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

FORM 10-K

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the fiscal year ended **December 31, 2019**

[ ]TRANSITION REPORT UNDER 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)	*(I.R.S. Employer Identification No.)*

3124 Brother Blvd, Suite 104
Bartlett TN 38133
(Address of Principal Executive Office)

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

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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act of 1933. Yes [ ] No [X]

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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

Large accelerated filer [ ]
Non-accelerated filer [X]
Emerging growth company [ ]

Accelerated filer [ ]
Smaller Reporting Company [X]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates (25,611,000) computed by reference to the price at which the common equity was last sold on June 28, 2019 ($0.48), was $12,293,280.

As of May 11, 2020, the registrant has one class of common equity, and the number of shares outstanding of such common equity is 103,519,030.

Documents Incorporated by Reference: None.

EXPLANATORY NOTE

On March 25, 2020, the Securities and Exchange Commission ("SEC") issued an order and guidance (collectively, the "Order") providing regulatory relief to public companies whose operations may be affected by the novel coronavirus disease ("COVID-19"). The Order provided public companies with a 45-day extension to file certain disclosure reports, including their Annual Report on 10-K ("Annual Report"), that would otherwise have been due between March 1, 2020 and July 1, 2020.

Due to its operations being impacted by COVID-19, the Company was unable to meet its filing deadline with respect to its Annual Report and on March 30, 2020 submitted a Current Report on Form 8-K in accordance with and reliance upon the Order.

Due to the outbreak of coronavirus disease 2019 (COVID-19), starting from early March 2020, the Company's employees and external auditors have been asked to work remotely. As a result, communication among internal financial staff and external auditors has been challenging, resulting in a delay in preparation and completion of its consolidated financial statements. Based on the foregoing, on March 30, 2020, the Company filed a Current Report on Form 8-K to avail itself of a 45-day extension to file this Form 10-K relying on the exemptions provided by the SEC Order. This Form 10-K is being filed in reliance on the SEC Order.

SURGE HOLDINGS, INC.
2019 FORM 10-K ANNUAL REPORT

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FORWARD LOOKING STATEMENTS

The following discussion should be read in conjunction with the financial statements and related notes contained elsewhere in this form 10-K. Certain statements made in this discussion are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "intends", "anticipates", "believes", "estimates", "predicts", or "continue" or the negative of these terms or other comparable terminology and include, without limitation, statements below regarding our ability to continue as a going concern, our business plans, the ability to raise working capital and expectations as to market acceptance of our products. Forward-looking statements involve risks and uncertainties and there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, our ability to continue as a going concern, our ability to generate sufficient cash to continue and expand operations, the competitive environment generally and in our specific market areas, changes in technology, the availability of and the terms of financing, changes in costs and availability of goods and services, economic conditions in general and in our specific market areas, changes in federal, state and/or local government laws and regulations potentially affecting the use of our technology, changes in operating strategy or development plans and the ability to attract and retain qualified personnel. Although we believe that expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance or achievements. Indeed, it is likely that some of our assumptions may prove to be incorrect. Our actual results and financial position may vary from those projected or implied in the forward-looking statements and the variances may be material. Moreover, we do not assume responsibility for the accuracy and completeness of these forward-looking statements. The Company is under no duty to update any forward-looking statements after the date of this report to conform such statements to actual results.

PART I

Item 1. Business.

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:

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 was 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 $7.2 million for the year ended December 31, 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 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 consolidated statements of operations. The Company periodically reviews its investment in Centercom for impairment. Management has determined that no impairment was required as of December 31, 2019.

ECS Business

On September 30, 2019, the Company entered into an Asset Purchase Agreement (the "GBT Purchase Agreement") with GBT Technologies Inc., a Nevada corporation ("GBT"). Pursuant to the GBT Purchase Agreement, the Company has purchased substantially all of the assets, and specified liabilities, of the GBT's ECS Prepaid business, Electronic Check Services business, and the Central State Legal Services business (collectively the "GBT Assets"). 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.

