of Series C Preferred Stock for investment in Centercom	-	-	72,000	72	-	-	178,436	-	178,508
Issuance of Series C Preferred Stock for conversion of related party advances	-	-	6,232	7	-	-	389,495	-	389,502
Net loss	-	-	-	-	-	-	-	(5,269,964)	(5,269,964)
Balance, September 30, 2019	13,000,000	$ 13,000	721,598	$ 722	101,966,436	$ 101,966	$ 5,893,508	$ (7,693,510)	$ (1,684,314)

Nine Months ended September 30, 2018

	Preferred Stock		Series C Preferred		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance, December 31, 2017	3,000,000	$ 3,000	-	$ -	152,555,416	$ 152,555	$ (155,555)	$ (617,240)	$ (617,240)
Recapitalization	10,000,000	10,000	-	-	79,888,784	79,889	(3,687,835)	(265,228)	(3,863,174)
Issuance of common stock for services rendered	-	-	-	-	480,000	480	153,733	-	154,213
Issuance of common stock for settlement of accounts payable	-	-	-	-	1,155,703	1,156	229,985	-	231,141
Issuance of common stock for settlement of debt and accrued interest	-	-	-	-	2,175,000	2,175	432,825	-	435,000
Issuance of Series C Preferred Stock in exchange for Common Stock	-	-	594,966	595	(148,741,531)	(148,741)	148,146	-	-
Net loss	-	-	-	-	-	-	-	(399,841)	(399,841)
Balance, September 30, 2018	13,000,000	$ 13,000	594,966	$ 595	87,513,372	$ 87,514	$ (2,878,701)	$ (1,282,309)	$ (4,059,901)

SURGE HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended September 30, 2019	2018
Operating activities		
Net loss	$ (5,269,964)	$ (399,841)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization and depreciation	39,051	102,842
Amortization of right of use assets	35,015	-
Stock-based compensation	307,873	154,213
Change in fair value of LTC cryptocurrency coins	-	63,487
Change in fair value of derivative liability	-	4,105
Loss (gain) on settlement of liabilities	474,953	(61,709)
Gain on equity investment in Centercom	(70,909)	-
Accrued interest on note receivable	(32,045)	-
Changes in operating assets and liabilities:		
Accounts receivable	(5,163,347)	(41,797)
Lifeline revenue due from USAC	619,162	123,648
Customer phone supply	1,355,201	(561,642)
LTC Cryptocurrency coins	-	(45,880)
Prepaid expenses	(100,600)	(5,635)
Credit card liability	165,914	-
Deferred revenue	(50,000)	-
Loss contingency	(30,000)	(41,500)
Current portion of operating lease liability	(35,015)	-
Accounts payable and accrued expenses	2,767,632	897,660
Net cash (used in) provided by operating activities	(4,987,079)	187,951
Investing activities		
Purchase of equipment	(222,000)	-
Net cash received in business combination	-	243,768
Net cash (used in) provided by investing activities	(222,000)	243,768
Financing activities		
Issuance of common stock	3,190,500	-
Due from related party - net	-	17,554
Note payable - borrowings	233,000	163,500
Note payable - repayments	(70,000)	-
Convertible promissory notes - borrowings	233,000	-
Line of credit - advances	1,130,000	-
Line of credit - repayments	(217,130)	-
Loan proceeds under related party financing arrangement	1,316,000	-
Loan repayments under related party financing arrangement	(674,000)	(477,741)
Net cash provided by (used in) financing activities	4,908,370	(296,687)
Net increase (decrease) in cash and cash equivalents	(300,709)	135,032
Cash and cash equivalents, beginning of period	444,612	1,274,160
Cash and cash equivalents, end of period	$ 143,903	$ 1,409,192
Supplemental cash flow information		
Cash paid for interest and income taxes:		
Interest	$ 65,600	$ 6,851
Income taxes	$ -	$ 82,230
Non-cash investing and financing activities:		
Exchange of related party advances for Series C Preferred Stock	$ 389,502	$ -
Exchange of investment in CenterCom for Series C Preferred Stock	$ 178,508	$ -
Operating lease liability	$ 230,812	$ -
Common shares issued in asset purchase	$ 1,000,000	$ -
Debt acquired in asset purchase	$ 4,000,000	$ -
Debt acquired in business combination	$ -	$ 3,000,000
Exchange of Common Stock for Series C Preferred Stock	$ -	$ 148,741
Liabilities settled in Common Stock	$ -	$ 666,141

See accompanying notes to condensed consolidated financial statements

1 BUSINESS

The accompanying condensed consolidated financial statements include the accounts of Surge Holdings, Inc. ("Surge"), formerly Ksix Media Holdings, Inc., incorporated in Nevada on August 18, 2006, and its wholly owned subsidiaries, Ksix Media, Inc. ("Media"), incorporated in Nevada on November 5, 2014; Ksix, LLC ("KSIX"), a Nevada limited liability company that was formed on September 14, 2011; Surge Blockchain, LLC ("Blockchain"), formerly Blvd. Media Group, LLC ("BLVD"), a Nevada limited liability company that was formed on January 29, 2009; DigitizeIQ, LLC ("DIQ") an Illinois limited liability company that was formed on July 23, 2014; Surge Cryptocurrency Mining, Inc. ("Crypto"), formerly North American Exploration, Inc. ("NAE"), a Nevada corporation that was incorporated on August 18, 2006 (since January 1, 2019, this has been a dormant entity that does not own any assets); Surge Logics Inc ("Logics"), an Nevada corporation that was formed on October 2, 2018; SurgePays Fintech Inc ("Tech"), an Nevada corporation that was formed on August 22, 2019; Surge Payments LLC ("Payments"), an Nevada corporation that was formed on December 17, 2018; SurgePhone Wireless LLC ("Surge Phone"), an Nevada corporation that was formed on August 29, 2019 and True Wireless, Inc., an Oklahoma corporation (formerly True Wireless, LLC) ("TW"), (collectively the "Company" or "we"). All significant intercompany balances and transactions have been eliminated in consolidation.

Recent Developments

As reported on Form 8-K filed with the SEC on April 16, 2018, on April 11, 2018, the Company closed the merger transaction (the "Merger") that was the subject of that certain Agreement and Plan of Reorganization (the "Merger Agreement") with True Wireless, Inc., an Oklahoma corporation ("TW") dated as of April 11, 2018. At closing, in accordance with the Merger Agreement, TW merged with and into TW Acquisition Corporation, a Nevada corporation ("Merger Sub"), a wholly-owned subsidiary of Surge Holdings, Inc., with TW being the surviving corporation. As a result of the Merger, TW became a wholly-owned subsidiary of the Company.

As a result of the controlling financial interest of the former members of TW, for financial statement reporting purposes, the merger between the Company and TW has been treated as a reverse acquisition with TW deemed the accounting acquirer and the Company deemed the accounting acquiree under the acquisition method of accounting in accordance with section 805-10-55 of the FASB Accounting Standards Codification. The reverse acquisition is deemed a capital transaction and the net assets of TW (the accounting acquirer) are carried forward to the Company (the legal acquirer and the reporting entity) at their carrying value before the acquisition. The acquisition process utilizes the capital structure of the Company and the assets and liabilities of TW which are recorded at their historical cost. The equity of the Company is the historical equity of TW retroactively restated to reflect the number of shares issued by the Company in the transaction. See Note 4.

On January 17, 2019, the Company announced the completion of an agreement to acquire a 40% equity ownership of Centercom Global, S.A. de C.V ("Centercom"). Centercom is a dynamic operations center currently providing Surge sales support, customer service, IT infrastructure design, graphic media, database programming, software development, revenue assurance, lead generation, and other various operational support services. Anthony N. Nuzzo, a director and officer and a 10% shareholder of the Company's voting equity has a controlling interest in CenterCom Global. Centercom also provides call center support for various third-party clients. Centercom is involved with:

- On-boarding the SurgePays Portal into over 40,000 retail locations and subsequent ongoing support;
- Aggressively marketing the Company's new "Free Wireless Service" program to substantially grow customer base while enhancing customer service;
- Supporting the Company's IT infrastructure including database management; and
- Upselling-related FinTech products to our existing customer base to increase revenue.

On September 30, 2019, the Company entered into an Asset Purchase Agreement (the "Purchase Agreement") with GBT Technologies Inc., a Nevada corporation ("GBT").

Under the Purchase Agreement, the Company has purchased substantially all of the assets, and specified liabilities, of GBT's ECS Prepaid business, Electronic Check Services business, and the Central State Legal Services business (collectively the "ECS Business"). The Purchase Agreement provides that the Company assumed GBT's liabilities incurred after the effective date of the Purchase Agreement, but only to the extent such obligations and liabilities were not caused by or related to any action or inaction by GBT prior to the effective date of the Purchase Agreement. The Purchase Agreement provides, among other things, that on the terms and subject to the conditions set forth therein, the Company acquired substantially all of the assets related to the ECS Business for total consideration of five million dollars ($5,000,000). The Purchase Agreement provides that the consideration is to be paid by the Company through the issuance of a convertible promissory note in the amount of four million dollars ($4,000,000) to GBT (the "Note"), and through the issuance of three million three hundred thirty-three thousand three hundred thirty-three (3,333,333) restricted shares of the Company's common stock to GBT (the "Shares"). GBT may not convert the Note to the extent that such conversion would result in beneficial ownership by GBT and/or its affiliates of more than 4.99% of the issued and outstanding common stock of the Company.

Business Overview

Surge Holdings, Inc. ("Surge Holdings" or "the Company"), incorporated in Nevada on August 18, 2006, is a company focused on Telecom, Media, and FinTech applications serving customers worldwide online and across social media, gaming and mobile platforms.

The Company's current focus is the provision of financial and telecommunications services to the financially underserved (i.e. persons who have little or no access to credit) within the population. The Company provides a suite of services which are primarily marketed through small retail establishments which are utilized by members of its target market.

Commencing in 2018, the Company has significantly expanded its suite of services to include the pursuit of the following business models:

<u>Surge Telecom</u>

SurgePhone Wireless offers discounted talk, text, and 4G LTE data wireless plans at prices that average 30% – 50% lower than competitors. Available nationwide, SurgePhone Wireless utilizes ad impression revenue to help offset and, in many cases, eliminate the monthly wireless plans for low income customers (free service for the customer is paid for by ad revenue). Additionally, SurgePhone also offers strategic discounts such as the Surge Heroes campaign that rewards teachers, first responders, active military and veterans with a free Android smartphone.

Additionally, through the use of the SurgeRewardsApp, the Company is able to more aggressively rollout the SurgePhoneWireless service. Customers earn rewards from the ad impressions while unlocking their phone and also by opening the SurgeRewardsApp to watch videos and ads, as well as participate in short surveys in order to receive reward points that can be converted into statement credits for free cell phone service or cash.

True Wireless is licensed to provide subsidized wireless service to qualifying low income customers in 5 states. Utilizing all 4 major USA wireless backbones, True Wireless provides discounted and free wireless service to over 25,000 veterans and other customers who qualify for certain federal programs such as SNAP (EBT) and Medicaid.

The SurgePhone Android Volt 5XL provides a large screen smartphone option to those unable to afford a more expensive phone.

<u>Surge Fintech</u>

SurgePays Visa launched late in the third quarter of 2019. We believe this card could be life enhancing by serving as a virtual checking account for the unbanked, underbanked, credit challenged or those unable to access traditional financial services. The SurgePays card will offer safety, security and convenience of using the card anywhere that accepts Visa and customers will be able to load their card via direct deposit or loading cash directly at 110,000 locations nationwide. Customers will be able to access and manage their accounts from the connected app. In addition, customers will also be able to take a picture of their paycheck and load the cash to their cards (eliminating costly check cashing fees).

Surge Software

SurgePays Portal is a multi-purpose software interface for convenience stores, bodegas and other corner merchants providing goods and services to the underbanked community. The merchant or clerk is able to use the portal interface – similar to a website – with image driven navigation to add wireless minutes to any prepaid wireless carrier's phone and access to other services such as bill payment and loading debit cards. We believe what makes SurgePays unique is that it also offers the merchant the ability to order wholesale goods through the portal with one touch ease. SurgePays is essentially a wholesale e-commerce storefront that allows manufactures and distribution companies to have access to merchants while cutting out the middleman. The goal of the SurgePays Portal is to provide as many commonly sold consumable products as possible to convenience stores, corner markets, bodegas, and supermarkets. These products include energy drinks, dry foods, frozen foods, bagged snacks, processed meats, automotive parts and many more goods, all in one convenient e-commerce storefront.

Surge Digital Media

Surge Logics is a full-service digital advertising agency, specializing in lead generation, Pay Per Call, landing page optimization and managed ad spending. Our primary media buying platforms are Google AdWords, Facebook, Instagram and Bing. We have a call center that can handle Live Call Transfers, Customer Service Support, Lead Verification and Attorney Case Support.

Through the launch of Surge Intake Logistics ("InTake"), a proprietary CRM software solution that delivers signed retainer services to clients, InTake is proving to be a direct benefit to clients that do not have the staff and infrastructure to handle the volume of leads Surge Logics generates. Surge Logics has taken this a step further to provide qualified leads utilizing a strategic partnership with Centercom to be first in class for online lead generation This partnership and new software have significantly contributed to Surge Logic's revenue which has grown to approximately $4.4 million for the nine months ended September 30, 2019.

Lead generation describes the marketing process of stimulating and capturing interest in a product or service for the purpose of developing sales pipeline.

Pay-per-call (PPCall, also called cost-per-call) is an advertising model in which the rate paid by the advertiser is determined by the number of telephone calls made by viewers of an ad. Pay Per Call providers charge per call, per impression or per conversion.

Media buying is the process of buying media placements for advertising (on TV, in publications, on the radio, digital signage, apps or on websites).

A **call center** - centralized office used for receiving or transmitting a large volume of requests by telephone.

Centercom Global, S.A. de C.V.

On January 17, 2019, the Company announced the completion of an agreement to acquire a 40% equity ownership of Centercom Global, S.A. de C.V ("Centercom"). Centercom is a dynamic operations center currently providing Surge sales support, customer service, IT infrastructure design, graphic media, database programming, software development, revenue assurance, lead generation, and other various operational support services. Anthony N. Nuzzo, a director and officer and a 10% shareholder of the Company's voting equity has a controlling interest in CenterCom Global. Centercom also provides call center support for various third-party clients. Centercom is involved with:

- On-boarding the SurgePays Portal into over 40,000 retail locations and subsequent ongoing support;
- Aggressively marketing the Company's new "Free Wireless Service" program to substantially grow customer base while enhancing customer service;
- Supporting the Company's IT infrastructure including database management; and
- Upselling-related FinTech products to our existing customer base to increase revenue.

Due to the fact that a director, officer, and minority owner of the Company has a controlling interest in CenterCom Global, the Company recorded its investment in Centercom of $178,508, which is the Company's 40% ownership of Centercom's net book value upon close of the completion of the transaction, as "Investment in Centercom" in long term assets on the accompanying condensed consolidated balance sheets. The Company recorded its equity interest in Centercom's results of operations as "Gain on investment in Centercom" in other income (expense) on the accompanying condensed consolidated statements of income. The Company periodically reviews its investment in Centercom for impairment. Management has determined that no impairment was required as of September 30, 2019.

<u>ECS Business</u>

On September 30, 2019, the Company entered into the Purchase Agreement with GBT Technologies Inc ("GBT") of the ECS Prepaid business, Electronic Check Services business and the Central States Legal Services business (collectively, "ECS"). Through its proprietary Fintech software platform, ECS is a leading provider of prepaid wireless load and top-ups, check cashing and wireless SIM activation to convenience stores and bodegas nationwide. Since 2008, ECS has grown to a network of over 9,800 retail locations and 160 independent sales organizations ("ISO") processing over 18,000 transactions per day. Surge will integrate the ECS software with its SurgePays Network in order to offer both wholesale products from third-party manufacturers, as well as Surge products, including the SurgePays Reloadable Debit Card, SurgePhone Wireless and SIM Starter Kits. See Note 5.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and with the instructions to Form 10-Q and Article 8 of Regulation S-X of the United States Securities and Exchange Commission ("SEC"). Accordingly, they do not contain all information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all of the adjustments necessary (consisting only of normal recurring accruals) to present the financial position of the Company as of September 30, 2019 and the results of operations and cash flows for the periods presented. The results of operations for the nine months ended September 30, 2019 are not necessarily indicative of the operating results for the full fiscal year or any future period. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on April 1, 2019.

Use of Estimates and Assumptions and Critical Accounting Estimates and Assumptions

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 at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Risks and Uncertainties

The Company operates in an industry that is subject to intense competition and change in consumer demand. The Company's operations are subject to significant risk and uncertainties including financial and operational risks including the potential risk of business failure.

The Company has experienced, and in the future expects to continue to experience, variability in sales and earnings. The factors expected to contribute to this variability include, among others, (i) the cyclical nature of the industry, (ii) general economic conditions in the various local markets in which the Company competes, including a potential general downturn in the economy, and (iii) the volatility of prices in connection with the Company's distribution of the product. These factors, among others, make it difficult to project the Company's operating results on a consistent basis.

Concentration of Credit Risk

Financial instruments that potentially expose the Company to credit risk consist of cash and cash equivalents, and accounts receivable. The Company is exposed to credit risk on its cash and cash equivalents in the event of default by the financial institutions to the extent account balances exceed the amount insured by the FDIC, which is $250,000. Accounts receivables potentially subject the Company to concentrations of credit risk. Company closely monitors extensions of credit. Estimated credit losses have been recorded in the consolidated financial statements. Recent credit losses have been within management's expectations. No customer accounted for more than 10% of revenues in 2019 or 2018.

Method of Accounting

Investments held in stock of entities other than subsidiaries, namely corporate joint ventures and other non-controlled entities usually are accounted for by one of three methods: (i) the fair value method (addressed in Topic 320), (ii) the equity method (addressed in Topic 323), or (iii) the cost method (addressed in Subtopic 325-20). Pursuant to Paragraph 323-10-05-5, the equity method tends to be most appropriate if an investment enables the investor to influence the operating or financial policies of the investee.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. The Company held no cash equivalents at September 30, 2019 and December 31, 2018.

The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits.

Fair value measurements

The Company adopted the provisions of ASC Topic 820, "*Fair Value Measurements and Disclosures*", which defines fair value as used in numerous accounting pronouncements, establishes a framework for measuring fair value and expands disclosure of fair value measurements.

The estimated fair value of certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are carried at historical cost basis, which approximates their fair values because of the short-term nature of these instruments. The carrying amounts of our short and long term credit obligations approximate fair value because the effective yields on these obligations, which include contractual interest rates taken together with other features such as concurrent issuances of warrants and/or embedded conversion options, are comparable to rates of returns for instruments of similar credit risk.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

- Level 1 — quoted prices in active markets for identical assets or liabilities.
- Level 2 — quoted prices for similar assets and liabilities in active markets or inputs that are observable.
- Level 3 — inputs that are unobservable (for example cash flow modeling inputs based on assumptions).

Revenue recognition

The Company adopted ASC 606 effective January 1, 2018 using the modified retrospective method which would require a cumulative effect adjustment for initially applying the new revenue standard as an adjustment to the opening balance of retained earnings and the comparative information would not require to be restated and continue to be reported under the accounting standards in effect for those periods.

Based on the Company's analysis the Company did not identify a cumulative effect adjustment for initially applying the new revenue standards. The Company principally generates revenue through providing product, services and licensing revenue.

The adoption of ASC 606 represents a change in accounting principle that will more closely align revenue recognition with the delivery of the Company's services and will provide financial statement readers with enhanced disclosures. In accordance with ASC 606, revenue is recognized when a customer obtains control of promised services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these services. To achieve this core principle, the Company applies the following five steps:

1) *Identify the contract with a customer*

A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party's rights regarding the services to be transferred and identifies the payment terms related to these services, (ii) the contract has commercial substance and, (iii) the Company determines that collection of substantially all consideration for services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. The Company applies judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience or, in the case of a new customer, published credit and financial information pertaining to the customer.

2) *Identify the performance obligations in the contract*

Performance obligations promised in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised services, the Company must apply judgment to determine whether promised services are capable of being distinct and distinct in the context of the contract. If these criteria are not met the promised services are accounted for as a combined performance obligation.

3) *Determine the transaction price*

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring services to the customer. To the extent the transaction price includes variable consideration, the Company estimates the amount of variable consideration that should be included in the transaction price utilizing either the expected value method or the most likely amount method depending on the nature of the variable consideration. Variable consideration is included in the transaction price if, in the Company's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. None of the Company's contracts as of September 30, 2019 contained a significant financing component.

4) *Allocate the transaction price to performance obligations in the contract*

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. However, if a series of distinct services that are substantially the same qualifies as a single performance obligation in a contract with variable consideration, the Company must determine if the variable consideration is attributable to the entire contract or to a specific part of the contract. For example, a bonus or penalty may be associated with one or more, but not all, distinct services promised in a series of distinct services that forms part of a single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis unless the transaction price is variable and meets the criteria to be allocated entirely to a performance obligation or to a distinct service that forms part of a single performance obligation. The Company determines standalone selling price based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, the Company estimates the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

5) *Recognize revenue when or as the Company satisfies a performance obligation*

The Company satisfies performance obligations either over time or at a point in time. Revenue is recognized at the time the related performance obligation is satisfied by transferring a promised service to a customer.

Disaggregation of Revenue from Contracts with Customers. The following table disaggregates gross revenue by entity for the nine months ended September 30, 2019 and 2018:

	For the Nine Months Ended	
	September 30, 2019	September 30, 2018
True Wireless, Inc.	$ 3,583,806	$ 9,982,227
Surge Blockchain, LLC	4,351,123	709,889
Surge Logics, Inc.	4,355,370	781,810
Other	4,759	62,664
Total revenue	$ 12,295,058	$ 11,536,590

True Wireless is licensed to provide wireless services to qualifying low income customers in five states. Revenues are recognized when the services have been provided and the government subsidy has been earned.

Surge Blockchain revenues are generated through the SurgePaysPortal multi-purpose software are recognized when the goods and services have been delivered and earned.

Surge Logics is a full-service digital advertising agency and revenues are recognized at a period in time once performance obligations are met and services are provided as customer deposits are received in advance.

Income taxes

We use the asset and liability method of accounting for income taxes in accordance with Accounting Standards Codification ("ASC") Topic 740,*"Income Taxes"*. Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current year and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the deferred tax assets reported if based on the weight of the available positive and negative evidence, it is more likely than not some portion or all of the deferred tax assets will not be realized.

Through December 23, 2014, KSIX and BLVD operated as limited liability companies and all income and losses were passed through to the owners. Through October 12, 2015, DIQ operated as a limited liability company and all income and losses were passed through to its owner. Subsequent to the acquisition dates, these limited liability companies were owned by Surge and became subject to income tax.

Through April 1, 2018, TW operated as a limited liability company and all income and losses were passed through to the owners. In order to facilitate the merger discussed above, TW converted from a limited liability company to a Subchapter C Corporation.

ASC Topic 740-10-30 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740-10-40 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We have no material uncertain tax positions for any of the reporting periods presented.

The Company is no longer subject to tax examinations by tax authorities for years prior to 2016.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current year's presentation.

Recent accounting pronouncements

We have evaluated all recent accounting pronouncements as issued by the FASB in the form of Accounting Standards Updates ("ASU") through the date these financial statements were available to be issued and find no recent accounting pronouncements that would have a material impact on the financial statements of the Company.

3 LIQUIDITY

The Company had a net loss of approximately $5.3 million for the nine months ended September 30, 2019. As of September 30, 2019, the Company had cash and working capital deficit of approximately $144,000 and $1.7 million, respectively.

Management has made the decision to invest in its infrastructure in order to cross market and maximize product rollouts allowing for larger scale revenue in Q4 2019 and beyond. As part of this strategy, the Company is rolling out the SurgePays Marketplace platform to the AATAC network of 40,000 retail plus locations. This process includes placement orders of 500,000 Sim Starter kits, wireless top-ups platform, a nationwide exclusive master distributorship for Weekend Warrior Wellness products that include CBD products and the exclusive distributor of Pastime Foods candy. The Company is in the first phase of the rollout, during which it fulfilled over $2,800,000 in purchase orders during the three months ended September 30, 2019. The asset purchase agreement of the ECS Business executed with GBT gives the Company access to a network of over 9,800 retail locations and 160 independent sales people processing over 18,000 transactions per day (see Note 1). ECS generates approximately $46,500,000 in annualized revenue through third party wireless services.

In addition, during the three months ended September 30, 2019, management made the decision to expedite programming, software development and integration to enable the successful launch of the SurgePays Prepaid Visa card.

To support the significant growth inflection, the Company has reorganized its human resources department, including building the administrative, legal and finance office in Bartlett, and the operations center in El Salvador which will be able to host 300 employees. Management believes the Company now has the ability to support its expected growth, which was a major goal for fiscal year 2019. During the nine months ended September 30, 2019, the Company was able to continue the utilization of the internal controls and operating procedures and techniques employed by the Company's management in order to enhance the business by creating operating efficiencies and controlling costs. Lastly, the Company has significantly restructured its balance sheet to be an effective platform for growth as the Company continues to work towards listing on the Nasdaq Capital Market.

These factors, among others, were addressed by management in determining whether the Company could continue as a going concern. The Company projects that it should be cash flow positive by the end of Quarter 1 2020 from ongoing operations by the combination of increased cash flow from its current subsidiaries, as well as the collection of outstanding receivables and the restructuring of the current debt burden. While management believes it is more likely than not the Company has the ability to continue as a going concern, this is dependent upon the ability to further implement the business plan, generate sufficient revenues and to control operating expenses.

Additionally, if necessary, based on the Company's history of being able to raise capital from both internal and external sources coupled with current favorable market conditions, management believes that debt and/or equity financing can be obtained from both related parties (management and members of the Board of Directors of the Company) and external sources to pay down existing debt obligations, cover short term shortfalls, meet the shareholders equity requirements for Nasdaq, and complete proposed acquisitions. Although the Company believes in the viability of management's strategy to generate sufficient revenue, control costs and the ability to raise additional funds if necessary, there can be no assurances to that effect. Therefore, the accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern.

Subsequent to September 30, 2019, the Company executed debt agreements resulting in gross proceeds of $750,000 to support short-term working capital needs.

4 MERGER AGREEMENT

As discussed in Note 1, the Company closed the merger transaction that was the subject of the Merger Agreement with True Wireless, Inc., dated as of April 11, 2018. At closing, in accordance with the Merger Agreement, TW merged with and into TW Acquisition Corporation, with TW being the surviving corporation. As a result of the Merger, TW became a wholly-owned subsidiary of the Company.

Pursuant to the terms of the Merger Agreement, TW merged into Acquisition Sub in a transaction where TW was the surviving company and become a wholly-owned subsidiary of the Company. The transaction was structured as a tax-free reverse triangular merger. In addition to the 12,000,000 shares of Company Common Stock and $500,000 cash which has been previously paid to the shareholders of TW, at the closing of the merger transaction, the shareholders of TW received the following as additional merger consideration:

● 152,555,416 shares of newly-issued Company Common Stock, which gave the shareholders of TW, on a proforma basis, a 69.5% interest in the Company's total Common Shares.

● An additional number of shares of Company Common Stock, if any, which were necessary to vest 69.5% of the aggregate issued and outstanding Common Stock in the shareholders of TW at the Closing.

● A promissory note in the original face amount of $3,000,000, bearing interest at 3% per annum maturing on December 31, 2018.

● 3,000,000 shares of newly-issued Company Series A Preferred Stock

Following the closing of the merger transaction the Company's investment in TW consisted of the following:

	Shares		Amount
Consideration paid prior to Closing:			
Cash paid		$	500,000
Common stock issued	12,000,000		1,200,000
Total consideration paid	12,000,000	$	1,700,000
Consideration paid at Closing:			
Common stock to be issued at closing(1)	152,555,416	$	60,683,006
Series A Preferred Stock to be issued at closing	3,000,000		120,000
Note payable due December 31, 2018			3,000,000
Total consideration to be paid		$	63,803,006
Total consideration		$	65,503,006

(1) The common shares issued at closing of the merger transaction had a closing price of approximately $0.40 per share on the date of the transaction.

Following the closing of the merger transaction, TW's financial statements as of the closing were consolidated with the consolidated financial statements of the Company.

The following presents the unaudited pro-forma combined results of operations of the Company with the TW Business as if the entities were combined on January 1, 2018.

		Nine Months Ended September 30, 2018
Revenues, net	$	5,547,888
Net loss	$	(664,837)
Net loss per share	$	(0.01)
Weighted average number of shares outstanding		79,529,231

The unaudited pro-forma results of operations are presented for information purposes only. The unaudited pro-forma results of operations are not intended to present actual results that would have been attained had the acquisitions been completed as of January 1, 2018 or to project potential operating results as of any future date or for any future periods.

The Company consolidated TW as of the closing date of the agreement, and the results of operations of the Company include that of TW.