Recent Developments

GBT Asset Purchase Agreement

As previously discussed, on September 30, 2019, the Company entered into an Asset Purchase Agreement with GBT Technologies Inc., a Nevada corporation. Pursuant to the GBT Purchase Agreement, the Company has purchased substantially all of the assets, and specified liabilities, of the GBT's ECS Prepaid business, Electronic Check Services business, and the Central State Legal Services business. The GBT Purchase Agreement provides that the Company assumed GBT's liabilities incurred after the effective date of the GBT Purchase Agreement, but only to the extent such obligations and liabilities were not caused by or related to any action or inaction by Seller prior to the effective date of the GBT Purchase Agreement. The GBT 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 GBT Assets for total consideration of five million dollars ($5,000,000). The GBT 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 the Seller (the "GBT 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 the GBT.

The GBT Note has an effective date of September 27, 2019 and has a term of eighteen (18) months until the maturity date. The GBT 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 GBT 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 GBT 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 common stock or shares issued as a result of the conversion of the GBT 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.

October 2019 Securities Purchase Agreements

On October 7, 2019, the Company entered into a Securities Purchase Agreement (the "October 2019 SPAs"), 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"), (each a "Buyer" or collectively the "Buyers"). In connection with the October 2019 SPAs, 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 October 2019 SPAs, 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 (each an "October 2019 Note"). The purchase of each October 2019 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 October 2019 Note.

The Warrants to purchase shares of the Company's Common Stock (each an "October 2019 Warrant"), were issued by the Company on October 7, 2019. The October 2019 Warrants entitle the Buyers, respectively, to exercise purchase rights represented by the Warrants up to 125,000 shares per October 2019 Warrant. The October 2019 Warrants permit the Buyers to exercise the purchase rights at any time on or after October 7, 2019 through October 7, 2022, at an exercise price per share of $0.80, subject to adjustment.

November 2019 Notes

On November 4, 2019, the Company sold a promissory note in the principal amount of $250,000 (the "Mitchell Note") to Jack D. and Vanessa J. Mitchell, individuals. The Mitchell Note accrues interest at a rate of eighteen percent (18%), compounded annually with an additional 100,000 shares of Common Stock of the Company. The Mitchell Note matures on November 4, 2020, and it can be prepaid by the Company, in whole or in part, without penalty, at any time.

Membership Interest Purchase Agreement

On January 30, 2020, the Company entered into a Membership Interest Purchase Agreement (the "MIPA") by and among the Company, ECS Prepaid, LLC, a Missouri limited liability company ("ECS Prepaid"), Dennis R. Winfrey, an individual, and Peggy S. Winfrey, an individual (together, the "Winfreys"), whereby the Company purchased from the Winfreys all of the Membership Interests of ECS Prepaid owned by the Winfreys (the "ECS Prepaid Membership Interests"). In consideration for the ECS Prepaid Membership Interests, the Company issued to Suray Holdings LLC, an entity jointly controlled by the Winfreys ("Suray"), 450,000 shares of Common Stock of the Company.

ECS and CSLS Stock Purchase Agreement

On January 30, 2020, the Company entered into a Stock Purchase Agreement (the "ECS and CSLS SPA") by and among the Company, Electronic Check Services, Inc., a Missouri corporation ("ECS"), Central States Legal Services, Inc., a Missouri corporation ("CSLS"), and the Winfreys, whereby the Company purchased from the Winfreys all of the issued and outstanding stock of each of ECS and CSLS (the "ECS and CSLS Stock"). In consideration for the ECS and CSLS Stock, the Company issued 50,000 shares of Common Stock to Suray (the "ECS and CLS Purchase Share Issuance").

January SPAs and Notes

On January 30, 2020, the Company entered into Securities Purchase Agreements (the "January 2020 SPAs"), with three (3) accredited investors (the "January 2020 Investors"), pursuant to which the January 2020 Investors purchased from the Company, for an aggregate purchase price of $500,000 (the "January 2020 Purchase Price"), Promissory Notes in the aggregate principal amount of $540,000 (the "January 2020 Notes"). The January 2020 Notes will be repaid according to a schedule of fixed interest and principal payments beginning in August 2020. As additional consideration for the January 2020 Investors loaning the January 2020 Purchase Price to the Company, the Company issued to each of the January 2020 Investors 250,000 shares of Common Stock for a total of 750,000 shares (the "January 2020 Share Issuance").

The January 2020 Notes shall accrue interest at a rate of fourteen percent (14%) per annum and will mature on February 5, 2021. No payments of principal or interest are due through July 2020 (five (5) months following issuance) and then there are seven (7) fixed payments of principal and interest due on a monthly basis until maturity.

Settlement Agreement

On January 15, 2020, the Company and Carter Matzinger (a member of the Company's Board of Directors) (collectively, the "Surge Party"), and the former owners of the Company's wholly-owned subsidiary, DigitizeIQ, LLC (collectively, the "DigitizeIQ Party" and, together with the Surge Party, the "Parties"), entered into a settlement agreement (the "DigitizeIQ Settlement Agreement") to settle any claims the Parties may have had against each other. The parties made claims against each other with regard to alleged breaches of an Exchange Agreement, a Non-Compete Agreement, and promissory notes issued by the Company to the DigitzeIQ Party (the "DigitzeIQ Promissory Notes").

Pursuant to the DigitizeIQ Settlement Agreement, the Parties, in addition to releasing all claims against each other, agreed to cooperate to ensure the complete transfer and assignment of the domain "digitizeiq.com" to the Company and agreed that the DigitizeIQ Promissory Notes are deemed terminated. As a result of the DigitizeIQ Promissory Notes being terminated, on an unaudited basis, the Company reduced its liabilities by approximately $580,000.

February SPAs and Note

On February 3 and February 6, 2020, the Company entered into Securities Purchase Agreements (the "February 2020 SPAs"), with two (2) accredited investor (the "February 2020 Investors"), pursuant to which the February 2020 Investors purchased from the Company, for an aggregate purchase price of $400,000 (the "February 2020 Purchase Price"), Promissory Notes in the principal amount of $432,000 (the "February 2020 Notes"). The February 2020 Notes will be repaid according to a schedule of fixed interest and principal payments beginning in August 2020. As additional consideration for the February 2020 Investors loaning the February 2020 Purchase Price to the Company, the Company issued to each of the February 2020 Investors 300,000 shares of Common Stock for a total of 600,000 shares (the "February Share Issuance").

The terms of the February 2020 Notes are substantially the same as the terms of the January 2020 Notes.

March SPA and Note

On March 5, 2020, the Company entered into a Securities Purchase Agreement (the "March 2020 SPA"), with an accredited investor (the "March 2020 Investor"), pursuant to which the March 2020 Investor purchased from the Company, for an aggregate purchase price of $350,000 (the "March 2020 Purchase Price"), a Promissory Note in the principal amount of $378,000 (the "March 2020 Note"). The March 2020 Note will be repaid according to a schedule of fixed interest and principal payments beginning in September 2020. As additional consideration for the March 2020 Investor loaning the March 2020 Purchase Price to the Company, the Company issued to the March 2020 Investor 400,000 shares of Common Stock of the Company.

The March 2020 Note shall accrue interest at a rate of fourteen percent (14%) per annum and will mature on March 5, 2021. No payments of principal or interest are due through August 2020 (five (5) months following issuance) and then there are seven (7) fixed payments of principal and interest due on a monthly basis until maturity.