5 ASSET PURCHASE AGREEMENT

On September 30, 2019, the Company entered into the Purchase Agreement with GBT.

Under the Purchase Agreement, the Company has purchased substantially all of the assets, and specified liabilities, of GBT's ECS Prepaid business, Electronic Check Services business, and the Central State Legal Services business. The Purchase Agreement provides that the Company assumed GBT's liabilities incurred after the effective date of the Purchase Agreement, but only to the extent such obligations and liabilities were not caused by or related to any action or inaction by GBT prior to the effective date of the Purchase Agreement. The Purchase Agreement provides, among other things, that on the terms and subject to the conditions set forth therein, the Company acquired substantially all of the assets related to the ECS Business for total consideration of five million dollars ($5,000,000). The Purchase Agreement provides that the consideration is to be paid by the Company through the issuance of a convertible promissory note in the amount of four million dollars ($4,000,000) to GBT, and through the issuance of three million three hundred thirty-three thousand three hundred thirty-three (3,333,333) restricted shares of the Company's common stock to GBT. As of the date of this report, the purchase price allocation has yet to be valued. GBT may not convert the Note to the extent that such conversion would result in beneficial ownership by GBT and/or its affiliates of more than 4.99% of the issued and outstanding common stock of the Company.

The Note has an effective date of September 27, 2019 and has a term of eighteen (18) months until the maturity date. The Note shall not bear interest and shall be convertible at the option of GBT starting from the sixth month anniversary of the effective date. The conversion price of the Note shall equal the volume weighted average price of the Company's common stock on the trading market which the common stock is then trading over the previous twenty (20) days prior to the conversion date, provided that the conversion price shall never be lower than $0.10 or higher than $0.70. The Note provides that the Company retains the right to prepay all or any portion of the principal without any prepayment penalty. In addition, in connection with the issuance of the Note, GBT agreed that, for the eighteen (18) months following the effective date, GBT will not dispose of the Shares or shares issued as a result of the conversion of the Note, in an amount greater than seven and one-half percent (7.5%) of the trading volume of the Company's shares of common stock during the previous month.

The following presents the unaudited pro-forma combined results of operations of the Company with the ECS Business as if the entities were combined on January 1, 2018.

	Nine Months Ended September 30, 2019
Revenues, net	$ 4,847,467
Net loss	$ (5,381,401)
Net loss per share	$ (0.06)
Weighted average number of shares outstanding	94,225,836

	Nine Months Ended September 30, 2018
Revenues, net	$ 46,460,364
Net income	$ 265,813
Net income per share	$ 0.00
Weighted average number of shares outstanding	79,529,231

6 PROPERTY AND EQUIPMENT

Property and equipment stated at cost, less accumulated depreciation, consisted of the following:

	September 30, 2019	December 31, 2018
Computer Equipment and Software	$ 233,263	$ 11,263
Furniture and Fixtures	7,996	7,996
Leasehold Improvements	25,513	25,513
	266,772	44,771
Less: Accumulated Depreciation	(25,344)	(13,782)
	$ 241,428	$ 30,990

Depreciation expense was $39,050 and $75,353 for the nine months ended September 30, 2019 and 2018, respectively.

7 CRYPTOCURRENCY ASSET SALE

In December 2018, the Company executed an agreement with a related party for the sale of Cryptocurrency assets for proceeds of $891,192. In exchange for the purchased assets with a net book value of $523,743, the related party would assume the liabilities of the entity consisting of accounts payable of $40,235 and outstanding debt and accrued interest of $808,600. The Company recognized a gain on sale totaling $273,453.

The Company is no longer engaged in any line of business involving cryptocurrencies or digital assets. The Company previously announced an intention to issue Surge Utility Tokens in the future. The Company still plans on utilizing tokens as a reward program; however, these tokens will have no monetary value and will not involve cryptocurrency or blockchain technology. These tokens will not be able to be bought, sold, invested, or traded. Rather, these tokens will only be awarded by the Company to existing users of the Company's products and will then only be able to be redeemed for rewards using a Surge Rewards website set up by the Company. The Company has not issued any Surge Utility Tokens to date and this name will not be utilized for any rewards tokens used as part of a future Surge Rewards program.

8 CREDIT CARD LIABILITY

The Company previously utilized a credit card issued in the name of DIQ to pay for certain of its trade obligations. During the nine months ended September 30, 2019, the Company utilized a credit card issued in the name of Surge Holdings, Inc. to pay certain trade obligations totaling $1,106,280. At September 30, 2019 and December 31, 2018, the Company's total credit card liability was $560,754 and $394,840, respectively.

9 NOTES PAYABLE – RELATED PARTY

In December 2018, the Company executed a promissory note payable agreement with SMDMM Funding, LLC ("SMDMM"), an entity that is owned by the Company's chief executive officer. The promissory note was for a principal sum up to $1.0 million at an annual interest rate of 6%, due on December 27, 2021. During the nine months ended September 30, 2019, the Company drew net advances on the note totaling $642,000. As part of the Cryptocurrency transaction discussed in Note 6 above, $80,000 of the outstanding balance under the promissory note was assumed by the purchaser.

In August 2019, the Company executed a promissory note payable agreement with SMDMM. The promissory note was for a principal sum up to $217,000 at an annual interest rate of 6%, due on August 15, 2022. As of September 30, 2019, the Company drew advances on the note totaling $217,000.

During the nine months ended September 30, 2019, the Company made principal and accrued interest payments of $674,000 and $25,955, respectively. The outstanding principal balance under the promissory notes due to SMDMM was $1,105,000 and $680,000 at September 30, 2019 and December 31, 2018, respectively. Accrued interest owed to SMDMM was $32,960 and $10,718 at September 30, 2019 and December 31, 2018, respectively.

10 NOTES PAYABLE AND LONG-TERM DEBT

As of September 30, 2019 and December 31, 2018, notes payable and long-term debt consists of:

	September 30, 2019	December 31, 2018
Note payable to former officer due in four equal annual installments of $25,313 on April 28 of each year; past due in 2016 and 2017; accruing interest at 6% per annum since April 28, 2016 on the past due portion	$ -	$ 70,000
Notes payable to seller of DigitizeIQ, LLC due as noted below[1]	485,000	485,000
Convertible note payable to River North Equity LLC dated July 13, 2016 with interest at 10% per annum; due April 13, 2017; convertible into common stock[2]	27,500	27,500
	$ 512,500	$ 582,500

1 **Notes due seller of DigitizeIQ, LLC** includes a series of notes as follows:

- A second non-interest-bearing promissory note made payable to the seller in the amount of $250,000, which was due on January 12, 2016; (Balance at September 30, 2019 and December 31, 2018 - $235,000).

- A third non-interest-bearing promissory note made payable to the seller in the amount of $250,000, which was due on March 12, 2016 and remains unpaid as of September 30, 2019.

The Company is renegotiating the terms of the notes. The notes bear interest at 5% per annum when in default (after the due date). The notes were non-interest bearing until due. Accordingly, a debt discount at 5% per annum was calculated for the notes and was amortized to interest expense until the due date of the notes.

[2] **Convertible note payable to River North Equity, LLC ("RNE") -** The Company evaluated the embedded conversion for derivative treatment and recorded an initial derivative liability and debt discount of $23,190. The debt discount is fully amortized.

Derivative Liability

The Company has determined that the conversion feature embedded in the notes referred to above that contain a potential variable conversion amount constitutes a derivative which has been bifurcated from the note and recorded as a derivative liability, with a corresponding discount recorded to the associated debt. The excess of the derivative value over the face amount of the note, if any, is recorded immediately to interest expense at inception. As noted above, the Company reached an agreement with a debt holder to convert outstanding debt and interest into shares of common stock. As a result, the Company wrote-off the existing derivative liability of $34,556. In addition, the Company wrote-off outstanding principal balance on the note totaling $32,547.

11 CONVERTIBLE PROMISSORY NOTES

As of September 30, 2019 and December 31, 2018, convertible promissory notes payable consists of:

	September 30, 2019	December 31, 2018
Convertible note payable to GBT Technologies Inc. dated September 27, 2019 with no interest; due March 27, 2021; convertible into common stock [1]	$ 4,000,000	$ -
Convertible note payable to Power Up Lending Group Ltd. dated September 18, 2019 with at 12% per annum; due September 18, 2020; convertible into common stock [2]	233,000	-
	$ 4,233,000	$ -

[1] As discussed above in Note 5, the Purchase Agreement provides that the consideration is to be paid by the Company through the issuance of a convertible promissory note in the amount of $4,000,000 to GBT, and through the issuance of three million three hundred thirty-three thousand three hundred thirty-three restricted shares of the Company's common stock. The conversion price of the note shall equal the volume weighted average price of the Company's common stock on the trading market which the common stock is then trading over the previous twenty (20) days prior to the conversion date, provided that the conversion price shall never be lower than $0.10 or higher than $0.70. The note provides that the Company retains the right to prepay all or any portion of the principal without any prepayment penalty.

[2] The conversion price of the note shall equal 65% the average price of the two lowest trading prices of the Company's common stock on the trading market which the common stock is then trading over the previous twenty (20) days prior to the conversion date.

12 LINE OF CREDIT

On January 25, 2018 the Company obtained a $500,000 line of credit (LOC) with a Bank. The LOC bears interest at 5% per annum and is secured by essentially all of the Company's assets. The note is personally guaranteed by the owner of the majority of the Company's voting shares. On December 21, 2018, the Company and the bank agreed to increase the LOC to $1,000,000 at an interest rate of 6% per annum. During the nine months ended September 30, 2019, total advances and repayments under the LOC were $1,130,000 and $217,130, respectively. As of September 30, 2019 and December 31, 2018, the outstanding balance on the LOC was $912,870 and $0, respectively.

13 LEASES

The Company determines if an arrangement contains a lease at inception. Right of use ("ROU") assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The Company's leases consist of leaseholds on office and call center space. The Company utilized a portfolio approach in determining the discount rate. The portfolio approach takes into consideration the range of the term, the range of the lease payments, the category of the underlying asset and the Company's estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. The Company also considered its recent debt issuances as well as publicly available data for instruments with similar characteristics when calculating the incremental borrowing rates.

The lease term includes options to extend the lease when it is reasonably certain that the Company will exercise that option. These operating leases contain renewal options for periods ranging from three to five years that expire at various dates with no residual value guarantees. Future obligations relating to the exercise of renewal options is included in the measurement if, based on the judgment of management, the renewal option is reasonably certain to be exercised. Factors in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of leasehold improvements, the value of the renewal rate compared to market rates, and the presence of factors that would cause a significant economic penalty to the Company if the option is not exercised. Management reasonably plans to exercise all options, and as such, all renewal options are included in the measurement of the right-of-use assets and operating lease liabilities.

Leases with a term of 12 months or less are not recorded on the balance sheet, per the election of the practical expedient noted above.

The Company recognizes lease expense for these leases on a straight-line basis over the lease term. The Company recognizes variable lease payments in the period in which the obligation for those payments is incurred. Variable lease payments that depend on an index or a rate are initially measured using the index or rate at the commencement date, otherwise variable lease payments are recognized in the period incurred.

The components of lease expense were as follows:

	Nine Months Ended September 30, 2019
Operating leases	$ 48,020
Interest on lease liabilities	5,065
Total net lease cost	$ 53,085

Supplemental balance sheet information related to leases was as follows:

		September 30, 2019
Operating leases:		
Operating lease ROU assets	$	195,797
Current operating lease liabilities, included in current liabilities	$	20,040
Noncurrent operating lease liabilities, included in long-term liabilities		175,757
Total operating lease liabilities	$	195,797

Supplemental cash flow and other information related to leases was as follows:

		Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	35,015
ROU assets obtained in exchange for lease liabilities:		
Operating leases	$	230,812
Weighted average remaining lease term (in years):		
Operating leases		2.42
Weighted average discount rate:		
Operating leases		5%

Total future minimum payments required under the lease obligations as of September 30, 2019 are as follows:

Twelve Months Ending December 31,		
2019 (thereafter)	$	20,040
2020		80,160
2021		80,160
2022		15,437
Total lease payments	$	195,797
Less: amounts representing interest		(11,602)
Total lease obligations	$	184,195

14 STOCKHOLDERS' EQUITY

Preferred Stock

Series "A" Preferred Stock

As of September 30, 2019 and December 31, 2018, there were 13,000,000 shares of Series A issued and outstanding.

Series "C" Convertible Preferred Stock

As discussed above in Note 1, on January 17, 2019, the Company announced the completion of an agreement to acquire a 40% equity ownership of Centercom. Upon execution of the agreement, the Company issued 72,000 shares of Preferred C stock (convertible into 18,000,000 shares of common stock) to a director, officer and minority owner of the Company who has a controlling interest in Centercom. The Company recorded its investment in Centercom of $178,508, which is the Company's 40% ownership of Centercom's net book value upon close of the completion of the transaction, as "Investment in Centercom" in long term assets on the accompanying condensed consolidated balance sheets.

On February 15, 2019, Carter Matzinger elected to exchange outstanding non-interest-bearing debt totaling $389,502 owed by the Company into 6,232 shares of Preferred C stock.

As of September 30, 2019 and December 31, 2018, there were 721,598 and 643,366 shares of Series C issued and outstanding, respectively.

Common Stock

During the nine months ended September 30, 2019, the Company granted consultants 96,000 restricted shares for services pursuant to consulting agreements.

On March 27, 2019, the Company reached a settlement with a consultant to issue 875,000 shares for services rendered. Upon execution of the settlement, the Company recorded a loss on settlement of $507,500.

As discussed above in Note 5, on September 30, 2019, the Company entered into a Purchase Agreement with GBT Technologies Inc. Pursuant to the agreement, the Company acquired substantially all of the assets related to the ECS Business for total consideration of five million dollars ($5,000,000). The Purchase Agreement provides that the consideration is to be paid by the Company through the issuance of a convertible promissory note in the amount of $4,000,000 and through the issuance of 3,333,333 restricted shares of the Company's common stock.

During the nine months ended September 30, 2019, the Company sold an aggregate of 9,115,712 shares of common stock and 4,333,564 warrants, with each warrant exercisable for one share of Common Stock at an exercise price of $0.75, resulting in gross proceeds to the Company of $3,190,500.

During the nine months ended September 30, 2019, the Company recorded total stock-based compensation expense of $274,200 in relation to shares issued for services.

As of September 30, 2019 and December 31, 2018, there were 101,966,436 and 88,046,391 shares of Common Stock issued and outstanding, respectively.

Stock Warrants

On February 15, 2019, the Company executed a consulting agreement with a third party for professional services. Upon execution of the agreement, the Company agreed to issue 100,000 warrants to purchase the Company's common stock with an exercise price of $3.00 per share, a term of 3 years, and immediate vesting. In addition, the consultant is eligible to receive 150,000 warrants upon achievement of certain milestones as discussed in the agreement.

The 250,000 warrants to be issued upon execution have an aggregated fair value of approximately $30,782 that was calculated using the Black-Scholes option-pricing model based on the assumptions below.

	September 30, 2019
Risk-free interest rate	2.50%
Expected life of grants	3 years
Expected volatility of underlying stock	168.71%
Dividends	0%

The estimated warrant life was determined based on the "simplified method," giving consideration to the overall vesting period and the contractual terms of the award.

During the nine months ended September 30, 2019, the Company recorded total stock-based compensation expense related to the warrants of approximately $33,673. The unrecognized compensation expense at September 30, 2019 was approximately $0.

15 RELATED PARTY TRANSACTIONS

The Company's former chief executive officer has advanced the Company various amounts on a non-interest-bearing basis, which is being used for working capital. The advance has no fixed maturity. As noted, Mr. Matzinger elected to exchange outstanding non-interest-bearing debt totaling $389,502 owed by the Company into 6,232 shares of Preferred C stock. As of September 30, 2019 and December 31, 2018, the outstanding balance due was $0 and $389,502, respectively.

For the nine months ended September 30, 2019 and 2018, outsourced management services fees of $765,000 was paid to Axia Management, LLC ("Axia") as compensation for services provided. These costs are included in Selling, general and administrative expenses in the Condensed Consolidated Statements of Operations. Axia is owned by the majority owner of the Company.

At September 30, 2019 and December 31, 2018, the Company had trade payables to Axia of $160,018 and $66,535, respectively.

For the nine months ended September 30, 2019 and 2018, the Company purchased telecom services and access to wireless networks from 321 Communications in the amount of $499,356 and $826,401, respectively. These costs are included in Cost of revenue in the Condensed Consolidated Statements of Operations. The owner of the majority of the Company's voting shares is a minority owner of 321 Communications.

At September 30, 2019 and December 31, 2018, the Company had trade payables to 321 Communications of $63,561 and $52,161, respectively.

The Company contracted with CENTERCOM GLOBAL, S.A. DE C.V. ("CenterCom Global") to provide customer service call center services, manage the sales process to include handling incoming orders, the collection and verification of all documents to comply with FCC regulations, monthly audit of all subscribers to file the USAC 497 form, yearly audit of all subscribers that have been active over one year to file the USAC 555 form (Recertification), information technology professionals to maintain company websites, sales portals and server maintenance. Billings for these services in the nine months ended September 30, 2019 and 2018 were $1,594,068 and $1,612,126, respectively, and are included in Cost of revenue in the Condensed Consolidated Statements of Operations. A director, officer, and minority owner of the Company has a controlling interest in CenterCom Global. As discussed in Note 1, on January 17, 2019 the Company announced the completion of an agreement to acquire a 40% equity ownership of Centercom for $178,508, the Company's ownership percentage of the net book value of Centercom upon completion of the transaction.

At September 30, 2019 and December 31, 2018, the Company had trade payables to CenterCom Global of $203,095 and $175,000, respectively.

See Note 5 for long-term debt due to related parties.

15 COMMITMENTS AND CONTINGENCIES

On November 1, 2013, The Federal Communications Commission ("FCC") issued a Notice of Apparent Liability for Forfeiture to the Company for requesting and/or receiving support for ineligible subscriber lines between the months of October 2012 and May 2013 and proposed a monetary forfeiture of $5,501,285. The Company has annual compliance audits with FCC approved audit firms that have found no compliance deficiencies. Management believes the proposed monetary forfeiture is without merit and if anything should result from this notice, the amount would not materially affect the financial position of the Company.

In October 2018, the Company signed an agreement with Pastime Foods ("Pastime") in order to expand the Company's distribution network for its SurgePays portal. The agreement will initiate distribution and sales to over 15,000 convenience and retail locations with a long-term target of greater than 40,000 locations. According to the agreement, Pastime commits to selling more than an average required minimum of $1,500 of monthly sales revenue per location. The Company will fund the initial placement costs and expenses with a total initial advance of $190,000 as well as fees of $10,000. Any advances will be offset by the sharing of distribution revenues for shipments paid by retailers directly to Pastime and the Company. The sharing percentage will be 100% of the net distribution profit until the advances have been covered. As of December 31, 2018, the outstanding receivable due to the Company pursuant to the agreement is $190,000 and is shown as Note Receivable on the consolidated balance sheet.

In November 2018, the Company entered into a settlement agreement with West Publishing Corporation ("West") to remedy an outstanding civil action filed by West. Pursuant to the agreement, the Company will pay West the principal amount of $125,000 plus interest accruing at the annual rate of 7%.

As of September 30, 2019, all payments were made as required in the settlement agreement.

16 SEGMENT INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available and evaluated regularly by the chief operating decision maker, or decision–making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is its Chief Executive Officer.

The Company evaluated performance of its operating segments based on revenue and operating profit (loss). Segment information for the three and nine months ended September 30, 2019 and 2018 and as of September 30, 2019 and December 31, 2018, are as follows:

	Surge	TW	Total
Three Months ended September 30, 2019			
Revenue	$ 3,428,766	$ 1,473,098	$ 4,901,864
Cost of revenue	(1,991,139)	(1,032,153)	(3,023,292)
Gross margin	1,437,627	440,945	1,878,572
Costs and expenses	(2,154,161)	(862,124)	(3,016,285)
Operating loss	(716,534)	(421,179)	(1,137,713)
Three Months ended September 30, 2018			
Revenue	$ 819,149	$ 3,231,878	$ 4,051,027
Cost of revenue	(648,590)	(1,591,857)	(2,240,447)
Gross margin	170,558	1,640,022	1,810,580
Costs and expenses	(867,997)	(1,342,398)	(2,210,395)
Operating income (loss)	(697,438)	297,623	(399,815)
Nine Months ended September 30, 2019			
Revenue	$ 6,739,867	$ 5,555,191	$ 12,295,058
Cost of revenue	(4,282,620)	(3,531,994)	(7,814,614)
Gross margin	2,457,247	2,023,197	4,480,444
Costs and expenses	(6,389,314)	(2,872,659)	(9,261,973)
Operating loss	(3,932,067)	(849,462)	(4,781,529)
Nine Months ended September 30, 2018			
Revenue	$ 1,554,363	$ 9,982,227	$ 11,536,590
Cost of revenue	(1,263,599)	(4,897,118)	(6,160,717)
Gross margin	290,764	5,085,109	5,375,873
Costs and expenses	(1,638,265)	(3,921,094)	(5,559,359)
Operating income (loss)	(1,347,501)	1,164,015	(183,486)
September 30, 2019			
Total assets	$ 10,380,654	$ 2,352,747	$ 12,733,401
Total liabilities	10,929,963	3,487,752	14,417,715
December 31, 2018			
Total assets	$ 947,550	$ 3,136,768	$ 4,084,318
Total liabilities	2,694,258	3,378,293	6,072,551

17 SUBSEQUENT EVENTS

On October 7, 2019, the Company entered into a Securities Purchase Agreement (the "SPA"), severally and not jointly, with BHP Capital NY Inc., a New York Corporation ("BHP"), Armada Capital Partners LLC, a Delaware limited liability company ("Armada"), and Jefferson Street Capital LLC, a New Jersey limited liability company ("Jefferson"), ("Buyer" or collectively the "Buyers"). In connection with the SPA, the Company issued three (3) notes, one to each Buyer, and three (3) warrants to purchase the Company's common stock, one to each Buyer. The aggregate purchase price of the notes is $375,000 and the aggregate principal amount of the notes is $405,000.

Pursuant to the SPA, each of the Buyers purchased from the Company, for a purchase price of $125,000, a convertible promissory note, in the principal amount of $135,000. The purchase of each note was accompanied by the Company's issuance of a warrant to purchase 125,000 shares of the Company's common stock to each Buyer. On October 7, 2019, each Buyer delivered the purchase price to the Company as payment for each note.

Each note became effective as of October 7, 2019 and is due and payable on April 7, 2021. The notes entitle the Buyers to 8% interest per annum. Upon an Event of Default (as defined in the notes), the notes entitle the Buyers to interest at the rate of 18% per annum. The notes may be converted into shares of the Company's common stock at a conversion price equal to 0.75 (representing a 25% discount) multiplied by the lesser of (i) the lowest one day volume weighted average price ("VWAP") for the common stock during the ten (10) trading day period ending on the latest complete trading day prior to the conversion date, and (ii) the lowest one day VWAP for the common stock during the ten (10) trading day period ending on the latest complete trading day prior to the issue date. In the event of a default, without demand, presentment or notice, the note shall become immediately due and payable.

The warrants were issued to the Buyers by the Company on October 7, 2019 in connection with the SPA. The warrants entitle the Buyers, respectively, to exercise purchase rights represented by the warrants up to 125,000 shares per warrant. The warrants permit the Buyers to exercise the purchase rights at any time on or after October 7, 2019 through October 7, 2022. Each warrant contains an exercise price per share of $0.80, subject to adjustment, and also contains a provision permitting the cashless exercise of such exercise rights as defined therein. The Company has maintained the right to redeem each warrant in full at any time following payment in full of the amounts owing under each respective note.

On November 4, 2019, the Company entered into a promissory note agreement with a lender for the principal sum of $250,000. The note has a maturity of twelve months and bears interest at a rate of 18% compounded annually with an additional 100,000 shares of Company restricted stock.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This statement contains forward-looking statements within the meaning of the Securities Act. Discussions containing such forward-looking statements may be found throughout this statement. Actual events or results may differ materially from those discussed in the forward-looking statements as a result of various factors, including the matters set forth in this statement. The accompanying condensed consolidated financial statements as of September 30, 2019 and 2018 and for the three and nine months then ended includes the accounts of Holdings and its wholly owned subsidiaries during the period owned by Holdings.

Surge Holdings, Inc. ("Surge Holdings" or "the Company"), incorporated in Nevada on August 18, 2006, is a company focused on Telecom, Media, and FinTech applications serving customers worldwide online and across social media, gaming and mobile platforms.

The Company's current focus is the provision of financial and telecommunications services to the financially underserved (i.e. persons who have little or no access to credit) within the population. The Company provides a suite of services which are primarily marketed through small retail establishments which are utilized by members of its target market.

Commencing in 2018, the Company has significantly expanded its suite of services to include the pursuit of the following business models:

Surge Telecom

SurgePhone Wireless offers discounted talk, text, and 4G LTE data wireless plans at prices that average 30% – 50% lower than competitors. Available nationwide, SurgePhone Wireless utilizes ad impression revenue to help offset and, in many cases, eliminate the monthly wireless plans for low income customers (free service for the customer is paid for by ad revenue). Additionally, SurgePhone also offers strategic discounts such as the Surge Heroes campaign that rewards teachers, first responders, active military and veterans with a free Android smartphone.

Additionally, through the use of the SurgeRewardsApp, the Company is able to more aggressively rollout the SurgePhoneWireless service. Customers earn rewards from the ad impressions while unlocking their phone and also by opening the SurgeRewardsApp to watch videos and ads, as well as participate in short surveys in order to receive reward points that can be converted into statement credits for free cell phone service or cash.

True Wireless is licensed to provide subsidized wireless service to qualifying low income customers in 5 states. Utilizing all 4 major USA wireless backbones, True Wireless provides discounted and free wireless service to over 25,000 veterans and other customers who qualify for certain federal programs such as SNAP (EBT) and Medicaid.

The SurgePhone Android Volt 5XL provides a large screen smartphone option to those unable to afford a more expensive phone.

Surge Fintech

SurgePays Visa launched late in the third quarter of 2019. We believe this card could be life enhancing by serving as a virtual checking account for the unbanked, underbanked, credit challenged or those unable to access traditional financial services. The SurgePays card will offer safety, security and convenience of using the card anywhere that accepts Visa and customers will be able to load their card via direct deposit or loading cash directly at 110,000 locations nationwide. Customers will be able to access and manage their accounts from the connected app. In addition, customers will also be able to take a picture of their paycheck and load the cash to their cards (eliminating costly check cashing fees).

Surge Blockchain, LLC is focused on expanding development and licensing for a Blockchain Service as a Software (SaaS) Payments Platform in order to deliver a real product that improves people's lives.

Surge Software

SurgePays Portal is a multi-purpose software interface for convenience stores, bodegas and other corner merchants providing goods and services to the underbanked community. The merchant or clerk is able to use the portal interface – similar to a website – with image driven navigation to add wireless minutes to any prepaid wireless carrier's phone and access to other services such as bill payment and loading debit cards. We believe what makes SurgePays unique is that it also offers the merchant the ability to order wholesale goods through the portal with one touch ease. SurgePays is essentially a wholesale e-commerce storefront that allows manufactures and distribution companies to have access to merchants while cutting out the middleman. The goal of the SurgePays Portal is to provide as many commonly sold consumable products as possible to convenience stores, corner markets, bodegas, and supermarkets. These products include energy drinks, dry foods, frozen foods, bagged snacks, processed meats, automotive parts and many more goods, all in one convenient e-commerce storefront.

Surge Digital Media

Surge Logics is a full-service digital advertising agency, specializing in lead generation, Pay Per Call, landing page optimization and managed ad spending. Our primary media buying platforms are Google AdWords, Facebook, Instagram and Bing. We have a call center that can handle Live Call Transfers, Customer Service Support, Lead Verification and Attorney Case Support.

Through the launch of Surge Intake Logistics ("InTake"), a proprietary CRM software solution that delivers signed retainer services to clients, InTake is proving to be a direct benefit to clients that do not have the staff and infrastructure to handle the volume of leads Surge Logics generates. Surge Logics has taken this a step further to provide qualified leads utilizing a strategic partnership with Centercom to be first in class for online lead generation This partnership and new software have significantly contributed to Surge Logic's revenue which has grown to approximately $4.4 million for the nine months ended September 30, 2019.

Lead generation describes the marketing process of stimulating and capturing interest in a product or service for the purpose of developing sales pipeline.

Pay-per-call (PPCall, also called cost-per-call) is an advertising model in which the rate paid by the advertiser is determined by the number of telephone calls made by viewers of an ad. Pay Per Call providers charge per call, per impression or per conversion.

Media buying is the process of buying media placements for advertising (on TV, in publications, on the radio, digital signage, apps or on websites).

A **call center** - centralized office used for receiving or transmitting a large volume of requests by telephone.

Centercom Global, S.A. de C.V.