April SPA and Note

On April 1, 2020, the Company entered into a Securities Purchase Agreement (the "April 2020 SPA"), with an accredited investor (the "April 2020 Investor"), pursuant to which the April 2020 Investor purchased from the Company, for an aggregate purchase price of $150,000 (the "April 2020 Purchase Price"), a Promissory Note in the principal amount of $162,000 (the "April 2020 Note"). The April 2020 Note will be repaid according to a schedule of fixed interest and principal payments beginning in September 2020. As additional consideration for the April 2020 Investor loaning the April 2020 Purchase Price to the Company, the Company issued to the April 2020 Investor 172,000 shares of Common Stock of the Company.

The April 2020 Note shall accrue interest at a rate of fourteen percent (14%) per annum and will mature on March 15, 2021. No payments of principal or interest are due through August 2020 (five (5) months following issuance) and then there are seven (7) fixed payments of principal and interest due on a monthly basis until maturity.

Item 1A. Risk Factors.

Risks Related to Our Company

Changes in the regulatory framework under which we operate could adversely affect our business prospects or results of operations.

Our operations are subject to regulation by the FCC and other federal, state and local agencies. These regulatory regimes frequently restrict or impose conditions on our ability to operate in designated areas and provide specified products or services. We are frequently required to maintain licenses for our operations and conduct our operations in accordance with prescribed standards. We are often involved in regulatory and other governmental proceedings or inquiries related to the application of these requirements. It is impossible to predict with any certainty the outcome of pending federal and state regulatory proceedings relating to our operations, or the reviews by federal or state courts of regulatory rulings. Without relief, existing laws and regulations may inhibit our ability to expand our business and introduce new products and services. Similarly, we cannot guarantee that we will be successful in obtaining the licenses needed to carry out our business plan or in maintaining our existing licenses. For example, the FCC grants wireless licenses for terms generally lasting 10 years, subject to renewal. The loss of, or a material limitation on, certain of our licenses could have a material adverse effect on our business, results of operations and financial condition.

New laws or regulations or changes to the existing regulatory framework at the federal, state and local level, such as those described below, could restrict the ways in which we manage our wireline and wireless networks and operate our business, impose additional costs, impair revenue opportunities and potentially impede our ability to provide services in a manner that would be attractive to us and our customers.

- Privacy and data protection - we are subject to federal, state and international laws related to privacy and data protection. A new privacy law scheduled to take effect in California in 2020, also could have a significant impact on certain of our businesses.

- Regulation of broadband Internet access services - In its 2015 Title II Order, the FCC nullified its longstanding "light touch" approach to regulating broadband Internet access services and "reclassified" these services as telecommunications services subject to utilities-style common carriage regulation. The FCC repealed the 2015 Title II Order in December 2017 and returned to its traditional light-touch approach for these services. The 2017 order has been appealed to the D.C. Circuit; the outcome and timing of this appeal or any other challenge remains uncertain. Several states have also adopted or are considering adopting laws or executive orders that would impose net neutrality and other requirements on some of our services (in some cases different from the FCC's 2015 rules). The enforceability and effect of these state rules is uncertain.

- "Open Access" - we hold certain wireless licenses that require us to comply with so-called "open access" FCC regulations, which generally require licensees of particular spectrum to allow customers to use devices and applications of their choice. Moreover, certain services could be subject to conflicting regulation by the FCC and/or various state and local authorities, which could significantly increase the cost of implementing and introducing new services.

The further regulation of broadband, wireless and our other activities and any related court decisions could restrict our ability to compete in the marketplace and limit the return we can expect to achieve on past and future investments in our networks

Changes to the federal Lifeline Assistance Program could negatively impact the growth of our True Wireless business and its profitability.