On January 17, 2019, the Company announced the completion of an agreement to acquire a 40% equity ownership of Centercom Global, S.A. de C.V ("Centercom"). Centercom is a dynamic operations center currently providing Surge sales support, customer service, IT infrastructure design, graphic media, database programming, software development, revenue assurance, lead generation, and other various operational support services. Anthony N. Nuzzo, a director and officer and a 10% shareholder of the Company's voting equity has a controlling interest in CenterCom Global. Centercom also provides call center support for various third-party clients. Centercom is involved with:

- On-boarding the SurgePays Portal into over 40,000 retail locations and subsequent ongoing support;
- Aggressively marketing the Company's new "Free Wireless Service" program to substantially grow customer base while enhancing customer service;
- Supporting the Company's IT infrastructure including database management; and
- Upselling-related FinTech products to our existing customer base to increase revenue.

Due to the fact that a director, officer, and minority owner of the Company has a controlling interest in CenterCom Global, the Company recorded its investment in Centercom of $178,508, which is the Company's 40% ownership of Centercom's net book value upon close of the completion of the transaction, as "Investment in Centercom" in long term assets on the accompanying condensed consolidated balance sheets. The Company recorded its equity interest in Centercom's results of operations as "Gain on investment in Centercom" in other income (expense) on the accompanying condensed consolidated statements of income. The Company periodically reviews its investment in Centercom for impairment. Management has determined that no impairment was required as of September 30, 2019.

ECS Business

On September 30, 2019, the Company entered into the Purchase Agreement with GBT Technologies Inc ("GBT") of the ECS Prepaid business, Electronic Check Services business and the Central States Legal Services business (collectively, "ECS"). Through its proprietary Fintech software platform, ECS is a leading provider of prepaid wireless load and top-ups, check cashing and wireless SIM activation to convenience stores and bodegas nationwide. Since 2008, ECS has grown to a network of over 9,800 retail locations and 160 independent sales organizations ("ISO") processing over 18,000 transactions per day. Surge will integrate the ECS software with its SurgePays Network in order to offer both wholesale products from third-party manufacturers, as well as Surge products, including the SurgePays Reloadable Debit Card, SurgePhone Wireless and SIM Starter Kits.

COMPARISON OF THREE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

Revenues during the three months ended September 30, 2019 and 2018 consisted of the following:

	2019	2018
Revenue	$ 4,901,864	$ 4,051,027
Cost of revenue	3,023,292	2,240,447
Gross profit	$ 1,878,572	$ 1,810,580

Revenue increased $850,837 (21.0%) primarily due to revenue increases in Surge Blockchain, LLC in the amount of $2,452,995 (742.6%) and Surge Logics, Inc. in the amount of $1,576,415 (390.5%) and a decrease in revenues in True Wireless, Inc. in the amount of $1,758,780 (54.5%). Gross profit increased $67,992 (3.8%) primarily due to gross profit increases in Surge Blockchain, LLC in the amount of $598,994 (3,963.5%) and Surge Logics, Inc. in the amount of $702,720 (593.0%) and a decrease in gross profit in True Wireless, Inc. in the amount of $1,199,077 (73.2%).

Costs and expenses during the three months ended September 30, 2019 and 2018 consisted of the following:

	2019	2018
Depreciation and amortization	$ 17,926	$ 40,029
Selling, general and administration	2,998,359	2,170,366
Total	$ 3,016,285	$ 2,210,395

Depreciation and amortization decreased $22,103 primarily as a result of the transfer of Surge Cryptocurrency Mining assets and liabilities to a third party under the sole control of Brian Cox, our CEO and Chairman of the Board, in December 2018.

Selling, general and administrative costs (S, G & A) increased $827,993 (38.1%) primarily as a result of the increase in in-house staff support positions ($275,887) (118.8%), contractors and consultants ($157,738) (47.9%) and in personnel in the telecom operations center ($139,574) (30.4%) to support the expected revenue increase in the coming months.

Selling, general and administrative expenses during the three months ended September 30, 2019 and 2018 consisted of the following:

	2019	2018
Telecom operations center	$ 599,474	$ 459,900
Contractors and consultants	487,535	329,797
Compensation	508,254	232,367
Webhosting/internet	152,066	281,142
Professional services	490,296	489,405
Advertising and marketing	189,528	210,942
Other	571,204	166,813
Total	$ 2,998,357	$ 2,170,366

Total selling, general and administrative expense (S,G & A) increased $831.372 from $2,170,366 in 2018 to $2,998,357 in 2019. The detail changes are discussed below:

* Telecom operations center expenses increased from $459,900 in 2018 to $599,474 in 2019 primarily as a result of the contracting vendor providing increased services for Surge Blockchain, LLC.
* Contractors and consultants increased to $487,535 in 2019 from $329,797 in 2018 primarily due to outside IT services on the SurgePays portal.
* Compensation increased from $232,367 in 2018 to $508,254 in 2019 primarily as a result of the increase in staff support positions to support the expected increase in revenue in the coming months.
* Webhosting/internet costs decreased to $152,066 in 2019 from $281,142 in 2018.
* Professional services increased from $489,405 in 2018 to $490,296 in 2019.
* Advertising and marketing costs decreased to $189,528 in 2019 from $210,942 in 2018 primarily due to a reduction in new advertising and marketing campaigns.
* Other costs increased to $571,204 in 2019 from $166,813 in 2018 primarily due to an increase in fidelity, cyber security and professional liability insurance required for the issuance of the SurgePays Visa debit card, shareholder communications and travel.

Other (expense) income during the three months ended September 30, 2019 and 2018 consisted of the following:

	2019	2018
Interest, net	$ (20,767)	$ (40,833)
Change in fair value of derivative liability	-	(6,724)
Change in fair value of LTC cryptocurrency	-	(12,581)
Gain on equity investment in Centercom	6,134	-
Gain on settlement of liabilities	-	61,709
	$ (14,633)	$ (1,571)

Net interest decreased to $20,767 in 2019 from $40,833 in 2018 primarily due to converting a $3,000,000 note payable to Series C convertible preferred stock in December 2018.

The change in fair value of LTC cryptocurrency decreased to $0 in 2019 from $12,581 in 2018 due to the transfer of all assets and liabilities of Surge Cryptocurrency Mining to a third party under the sole control of Mr. Cox in December 2018.

The gain on equity investment in Centercom of $6,134 in 2019 is due to the 40% acquisition of Centercom in January 2019.

During the three months ended September 30, 2018, the Company settled outstanding liabilities through the issuance of 3,330,703 shares of common stock.

COMPARISON OF NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

Revenues during the nine months ended September 30, 2019 and 2018 consisted of the following:

	2019	2018
Revenue	$ 12,295,058	$ 11,536,590
Cost of revenue	7,814,614	6,160,717
Gross profit	$ 4,480,444	$ 5,375,873

Revenue increased $758,468 (6.6%) primarily due to revenue increases in Surge Blockchain, LLC in the amount of $3,641,234 (513.0%) and Surge Logics, Inc. in the amount of $3,573,560 (457.1%) and a decrease in revenues in True Wireless, Inc. in the amount of $4,427,036 (44.4%). Gross profit decreased $895,429 (16.7%) primarily due to gross profit increases in Surge Blockchain, LLC in the amount of $883,517 (2,894.1%) and Surge Logics, Inc. in the amount of $1,333,884 (646.4%) and a decrease in gross profit in True Wireless, Inc. in the amount of $3,061,912 (60.3%). The revenue and gross profit in the Surge companies represent $439,876 and $172,014, respectively.

Costs and expenses during the nine months ended September 30, 2019 and 2018 consisted of the following:

	2019	2018
Depreciation and amortization	$ 39,050	$ 102,842
Selling, general and administration	9,222,923	5,456,517
Total	$ 9,261,973	$ 5,559,359

Depreciation and amortization decreased $63,792 primarily as of the transfer of Surge Cryptocurrency Mining assets and liabilities to a third party under the sole control of Mr. Cox in December 2018.

Selling, general and administrative costs (S, G & A) increased $3,766,406 (69.0%) primarily as a result of the merger between Surge Holdings, Inc. and True Wireless, Inc. The S, G & A expenses of the Surge companies represent $507,834 of the expenses that are not included in the 2018 expenses.

Selling, general and administrative expenses during the nine months ended September 30, 2019 and 2018 consisted of the following:

	2019	2018
Telecom operations center	$ 1,625,774	$ 1,386,137
Contractors and consultants	1,539,057	925,595
Compensation	1,326,821	477,355
Webhosting/internet	457,996	520,091
Professional services	1,341,768	1,369,329
Advertising and marketing	1,079,715	315,928
DRIP fees	547,000	-
Other	1,304,792	462,082
Total	$ 9,222,923	$ 5,456,517

Total selling, general and administrative expense (S,G & A) increased $3,766,406 from $5,456,517 in 2018 to $9,222,923 in 2019. The 2019 period includes $507,834 in expenses for the Surge companies that are not included in the 2018 expenses. The detail changes are discussed below:

* Telecom operations center expenses increased from $1,386,137 in 2018 to $1,625,774 in 2019 primarily as a result of the contracting vendor providing additional services for Surge Blockchain, LLC.
* Contractors and consultants increased to $1,539,057 in 2019 from $925,595 in 2018 primarily due to outside IT services on the SurgePays portal. The 2019 period includes $170,943 in expenses of the Surge companies that are not included in the 2018 expenses.
* Compensation increased from $477,355 in 2018 to $1,326,821 in 2019 primarily as a result of the increase in staff support positions to support the expected increase in revenue in the coming months. The 2019 period includes $134,876 in expense of the Surge companies that are not included in the 2018 expenses.
* Webhosting/internet costs decreased to $457,996 in 2019 from $520,091 in 2018.
* Professional services decreased from $1,369,329 in 2018 to $1,341,768 in 2019.
* Advertising and marketing costs increased to $1,079,715 in 2019 from $315,928 in 2018 primarily due to the Company implementing new advertising and marketing campaigns.
* DRIP fees increased to $547,000 as a result of the Company entering into a Distributive Resolution & Integration Program ("DRIP") with the Asian American Trade Association ("AATAC") to provide products and services for up to 40,000 locations. The DRIP fees are a one-time location activation fee.
* Other costs increased to $1,304,792 in 2019 from $462,082 in 2018 primarily due to an increase in fidelity, cyber security and professional liability insurance required for the issuance of the SurgePays Visa debit card, shareholder communications and travel. The 2019 period includes $98,904 in expenses of the Surge companies that are not included in the 2018 expenses.

Other (expense) income during the nine months ended September 30, 2019 and 2018 consisted of the following:

	2019	2018
Interest, net	$ (93,157)	$ (128,242)
Change in fair value of derivative liability	-	(4,105)
Change in fair value of LTC cryptocurrency	-	(63,487)
Gain on equity investment in Centercom	70,909	-
Gain (loss) on settlement of liabilities	(466,187)	61,709
	$ (488,435)	$ (134,125)

Net interest decreased to $93,157 in 2019 from $128,242 in 2018 primarily due to converting a $3,000,000 note payable to Series C convertible preferred stock in December 2018.

The change in fair value of LTC cryptocurrency decreased to $0 in 2019 from $63,487 in 2018 due to the decrease in the market value of LTC cryptocurrency. In December 2018, the Company entered into an asset purchase agreement by which the Company transferred the assets and liabilities to a third party.

The gain on equity investment in Centercom of $70,909 in 2019 is due to the 40% acquisition of Centercom in January 2019.

During the nine months ended September 30, 2019, the Company settled outstanding liabilities through the issuance of 875,000 shares of common stock and recorded a loss on settlement of $507,000. This amount was offset by a gain of $41,313 on the settlement of outstanding debt. During the nine months ended September 30, 2018, the Company settled outstanding liabilities through the issuance of 3,330,703 shares of common stock.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

At September 30, 2019 and December 31, 2018, our current assets were $6,080,740 and $3,059,820, respectively, and our current liabilities were $7,822,818 and $4,792,035, respectively, which resulted in a working capital deficit of $1,742,078 and $1,732,215, respectively.

Total assets at September 30, 2019 and December 31, 2018 amounted to $12,733,401 and $4,084,318, respectively. At September 30, 2019, assets consisted of current assets of $6,080,740, net property and equipment of $241,428, net intangible assets of $5,037,780, goodwill of $866,782, equity investment in Centercom of $249,417, operating lease right of use asset of $195,797 and other long-term assets of $61,457, as compared to current assets of $3,059,820, net property and equipment of $30,990, net intangible assets of $65,269, goodwill of $866,782 and other long-term assets of $61,457 at December 31, 2018.

At September 30, 2019, our total liabilities of $14,417,715 increased $8,345,164 from $6,072,551 at December 31, 2018.

At September 30, 2019, our total stockholders' deficit was $1,684,314 as compared to total stockholders' deficit of $1,988,233 at December 31, 2018. The principal reason for the decrease in stockholders' deficit was the impact of the net loss of $5,269,964 offset by the equity issuances during the quarter.

The following table sets forth the major sources and uses of cash for the nine months ended September 30, 2019 and 2018.

	2019	2018
Net cash provided by (used in) operating activities	$ (4,987,079)	$ 187,951
Net cash provided by (used in) investing activities	(222,000)	243,768
Net cash provided by (used in) financing activities	4,980,370	(296,687)
Net increase (decrease) in cash and cash equivalents	$ (300,709)	$ 135,032

At September 30, 2019, the Company had the following material commitments and contingencies.

Notes payable – related party - See Note 9 to the Consolidated Financial Statements.

Notes payable and long-term debt - See Note 10 to the Consolidated Financial Statements.

Convertible promissory notes payable - See Note 11 to the Consolidated Financial Statements.

Advances from related party - See Note 15 to the Consolidated Financial Statements.

Cash requirements and capital expenditures – At the current level of operations, the Company has to borrow funds to meet basic operating costs. The Company plans to use debt and equity financing to meet the cash requirements of the TW acquisition.

Known trends and uncertainties – The Company is planning to acquire other businesses that are similar to its operations. The uncertainty of the economy may increase the difficulty of raising funds to support the planned business expansion.

Liquidity – The Company had a net loss of approximately $5.3 million for the nine months ended September 30, 2019. As of September 30, 2019, the Company had cash and working capital deficit of approximately $144,000 and $1.7 million, respectively.

Management has made the decision to invest in its infrastructure in order to cross market and maximize product rollouts allowing for larger scale revenue in Q4 2019 and beyond. As part of this strategy, the Company is rolling out the SurgePays Marketplace platform to the AATAC network of 40,000 retail plus locations. This process includes placement orders of 500,000 Sim Starter kits, wireless top-ups platform, a nationwide exclusive master distributorship for Weekend Warrior Wellness products that include CBD products and the exclusive distributor of Pastime Foods candy. The Company is in the first phase of the rollout, during which it fulfilled over $2,800,000 in purchase orders during the three months ended September 30, 2019. The asset purchase agreement of the ECS Business executed with GBT gives the Company access to a network of over 9,800 retail locations and 160 independent salespeople processing over 18,000 transactions per day (see Note 1). ECS generates approximately $46,500,000 in annualized revenue through third party wireless services.

In addition, during the three months ended September 30, 2019, management made the decision to expedite programming, software development and integration to enable the successful launch of the SurgePays Prepaid Visa card.

To support the significant growth inflection, the Company has reorganized its human resources department, including building the administrative, legal and finance office in Bartlett, and the operations center in El Salvador which will be able to host 300 employees. Management believes the Company now has the ability to support its expected growth, which was a major goal for fiscal year 2019. During the nine months ended September 30, 2019, the Company was able to continue the utilization of the internal controls and operating procedures and techniques employed by the Company's management in order to enhance the business by creating operating efficiencies and controlling costs. Lastly, the Company has significantly restructured its balance sheet to be an effective platform for growth as the Company continues to work towards listing on the Nasdaq Capital Market.

These factors, among others, were addressed by management in determining whether the Company could continue as a going concern. The Company projects that it should be cash flow positive by the end of Quarter 1 2020 from ongoing operations by the combination of increased cash flow from its current subsidiaries, as well as the collection of outstanding receivables and the restructuring of the current debt burden. While management believes it is more likely than not the Company has the ability to continue as a going concern, this is dependent upon the ability to further implement the business plan, generate sufficient revenues and to control operating expenses.

Additionally, if necessary, based on the Company's history of being able to raise capital from both internal and external sources coupled with current favorable market conditions, management believes that debt and/or equity financing can be obtained from both related parties (management and members of the Board of Directors of the Company) and external sources to pay down existing debt obligations, cover short term shortfalls, meet the shareholders equity requirements for Nasdaq, and complete proposed acquisitions. Although the Company believes in the viability of management's strategy to generate sufficient revenue, control costs and the ability to raise additional funds if necessary, there can be no assurances to that effect. Therefore, the accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern.

Subsequent to September 30, 2019, the Company executed debt agreements resulting in gross proceeds of $750,000 to support short-term working capital needs.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements that 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.

CRITICAL ACCOUNTING ESTIMATES

Our significant accounting policies are described in Note 2 of the Condensed Consolidated Financial Statements. During the nine months ending September 30, 2019, we were not required to make any material estimates and assumptions that affect the reported amounts and related disclosures of assets, liabilities, revenue and expenses. However, if we complete an acquisition, we will be required to make estimates and assumptions typical of other companies. For example, we will be required to make critical accounting estimates related to valuation and accounting for business combinations. The estimates will require us to rely upon assumptions that were highly uncertain at the time the accounting estimates are made, and changes in them are reasonably likely to occur from period to period. Changes in estimates used in these and other items could have a material impact on our financial statements in the future. Our estimates will be based on our experience and our interpretation of economic, political, regulatory, and other factors that affect our business prospects. Actual results may differ significantly from our estimates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of disclosure controls and procedures

Under the PCAOB standards, a control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention by those responsible for oversight of the company's financial reporting. A material weakness is a deficiency, or 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.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of March 31, 2019. Our management has determined that, as of September 30, 2019, the Company's disclosure controls and procedures are not effective due to a lack of segregation of duties, lack of an audit committee, and lack of documented controls. The Company has undergone a complete change of management and is in process of developing the necessary controls and procedures.

Changes in internal control over financial reporting

The Company's principal executive officer and principal financial officer determined that the Company's disclosure controls and procedures were not effective due to a lack of segregation of duties, lack of an audit committee and lack of documented controls. There have been no other significant changes in internal controls or in other factors that could significantly affect these controls during the quarter ended September 30, 2019, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

The following is summary of threatened, pending, asserted or un-asserted claims against the Company or any of its wholly owned subsidiaries.

1) **Wayne Coy v. Surge Holdings, Inc. *et. al.*, Eight Judicial District Court, Clark County, Nevada, case # D- 539906**

Mr. Coy filed this action against the Company to enforce a Warrant to purchase 100,000 shares of Company Common Stock purportedly issued by the Company in November 2016. The Company has filed an answer which generally denies the allegations of the Complaint and a cross-complaint was filed by the Company suggesting that the Warrant is unenforceable. This matter is currently pending and the Company cannot predict its ultimate outcome.

With the exception of the foregoing, the Company is not involved in any disputes and does not have any litigation matters pending. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our Company, threatened against or affecting our Company or our Common Stock, in which an adverse decision could have a material adverse effect.

ITEM 1A: RISK FACTORS

Not applicable.

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

Except where noted, all of the securities discussed in this Part II, Item 2 were all issued in reliance on the exemption under Section 4(a)(2) of the Securities Act.

During the nine months ended September 30, 2019, the Company sold an aggregate of 9,115,712 shares of common stock and 4,333,564 warrants, with each warrant exercisable for one share of Common Stock at an exercise price of $0.75, resulting in gross proceeds to the Company of $3,190,500.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES.

None

ITEM 4: MINE SAFETY DISCLOSURES.

Not applicable

ITEM 5: OTHER INFORMATION.

None

ITEM 6: EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Incorporated by Reference Exhibit	Incorporated by Reference Filing Date	Filed or Furnished Herewith
10.1	Asset Purchase Agreement between Surge Holding In. and GBT Technologies Inc. executed September 30, 2019				X
10.2	Convertible Promissory Note Issued by Surge Holding Inc. to GBT Technologies Inc. dated September 27, 2019				X
31.1*	Certification pursuant to 18 U.S.C. Section 1350 Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Executive Officer				X
31.2*	Certification pursuant to 18 U.S.C. Section 1350 Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Financial Officer				X
32.1**	Certification pursuant to 18 U.S.C. Section 1350 Section 906 of the Sarbanes-Oxley Act of 2002 - Chief Executive Officer				X
32.2**	Certification pursuant to 18 U.S.C. Section 1350 Section 906 of the Sarbanes-Oxley Act of 2002 - Chief Financial Officer				X
101.INS*	XBRL Instance Document				X
101.SCH*	XBRL Taxonomy Extension Schema Document				X
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document				X

*Filed herewith.

** In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished and not filed.

SIGNATURE

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

SURGE HOLDINGS, INC.

Date: November 14, 2019

By: */s/ Kevin Brian Cox*
Chief Executive Officer

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this “Agreement”), dated as of September 27, 2019, is entered into by and between **GBT TECHNOLOGIES INC.**, a Nevada corporation (“Seller”), whose principal address is 2500 Broadway, Suite F-125, Santa Monica, CA 90404, and **SURGE HOLDINGS, INC.**, a Nevada corporation (“Buyer”), whose principal address is 3124 Brother Blvd, Suite 104, Bartlett, TN 38133.

RECITALS

WHEREAS, Seller wishes to sell and assign to Buyer, and Buyer wishes to purchase and assume from Seller, substantially all the assets (including or even in specific intellectual properties that “form” a software), and certain specified liabilities, of its ECS Prepaid business, Electronic Check Services business, and the Central State Legal Services business (collectively the “Business”), subject to the terms and conditions set forth herein. The purchase and sale of the assets and all related transactions are referred to herein as the “Transaction”.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Purchase and Sale of Assets. Subject to the terms and conditions of this Agreement, Seller agrees to sell, transfer, assign and deliver to Buyer, and Buyer agrees to purchase, acquire and take assignment and delivery of the properties and assets (the “Assets”), as more particularly described on **Exhibit “A”**, attached hereto and incorporated herein by this reference:

(a) Inventory. All of the inventory of the Seller used or consumed by Seller in the operation of the Business, wherever located, including all finished goods, work in process, raw materials, spare parts and all other materials and supplies to be used or consumed by Seller in the production of finished goods in the operation of the Business, (collectively, the “Inventory”).

(b) Contracts. All of the rights, titles, interests and benefits accruing to Seller under those rental, sales, supply, purchase order, service, sign, maintenance, equipment, any and all telephone and other contracts or leases relating to the Business, all of Seller’s rights accruing under any so-called Non-Compete Agreements in favor of Seller in relation to the Business, and any other contracts or leases relating to the operation of the Business (“Contracts”);

(c) Licenses and Permits. Any and all transferable consents, authorizations, variances or waivers, licenses, permits, registrations, certificates, approvals and similar rights from any governmental or quasi-governmental agency, department, board, commission, bureau or other entity or instrumentality with respect to the Business (collectively, the “Licenses”) held by or granted to Seller;

(d) Intangible Assets. All of Seller’s goodwill associated with the Business, including the telephone number, domain name and web page, if any, customer lists, employee lists, supplier lists, and prospect lists associated with the Business, all trademarks, service marks and their associated goodwill, trade secrets and confidential information, to the extent transferable (collectively the “Intangible Assets”).

(e) All Intellectual Properties which include codes and keys that compile a software which allow “processing” prepaid platform of ACH funds from merchant bank account to providers of the purchased service (“IP”).

2. Purchase Price; Payment; Assumed Liabilities; Allocations.

(a) Purchase Price; Payment and Other Consideration. The purchase price for the Assets shall be**FIVE MILLION DOLLARS ($5,000,000.00)** (the "Purchase Price"). Payment of the Purchase Price shall be made as follows:

At Closing, Buyer shall transfer THREE MILLION THREE HOUNDRED THIRTY-THREE THOUSAND THREE HUNDRED THIRTY THREE (3,333,333) shares of Buyer's common stock and execute a convertible promissory note in favor of the Seller in the amount of **FOUR MILLION and 00/100 DOLLARs ($4,000,000.00)** (the "Note"), convertible into Buyer's shares of common stock, $0.001 par value per share (the "Common Stock"), upon the terms and subject to the limitations and conditions set forth in the Note;

(b) Assumption of Liabilities. At Closing, in addition to payment of the Purchase Price, Buyer shall assume and agree to pay, discharge, and perform the following, and only the following and no other, obligations and liabilities of Seller (the "Assumed Liabilities"):

Seller's liabilities incurred after the "Effective Date" (hereafter defined) by Buyer pursuant to the Contracts, but only to the extent such obligations and liabilities accrue and arise after the Effective Date and are not caused by or related to any action or inaction by Sellers, or any other party occurring prior to the Effective Date.

Except for the specific Assumed Liabilities as defined above, Buyer shall not assume, pay or otherwise be liable for any other obligations, liabilities or debts of Seller of any nature whatsoever.

(c) Retained Liabilities. The "Retained Liabilities" as set forth in this section (d) shall remain the sole responsibility of and shall be retained, paid, performed and discharged solely by Seller. "Retained Liabilities" shall mean every obligation and liability of Seller other than the Assumed Liabilities, including, without limitation:

A. any obligation or liability of any nature whatsoever arising out of or relating to products sold or distributed by Seller to the extent manufactured, sold, or distributed sold prior to the Effective Date;

B. any obligation or liability of any nature whatsoever under any Contract that arises after the Effective Date but that arises out of or relates to any breach that occurred prior to the Effective Date;

C. any obligation or liability of any nature whatsoever for taxes, fees, or assessments of any nature, whether deferred or not, (A) arising as a result of Seller's operation of its Business or ownership of the Assets prior to the Effective Date, or (B) that will arise as a result of the sale of the Assets pursuant to this Agreement;

D. any obligation or liability of any nature whatsoever under any employee benefit plans of Seller or relating to payroll, vacation, sick leave, workers' compensation, unemployment benefits, pension benefits, employee stock option or profit-sharing plans, health care plans or benefits or any other employee plans or benefits of any kind for Seller's employees or former employees or both;

E. any obligation or liability of any nature whatsoever under any employment, severance, retention or termination agreement with any employee of Seller;

F. any obligation or liability of any nature whatsoever arising out of or relating to any employee grievance whether or not the affected employees are hired by Buyer;

G. any obligation or liability of any nature whatsoever arising out of any litigation, action, arbitration, audit, hearing, investigation, or suit pending as of the Effective Date;

H. any obligation or liability of any nature whatsoever arising out of any litigation, action, arbitration, audit, hearing, investigation, or suit involving Seller's operation of the Business or ownership of the Assets commenced after the Effective Date and arising out of or relating to any occurrence or event happening prior to the Effective Date;

I. any obligation or liability of any nature whatsoever arising out of or resulting from Seller's compliance or noncompliance with any legal requirement or order of any governmental body;

J. any obligation or liability of any nature whatsoever of Seller under this Agreement or any other document executed in connection herewith and

K. any obligation or liability of any nature whatsoever of Seller based upon Seller's acts or omissions occurring after the Effective Date.

(d) Closing Date. The consummation of the transaction contemplated under this Agreement (herein referred to as the "Closing") shall occur on or before September 27, 2019 (the "Closing Date"); provided, however, that the Parties may mutually agree to extend the Closing Date. Notwithstanding anything to the contrary contained herein, the Closing shall be effective as of 11:59 PM on the Closing Date (the "Effective Date").

(e) Preparation of Closing Documents. Counsel for Buyer shall prepare the documents to be executed and delivered at the Closing (the "Closing Documents"), including the Bill of Sale (as hereinafter defined), and other Assignments (as hereinafter defined), all of which must be satisfactory to Seller and its legal counsel.

3. Delivery of Documents.

(a) Seller's Deliveries. At Closing, upon payment of the Purchase Price by Buyer, Seller shall deliver to Buyer the following:

A. such good and sufficient instruments of sale, conveyance, transfer and assignment as shall be required or as may be appropriate to effectively vest in Buyer good title to the Assets, free and clear of all liens, security interests and encumbrances of whatever nature, properly executed and acknowledged, including a limited warranty bill of sale (the "Bill of Sale"), and assignment and assumption instruments (the "Assignments");

B. copies of the resolutions by the board of directors of Seller approving the Transaction, together with a certificate of good standing from Buyer's jurisdiction of organization;

C. physical possession of all Assets including all records, keys and items of entry to the Business and the Assets;

D. all required or necessary consents, waivers and approvals with respect to the Contracts, and assignment thereof, in such form as is satisfactory to Buyer and its counsel;

E. such other instruments and documents as may be reasonably required by Buyer or its counsel as to the performance of all covenants and satisfaction of all conditions required of Seller, or as to any other matter required or necessitated by this Agreement, including evidence reasonably satisfactory to Buyer that the person(s) executing the Closing Documents for Seller has full right, power and authority to do so; and

(b) Buyer's Deliveries. At Closing, Buyer shall deliver to Seller, as applicable:

A. the fully executed promissory note in favor of the Seller;

B. copies of the resolutions by of the board of directors of Buyer approving the Transaction, together with a certificate of good standing from Buyer's jurisdiction of organization;

C. such other instruments and documents as may be reasonably required by Seller or their counsel as to the performance of all covenants and satisfaction of all conditions required of Buyer, or as to any other matter required or necessitated by this Agreement, including evidence reasonably satisfactory to Seller that the person(s) executing the Closing Documents for Buyer has full right, power and authority to do so;

4. Warranties and Representations.

(a) Warranties and Representations to Buyer. As an inducement to Buyer entering into this Agreement, Seller hereby covenants, represents and warrants to Buyer as follows:

A. Good Standing. Seller is a duly organized and validly existing corporation and is in good standing under the laws of the State of Nevada.