True Wireless offers service to low-income subscribers eligible for the federal Lifeline Assistance program. True Wireless provides a monthly discount to eligible subscribers in the form of free blocks of minutes and text messages. This discount is subsidized by the Low-Income Program of the federal USF and administered by the Universal Service Administrative Company. In 2012, the FCC adopted reforms to the Low Income program to increase program effectiveness and efficiencies. More stringent eligibility and certification requirements have made it more difficult for Lifeline service providers to sign up and retain Lifeline subscribers. Some regulators and legislators have questioned the structure of the current program, and the FCC is continuing to review and implement measures to improve the program, including enforcement action involving alleged rule violations, and roll-out of the National Lifeline Accountability Database. Changes in the Lifeline program as a result of the ongoing FCC proceeding or new legislation, or potential enforcement action, could negatively impact growth of True Wireless and/or the profitability of True Wireless.

If we are not able to adapt to changes and disruptions in technology and address changing consumer demand on a timely basis, we may experience a decline in the demand for our services, be unable to implement our business strategy and experience reduced profits.

Our industries are rapidly changing as new technologies are developed that offer consumers an array of choices for their communications needs and allow new entrants into the markets we serve. In order to grow and remain competitive, we will need to adapt to future changes in technology, enhance our existing offerings and introduce new offerings to address our customers' changing demands. If we are unable to meet future challenges from competing technologies on a timely basis or at an acceptable cost, we could lose customers to our competitors. We may not be able to accurately predict technological trends or the success of new services in the market. In addition, there could be legal or regulatory restraints on our introduction of new services. If our services fail to gain acceptance in the marketplace, or if costs associated with the implementation and introduction of these services materially increase, our ability to retain and attract customers could be adversely affected. Additionally, we must phase out outdated and unprofitable technologies and services. If we are unable to do so on a cost-effective basis, we could experience reduced profits. In addition, there could be legal or regulatory restraints on our ability to phase out current services

Failure to develop new products, such as cross-media solutions, that are compelling for the marketplace in the expected time frame may adversely affect the combined company's future results.

As the media and advertising industry looks to evaluate investments such as advertising campaigns across various forms of media, such as television, radio, online, and mobile, the ability to measure the combined size and composition of audiences across platforms is increasingly important and demanded. A primary strategic reason for this business combination is to allow our companies to more quickly and effectively develop cross-media capabilities using the combined talents and assets of the two companies to meet a growing market demand. The management of the combined company may face significant challenges in developing new products while integrating existing products and technologies. If the companies are not successful in developing credible products in the expected timeframe, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected.

We may expand through investments in, acquisitions of, or the development of new products with assistance from, other companies, any of which may not be successful and may divert our management's attention.

In the past, we completed several strategic acquisitions. We also may evaluate and enter into discussions regarding an array of potential strategic transactions, including acquiring complementary products, technologies or businesses. An acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties integrating the businesses, technologies, products, personnel or operations of the acquired companies, particularly if the key personnel of the acquired company choose not to be employed by us, and we may have difficulty retaining the customers of any acquired business due to changes in management and ownership. Acquisitions may also disrupt our ongoing business, divert our resources and require significant management attention that would otherwise be available for ongoing development of our business. Moreover, we cannot assure you that the anticipated benefits of any acquisition, investment or business relationship would be realized timely, if at all, or that we would not be exposed to unknown liabilities. In connection with any such transaction, we may:

- encounter difficulties retaining key employees of the acquired company or integrating diverse business cultures;
- incur large charges or substantial liabilities, including without limitation, liabilities associated with products or technologies accused or found to infringe on third-party intellectual property rights or violate existing or future privacy regulations;
- issue shares of our capital stock as part of the consideration, which may be dilutive to existing stockholders;
- become subject to adverse tax consequences, legal disputes, substantial depreciation or deferred compensation charges;
- use cash that we may otherwise need for ongoing or future operation of our business;
- enter new geographic markets that subject us to different laws and regulations that may have an adverse impact on our business;
- experience difficulties effectively utilizing acquired assets;
- encounter difficulties integrating the information and financial reporting systems of acquired businesses, particularly those that operated under accounting principles other than those generally accepted in the U.S. prior to the acquisition by us; and
- incur debt, which may be on terms unfavorable to us or that we are unable to repay.