B. Authority. Seller has all requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and the execution, delivery and performance of this Agreement by Seller does not and will not violate any provisions of Seller's governing corporate instruments, or any order, judgment or award of any court or administrative agency or any contract to which Seller is a party or require the consent of any third party, or violate any law or governmental or regulatory rule or regulation.

C. Authorization and Execution. This Agreement has been duly authorized by all necessary action on the part of Seller, has been duly executed and delivered by Seller, constitutes the valid and binding agreement of Seller and is enforceable in accordance with its terms. The person executing this Agreement on behalf of Seller has the authority to do so.

D. Ownership and Condition of Assets, Status of Contracts. (A) Seller possesses all licenses and required governmental or official approvals, permits or authorizations necessary for the operation of the Business; and (B) with respect to the Contracts, each is in full force and effect, there have been no material defaults or breaches of same, no assignment of rights in or relating to same have been made, and to the best of Seller's knowledge no event has occurred which would cause a material breach or default under same.

E. Sufficiency of Assets. The Assets (a) constitute all of the material assets necessary to operate the Business in substantially the manner presently operated by Seller and (b) include all of the material operating assets of the Business.

F. Warranty of Title. Seller is the lawful owner of the Assets, and has the full right, power, and authority to sell, transfer and convey the Assets to Buyer and that the Assets are not subject to any liens, claims, security interests, encumbrances, taxes, or assessments, however described or denominated.

G. Actions or Proceedings. There is no action, suit or proceeding pending against Seller or known to Seller to be threatened against or affecting the Business in any court, before any arbitrator or before or by any governmental authority. Seller has not been cited, fined, held liable or in violation of, or otherwise received notification of any asserted past or present failure or alleged failure to comply with any federal, state or local laws, and is not aware of any action or occurrence which would give rise to a violation with regard to the Business.

H. Payment of Taxes. Seller has paid in full all applicable sales, occupancy, ad valorem, employment and other applicable taxes relating to the ownership and operation of all Business or otherwise relating to the Assets, except for accrued taxes not yet due.

I. Brokers; Finders. Buyer shall not be obligated to pay any broker or finder in connection with the Transaction.

J. No Material Adverse Change. Since the date of the most recent Quarterly Report on Form 10-Q filed by the Seller, there has not been any material adverse change in the business, operations, prospects, assets, results of operations or condition (financial or other) of Seller, and no event has occurred or circumstance exists that may result in such a material adverse change.

K. **Independent Evaluation**. Seller conducted its own independent evaluation, made its own analysis and consulted with advisors (including legal, accounting, and tax advisors) as it has deemed necessary, prudent or advisable in order for Seller to make its own determination and decision to enter into the transactions contemplated by this Agreement and to execute and deliver this Agreement.

(b) Buyer's Warranties and Representations. Buyer covenants, warrants and represents as follows:

A. Good Standing. Buyer is a duly organized and validly existing corporation and is in good standing under the laws of the State of Nevada.

B. Authority. Buyer has all requisite power and authority to execute and deliver this Agreement and to perform the obligations of Buyer hereunder. The execution, delivery and performance of this Agreement by Buyer does not and will not violate any provisions of Buyer's governing corporate instruments, or any order, judgment or award of any court or administrative agency or any contract to which Buyer is a party or, except as otherwise acknowledged herein, require the consent of any third party, or to Buyer's knowledge, violate any law or governmental or regulatory rule or regulation.

C. Authorization and Execution. This Agreement has been duly authorized by all necessary action on the part of Buyer, has been duly executed and delivered by Buyer, constitutes the valid and binding agreement of Buyer and is enforceable in accordance with its terms. The person executing this Agreement on behalf of Buyer has the authority to do so.

D. Brokers; Finders. Seller has no obligation to pay any broker or finder in connection with the Transaction.

(c) Effect of Representations and Warranties. The foregoing representations of the parties hereto set forth in this Section are true, and the foregoing warranties and covenants are in full force and effect and binding on same, as of the date hereof, and shall be in full force and effect and deemed to have been automatically reaffirmed and restated by the parties hereto in their entirety as of the date and time of Closing.

5. Further Acts. In addition to the acts and deeds stated herein and contemplated to be performed, executed and delivered by the respective parties hereto, each of the parties hereto agrees to perform, execute and deliver or cause to be performed, executed and delivered at Closing and after Closing any and all such further acts, deeds and assurances as may be reasonably necessary to consummate the Transaction.

6. Confidentiality; Publicity. Except as may be required by law or regulation, no party hereto or their respective affiliates, employees, agents or representatives shall disclose to any third party the subject matter or terms of this Agreement without the prior written consent of the other parties; provided however, that any party may discuss the same with its legal counsel and other engaged professionals. No press release or other public announcement related to this Agreement or the transaction contemplated hereby will be issued by any party without the prior written approval of the Seller and Buyer. Buyer and Seller understand that within four (4) business days of the Closing, Buyer is obligated by regulation to file a Current Report on Form 8-K with the Securities and Exchange Commission e along with copies of all agreements with Seller and their respective exhibits.

7. Survival. All representations, warranties, covenants and agreements set forth in this Agreement shall survive the Closing of the Transaction indefinitely.

8. Notices. All notices permitted or required to be given hereunder shall be in writing and sent by registered or certified mail, return receipt requested, postage prepaid, by overnight courier (such as Federal Express) or hand delivered, addressed as follows:

To Seller: GBT Technologies Inc.
2500 Broadway, Suite F-125
Santa Monica, CA 90404
Attention: Douglas Davis

With Copy to:

To Buyer: Surge Holdings, Inc.
3124 Brother Blvd, Suite 104
Bartlett, TN 38133
Attention: Kevin Brian Cox

With Copy to: Lucosky Brookman LLP
101 Wood Avenue South, 5th Floor
Woodbridge, NJ 08830
Attention: Joseph Lucosky, Esq.

Any party may designate a different address from time to time by notice given in accordance with the provisions of this paragraph. Any such notice shall be deemed given on the date of delivery.

9. Miscellaneous. This Agreement shall be construed and interpreted under the laws of the State of Nevada. Seller and Buyer hereby irrevocably submit in any suit, action or proceeding arising out of or related to this Agreement or to the Transaction contemplated hereby or thereby to the exclusive jurisdiction and venue of any state or federal court having jurisdiction over Clark County, Nevada and waive any and all objections to jurisdiction and venue that they may have under the laws of the State of Nevada or the United States and any claim or objection that any such court is an inconvenient forum. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement or other affected document, and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, legal representatives, successors and permitted assigns, whether voluntary by act of the parties or involuntary by operation of law, as the case may be. This Agreement is solely for the benefit of the parties hereto and their respective successors and permitted assigns. There shall be no third party beneficiaries hereof, intended or otherwise. Neither Party may assign this Agreement without the written consent of the other party, provided, however, Buyer may assign this Agreement to a wholly owned subsidiary. In the event of such assignment by Buyer it shall remain obligated and liable under the terms and conditions of this Agreement. The titles of sections and subsections herein have been inserted as a matter of convenience of reference only and shall not control or affect the meaning or construction of any of the terms or provisions herein. All references herein to the singular shall include the plural, and vice versa. Should any provision of this Agreement require interpretation in any judicial, administrative or other proceeding or circumstance, it is agreed that the court, administrative body, or other entity interpreting or construing the same shall not apply a presumption that the terms hereof shall be more strictly construed against one party by reason of the rule of construction that a document is to be construed more strictly against the party who by itself or through its agents prepared the same, it being agreed that the agents of both parties hereto have fully participated in the preparation of this Agreement. Except as otherwise expressly provided herein, all rights, powers, and privileges conferred hereunder upon the parties hereto shall be cumulative and in addition to those other rights, powers, and remedies hereunder and those available at law or in equity. All such rights, powers, and remedies may be exercised separately or at once, and no exercise of any right, power, or remedy shall be construed to be an election of remedies or shall preclude the future exercise of any or all other rights, powers, and remedies granted hereunder or available at law or in equity, except as expressly provided herein. Buyer shall have no right of assignment of this agreement without the express written permission of Seller. Neither the failure of either party to exercise any power given such party hereunder or to insist upon strict compliance by the other party with its obligations hereunder, nor any custom or practice of the parties at variance with the terms hereof shall constitute a waiver of either party's right to demand exact compliance with the terms hereof. No amendment to this Agreement shall be binding on any of the parties hereto unless such amendment is in writing and is executed by the party against whom enforcement of such amendment is sought. Time is of the essence with respect to each and every covenant, agreement, and obligation of the parties hereto. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute one agreement, and the signatures of any party to any counterpart shall be deemed to be a signature to, and may be appended to, any other counterpart. This Agreement constitutes the entire agreement of the parties with respect to the subject matter contained herein and supersedes and/or revokes any prior agreements not included within this Agreement, including prior drafts of documents, prior proposals, counterproposals and correspondence, whether written or oral. As used in this Agreement, the term "including" will always be deemed to mean "including, without limitation".

[SIGNATURES BEGIN ON NEXT PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above

BUYER:

SURGE HOLDINGS, INC., a Nevada corporation

By: ________________________
Name: Kevin Brian Cox
Title: Chief Executive Officer

SELLER:

GBT TECHNOLOGIES INC., a Nevada corporation

By: ________________________
Name: Douglas Davis
Title: Chief Executive Officer

EXHIBIT A

GBT TECHNOLOGIES INC.

ASSETS RELATED TO THE ECS PREPAID BUSINESS

OFFICE COMPUTER EQUIPMENT – SERVERS

Cisco 1900 series switch

Cisco ASA Firewall

Cisco ASA Firewall

Cisco ASA Firewall – Redundant Pair

Cisco Managed Switch

Cisco Managed Switch – Redundant Pair

ECS-LB1 – Loadbalancer

ECS-LB2 – Loadbalancer

ECS test

ECS – Utility Server

ECS – Backup – Data/Backup Storage

ECS – Main – Domain Server

ECS – wwwl – APT Server

ECS – www2 – Web Server

ECS – www3 – Web Server

ECS – www4 – API Server

ECS – www5 – Web Server

ECS – www6 – Web Server

ECS - sp5 – Primary DB – ECS Prepaid

ECS – spl - Backup DB – ECS Prepaid

ECS – sp4 – Backup DB – ECS Prepaid

POS TERMINALS

158 Verifone POS terminals (570 – 3750) in field

13 Verifone POS terminals (570 – 3750) in inventory

PROCESSING SOFTWARE PROGRAM

Platform managing software program

ASSETS RELATED TO THE ELECTRONIC CHECK SERVICES BUSINESS

OFFICE COMPUTER EQUIPMENT – SERVERS

Debian – master – Primary DB

Debian2 – Backup DB

ECS – db3 – Backup DB

IP Server1 – Process Checks

IP Server2 – Process Checks

POS CHECK SCANNERS – MICR READERS

50 RDM Scanners

11 RDM Scanners in inventory

12 Magteck Micr Readers

PROCESSING SOFTWARE PROGRAM

ACH software processing program

ASSETS RELATED TO THE CENTRAL STATE LEGAL SERVICES BUSINESS

COLLECTION SOFTWARE PROGRAM

Computerized Legal Collection Software Program

NEITHER THESE SECURITIES NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT

CONVERTIBLE PROMISSORY NOTE

Effective Date: September 27, 2019 U.S. $4,000,000

FOR VALUE RECEIVED, Surge Holdings, Inc., a Nevada corporation ("**Borrower**" or "**Company**"), promises to pay to GBT Technologies Inc., or their successors or assigns ("**Lender**"), $4,000,000 (four million dollars) and any amounts accrued hereunder on the date that is eighteen (18) months after the Effective Date (the "**Maturity Date**") in accordance with the terms set forth herein. This Convertible Promissory Note (this "**Note**") is issued and made effective as of September 27, 2019 (the "**Effective Date**"). This Note shall not bear interest. This Note is issued as the consideration for those certain assets being bought by the Borrower from the Lender pursuant to that certain Asset Purchase Agreement dated September 27, 2019, by and between Borrower and Lender (the "**APA**"). Certain capitalized terms used herein are defined in Attachment 1 attached hereto and incorporated herein by this reference.

1. Payment; Prepayment.

1.1. Payment. All payments owing hereunder shall be in lawful money of the United States of America or shares of Common Stock, as provided for herein, and delivered to Lender at the address or bank account furnished to Borrower for that purpose. All payments shall be applied first to (a) costs of collection, if any, then to (b) fees and charges, if any, and thereafter, to (c) principal.

1.2. Prepayment. Notwithstanding the foregoing, Borrower shall have the right to prepay all or any portion of the principal without any prepayment penalty.

2. Lender Conversion.

2.1. Lender Conversion. Following the six month anniversary of the Effective Date, at the option of the Lender (subject to the right of the Borrower to prepay the principal), the Lender may convert the Conversion Amount 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 the Borrower into which such Common Stock shall hereafter be changed or reclassified (the "**Conversion Shares**"). The term "**Conversion Amount**" means, with respect to any conversion of this Note, the portion of the principal amount of this Note to be converted into Conversion Shares in such conversion. The Conversion Amount shall be divided by the Conversion Price (as defined in Section 2.2) determined as provided herein in order to determine the number of Conversion Shares to be issued in connection with said conversion (each a "**Conversion**"). In no event, however, shall the Lender 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 the Lender 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 the 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 the Lender and its affiliates of more than 4.99% of the outstanding shares of Common Stock. For purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and Regulations 13D-G thereunder, except as otherwise provided in clause (1) of such proviso, provided, further, however, that the limitations on conversion may be waived by the Lender upon, at the election of the Lender, not less than 61 calendar days' prior notice to the Borrower, and the provisions of the conversion limitation shall continue to apply until such 61st day (or such later date, as determined by the Lender, as may be specified in such notice of waiver).

2.2. Conversion Price. Subject to the adjustments described herein, and provided that no Event of Default (as defined in Section 3.1) has occurred, the conversion price (the "**Conversion Price**") shall equal (subject to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower relating to the Borrower's securities or the securities of any subsidiary of the Borrower, combinations, recapitalization, reclassifications, extraordinary distributions and similar events) the volume weighted average price of the Common Stock on the OTCQX, OTCQB, or the OTC Pink marketplaces, Nasdaq, NYSE, or other trading market on which the Common Stock is then trading over the previous twenty (20) Trading Days prior to the conversion date in question (the "**VWAP**"); provided, however, the Conversion Price shall never be lower than $0.10 (the "**Floor Price**") or higher than $0.70 (the "**Ceiling Price**"). By way of example only, if the VWAP for a conversion date equals $0.08, the Conversion Price shall equal the Floor Price and if the VWAP for a conversion date equals $0.78, the Conversion Price shall equal the Ceiling Price.

3. Defaults and Remedies.

3.1. Defaults. The following are events of default under this Note (each, an "**Event of Default**"): (a) Borrower fails to pay any principal, fees, charges, or any other amount when due and payable hereunder; (b) a receiver, trustee or other similar official shall be appointed over Borrower or a material part of its assets and such appointment shall not be dismissed or discharged within sixty (60) calendar days; (c) Borrower makes a general assignment for the benefit of creditors; (d) Borrower files a petition for relief under any bankruptcy, insolvency or similar law (domestic or foreign); and (e) an involuntary bankruptcy proceeding is commenced or filed against Borrower and is not dismissed within sixty (60) calendar days.

3.2. Remedies. At any time and from time to time after Lender becomes aware of the occurrence of any Event of Default, Lender may accelerate this Note by written notice to Borrower, with the principal becoming immediately due and payable in cash at the Mandatory Default Amount. Notwithstanding the foregoing, at any time following the occurrence of any Event of Default, Lender may, at its option, elect to increase the principal by applying the Default Effect (subject to the limitation set forth below) via written notice to Borrower without accelerating the principal, in which event the principal shall be increased as of the date of the occurrence of the applicable Event of Default pursuant to the Default Effect, but the principal shall not be immediately due and payable. For the avoidance of doubt, Lender may continue engaging in Conversions at any time following an Event of Default until such time as the principal is paid in full. Such acceleration may be rescinded and annulled by Lender at any time prior to payment hereunder and Lender shall have all rights as a holder of the Note until such time, if any, as Lender receives full payment pursuant to this Section 3.2. No such rescission or annulment shall affect any subsequent Event of Default or impair any right consequent thereon.

4. 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 Lender, its successors and assigns, and agrees to make the payments or Conversions called for herein in accordance with the terms of this Note.

5. Waiver. No waiver of any provision of this Note shall be effective unless it is in the form of a writing signed by the party granting the waiver. No waiver of any provision or consent to any prohibited action shall constitute a waiver of any other provision or consent to any other prohibited action, whether or not similar. No waiver or consent shall constitute a continuing waiver or consent or commit a party to provide a waiver or consent in the future except to the extent specifically set forth in writing.

6. Adjustment of Conversion Price upon Subdivision or Combination of Common Stock. Without limiting any provision hereof, if Borrower at any time on or after the Effective Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision will be proportionately reduced. Without limiting any provision hereof, if Borrower at any time on or after the Effective Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior to such combination will be proportionately increased. Any adjustment pursuant to this Section 6 shall become effective immediately after the effective date of such subdivision or combination. If any event requiring an adjustment under this Section 6 occurs during the period that a Conversion Price is calculated hereunder, then the calculation of such Conversion Price shall be adjusted appropriately to reflect such event.

7. Method of Conversion Shares Delivery. On or before the close of business on the third (3rd) Trading Day following a Conversion, as applicable (the "**Delivery Date**"), Borrower shall, provided it is DWAC Eligible at such time, deliver or cause its transfer agent to deliver the applicable Conversion Shares electronically via DWAC to the account designated by Lender. If Borrower is not DWAC Eligible, it shall deliver to Lender or its broker (as designated by Lender, via reputable overnight courier, certificates representing the number of shares of Common Stock to which Lender shall be entitled, registered in the name of Lender or its designee. Moreover, and notwithstanding anything to the contrary herein or in the APA, in the event Borrower or its transfer agent refuses to deliver any shares of Common Stock to Lender on grounds that such issuance is in violation of Rule 144 under the Securities Act of 1933, as amended ("**Rule 144**"), Borrower shall deliver or cause its transfer agent to deliver the applicable shares of Common Stock to Lender with a restricted securities legend, but otherwise in accordance with the provisions of this Section 7. In conjunction therewith, Borrower will also deliver to Lender a written explanation from its counsel or its transfer agent's counsel opining as to why the issuance of the applicable shares of Common Stock violates Rule 144.

8. Leak-Out Agreement. Lender will not, for the eighteen (18) calendar months following the Effective Date, for the purpose of open market trades, offer, pledge, sell, contract to sell, grant, lend, or otherwise transfer or dispose of shares of Common Stock, directly or indirectly, in an amount greater than seven and one-half percent (7.5%) of the trading volume of the Common Stock during the previous month on the OTCQX, OTCQB, or the OTC Pink marketplaces, Nasdaq, NYSE, or other trading market on which the Common Stock is then trading. Other than via open market trades, Lender may not offer, pledge, sell, contract to sell, grant, lend, or otherwise transfer or dispose of the Conversion Shares without the prior written consent of the Borrower. Borrower's consent to a transfer or disposal of the Conversion Shares by Lender shall be specifically conditioned on the transferee of the Conversion Shares signing a Leak-Out Agreement with the Company with substantially the same terms as this Section 8. For the avoidance of doubt, open market trades by the Lender do not require Borrower's consent.

9. No Illegal Transactions. Lender has not, directly or indirectly, and no person acting on behalf of or pursuant to any understanding with it has, engaged in any transactions in the securities of the Company (including, without limitation, any Short Sales (as defined below) involving any of the Company's securities) since the time that Lender was first contacted by the Company or any other person regarding the transactions contemplated herein or in the APA. Lender covenants that neither it nor any person acting on its behalf or pursuant to any understanding with it will engage, directly or indirectly, in any transactions in the securities of the Company (including Short Sales) prior to the time the transactions contemplated herein or in the APA are publicly disclosed. "Short Sales" include, without limitation, all "short sales" as defined in Rule 200 of Regulation SHO promulgated under the Exchange Act, and all types of direct and indirect stock pledges, forward sale contracts, options, puts, calls, short sales, swaps, derivatives and similar arrangements (including on a total return basis), and sales and other transactions through non-U.S. broker-dealers or foreign regulated brokers. The Lender covenants and agrees that, for the eighteen (18) calendar months following the Effective Date, it will not be in a net short position with respect to the shares of Common Stock. For purposes of this Section 9, a "net short position" means a sale of Common Stock by the Lender that is marked as a short sale and that is made at a time when there is no equivalent offsetting long position in Common Stock held by the Lender. Borrower's consent to a transfer or disposal of the Conversion Shares by Lender shall be specifically conditioned on the transferee of the Conversion Shares signing an agreement with the Company to not be in a net short position with respect to the shares of Common Stock for the eighteen (18) calendar months following the Effective Date.

10. Opinion of Counsel. In the event that an opinion of counsel is needed for any matter related to this Note, Lender has the right to have any such opinion provided by its counsel.

11. Governing Law; Venue. This Note shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the internal laws of the State of Nevada, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Nevada or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Nevada. The provisions set forth in the APA to determine the proper venue for any disputes are incorporated herein by this reference.

12. Cancellation. After repayment or conversion of the entire principal, this Note shall be deemed paid in full, shall automatically be deemed canceled, and shall not be reissued.

13. Amendments. The prior written consent of both parties hereto shall be required for any change or amendment to this Note.

14. Assignments. Borrower and Lender may not assign this Note without the prior written consent of the other party. If at the time of any transfer of this Note or any shares of Common Stock issued upon conversion of this Note, the transfer of such securities shall not be either (i) registered pursuant to an effective registration statement under the 1933 Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that Lender or transferee, as the case may be, comply with the transfer restrictions set forth on the restrictive legend on the face of such security.

15. Notices. Whenever notice is required to be given under this Note, unless otherwise provided herein, such notice shall be given in accordance with the subsection of the APA titled "Notices."

16. 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 Lender to the fullest extent permitted by law and the balance of this Note shall remain in full force and effect.

[*Remainder of page intentionally left blank; signature page follows*]

IN WITNESS WHEREOF, Borrower has caused this Note to be duly executed as of the Effective Date.

BORROWER:

Surge Holdings, Inc.

By: ____________________
Name: ____________________
Title: ____________________

ACKNOWLEDGED, ACCEPTED AND AGREED:

LENDER:

GBT Technologies Inc.

By: ____________________
Name: ____________________
Title: ____________________

[*Signature Page to Convertible Promissory Note*]

ATTACHMENT 1
DEFINITIONS

For purposes of this Note, the following terms shall have the following meanings:

A1. "**Common Stock**" means the Borrower's common stock par value $0.001 per share.

A2. "**Default Effect**" means multiplying the principal as of the date the applicable Event of Default occurred by fifteen percent (15%) and then adding the resulting product to the principal as of the date the applicable Event of Default occurred, with the sum of the foregoing then becoming the principal under this Note as of the date the applicable Event of Default occurred; provided that the Default Effect may only be applied three (3) times hereunder.

A3. "**DTC**" means the Depository Trust Company or any successor thereto.

A4. "**DTC Eligible**" means, with respect to the Common Stock, that such Common Stock is eligible to be deposited in certificate form at the DTC, cleared and converted into electronic shares by the DTC and held in the name of the clearing firm servicing Lender's brokerage firm for the benefit of Lender.

A5. "**DTC/FAST Program**" means the DTC's Fast Automated Securities Transfer program.

A6. "**DWAC**" means the DTC's Deposit/Withdrawal at Custodian system.

A7. "**DWAC Eligible**" means that (a) Borrower's Common Stock is eligible at DTC for full services pursuant to DTC's operational arrangements, including without limitation transfer through DTC's DWAC system; (b) Borrower has been approved (without revocation) by DTC's underwriting department; (c) Borrower's transfer agent is approved as an agent in the DTC/FAST Program; (d) the Conversion Shares are otherwise eligible for delivery via DWAC; (e) Borrower has previously delivered all Conversion Shares to Lender via DWAC; and (f) Borrower's transfer agent does not have a policy prohibiting or limiting delivery of the Conversion Shares via DWAC.

A8. "**Mandatory Default Amount**" means the principal following the application of the Default Effect.

A9. "**Trading Day**" means any day on which the OTCQX, OTCQB, or the OTC Pink marketplaces, Nasdaq, NYSE, or other trading market on which the Common Stock is then trading is open for trading.

[Remainder of page intentionally left blank]

EXHIBIT A

Date: __________________

CONVERSION NOTICE

Surge Holdings, Inc., a Nevada corporation (the "**Borrower**"), hereby consents to GBT Technologies Inc. (the "**Lender**") converting, pursuant to that certain Convertible Promissory Note made by Borrower in favor of Lender on September __, 2019 (the "**Note**"), the portion of the Note balance set forth below into shares of Common Stock of Borrower as of the date of conversion specified below. Such conversion shall be based on the Conversion Price set forth below.

In the event of a conflict between this Conversion Notice and the Note, the Note shall govern. Capitalized terms used in this notice without definition shall have the meanings given to them in the Note.

A. Date of Conversion: ____________
B. Principal Being Converted: ____________
C. Conversion Price: _______________
D. Shares of Common Stock: _______________ (B divided by C)
E. Remaining Principal of Note: ____________

Please transfer the Shares of Common Stock electronically (via DWAC) to the following account:

Broker: ________________________________
DTC#: ________________________________
Account #: ______________________________
Account Name: __________________________

Address: ____
____
____
____

To the extent the shares of Common Stock are not able to be delivered to Lender electronically via the DWAC system, deliver all such certificated shares of Common Stock to Lender via reputable overnight courier after receipt of this Conversion Notice (by facsimile transmission or otherwise) to:

____
____
____

[*Signature Page to Conversion Notice*]

LENDER:

GBT Technologies Inc.

By: ____________________
Name: ____________________
Title: ____________________

BORROWER:

Surge Holdings, Inc.

By: ____________________
Name: ____________________
Title: ____________________

Exhibit 31.1

SURGE HOLDINGS, INC. FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2019
CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin Brian Cox, Chief Executive Officer, certify that:

1. I have reviewed this report on Form 10-Q of Surge Holdings, Inc. (the registrant);

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 quarterly 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. I am 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-a15(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 my supervision, to ensure that material information relating to the registrant, is made known to me by others, 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 my 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 controls over financial reporting that occurred during the registrant's current 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. I have disclosed, based on my most recent evaluation, 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 controls 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 controls.

November 14, 2019

/s/ Kevin Brian Cox
Kevin Brian Cox
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

SURGE HOLDINGS, INC. FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2019
CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brian Speck, Chief Financial Officer, certify that:

1. I have reviewed this report on Form 10-Q of Surge Holdings, Inc. (the registrant);

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 quarterly 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. I am 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-a15(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 my supervision, to ensure that material information relating to the registrant, is made known to me by others, 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 my 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 controls over financial reporting that occurred during the registrant's current 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. I have disclosed, based on my most recent evaluation, 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 controls 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 controls.

November 14, 2019

/s/ Brian Speck
Brian Speck
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

SURGE HOLDINGS, INC. FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2019
CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin Brian Cox, certify that

1. I am the Chief Executive Officer of Surge Holdings, Inc.

2. Attached to this certification is Form 10-Q for the quarter ended September 30, 2019, a periodic report (the "periodic report") filed by the issuer with the Securities Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 (the "Exchange Act"), which contains condensed financial statements.

3. I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that

   - The periodic report containing the condensed financial statements fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act, and

   - The information in the periodic report fairly presents, in all material respects, the consolidated financial condition and results of operations of the issuer for the periods presented.

November 14, 2019

/s/ Kevin Brian Cox
Kevin Brian Cox
Chief Executive Officer
(Principal Executive Officer

Exhibit 32.2

SURGE HOLDINGS, INC. FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2019
CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Brian Speck, certify that

1. I am the Chief Financial Officer of Surge Holdings, Inc.

2. Attached to this certification is Form 10-Q for the quarter ended September 30, 2019, a periodic report (the "periodic report") filed by the issuer with the Securities Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 (the "Exchange Act"), which contains condensed financial statements.

3. I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that

   - The periodic report containing the condensed financial statements fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act, and

   - The information in the periodic report fairly presents, in all material respects, the consolidated financial condition and results of operations of the issuer for the periods presented.

November 14, 2019

/s/ Brian Speck
Brian Speck
Chief Financial Officer
(Principal Financial and Accounting Officer)