Our business could be adversely affected if we fail to implement and maintain effective disclosure controls and procedures and internal control over financial reporting.

We concluded that as of December 31, 2019, our disclosure controls and procedures and our internal control over financial reporting were not effective. We have determined that we have limited resources for adequate personnel to prepare and file reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act") within the required time periods and that material weaknesses in our internal control over financial reporting exist relating to not being able to provide for adequate review of our financial statements. If we are unable to implement and maintain effective disclosure controls and procedures and remediate the material weaknesses in a timely manner, or if we identify other material weaknesses in the future, our ability to produce accurate and timely financial statements and public reports could be impaired, which could adversely affect our business and financial condition. We identified a lack of sufficient segregation of duties. In addition, investors may lose confidence in our reported information and the market price of our Common Stock may decline.

If we are unable to obtain additional financing, business operations will be harmed and if we do obtain additional financing then existing shareholders may suffer substantial dilution.

We need substantial capital to implement our sales distribution strategy for our current products and to develop and commercialize future products. Our capital requirements will depend on many factors, including but not limited to:

- the problems, delays, expenses, and complications frequently encountered by early-stage companies;
- market acceptance of our products;
- the success of our sales and marketing programs; and

We expect, if we sell at least $10,000,000 of our shares of Common Stock, that the net proceeds of such sales along with our current cash position, to be able to fund our operating expenses and capital expenditure for at least the next two years. Thereafter, unless we achieve profitability, we anticipate that we will need to raise additional capital to fund our operations and to otherwise implement our overall business strategy. We currently do not have any contracts or commitments for additional financing. There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all. Any additional equity financing may involve substantial dilution to then existing shareholders.

If adequate funds are not available or if we fail to obtain acceptable additional financing, we may be required to:

- severely limit or cease our operations or otherwise reduce planned expenditures and forego other business opportunities, which could harm our business;
- obtain financing with terms that may have the effect of substantially diluting or adversely affecting the holdings or the rights of the holders of our capital stock; or
- obtain funds through arrangements with future collaboration partners or others that may require us to relinquish rights to some or all of our technologies or products.

Our success is substantially dependent on the continued service of our senior management.

Our success is substantially dependent on the continued service of our Chief Executive Officer ("CEO), Kevin Brian Cox, our Chief Financial Officer ("CFO"), Anthony Evers, and Chief Operating Officer ("COO"), Anthony P. Nuzzo. The Company does not carry key person life insurance on any of its management, which would leave the Company uncompensated for the loss of any of its management. The loss of the services of any of our senior management could make it more difficult to successfully operate our business and achieve our business goals. In addition, our failure to retain qualified personnel in the diverse areas required for continuing its operations could harm our product development capabilities and customer and employee relationships, delay the growth of sales of our products and could result in the loss of key information, expertise or know-how.

We may not be able to hire or retain other key personnel required for our business, which could disrupt the development and sales of our products and limit our ability to grow.

Competition in our industry for senior management and other key personnel is intense. If we are unable to retain our existing personnel, or attract and train additional qualified personnel, either because of competition in our industry for such personnel or because of insufficient financial resources, our growth may be limited.

Our CEO and Chairman, Kevin Brian Cox, has significant control over shareholder matters and the minority shareholders will have little or no control over our affairs.

Mr. Cox currently owns approximately 69% of our outstanding voting equity and, on a fully diluted basis, based on the conversion feature of the Series A and Series C Convertible Preferred Stock, 72% of our shares outstanding. Subject to any fiduciary duties owed to our other stockholders under Nevada law, Mr. Cox is able to exercise significant influence over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, and will have some control over our management and policies. Mr. Cox may have interests that are different from yours. For example, Mr. Cox may support proposals and actions with which you may disagree. The concentration of ownership could delay or prevent a change in control of our Company or otherwise discourage a potential acquirer from attempting to obtain control of our Company, which in turn could reduce the price of our stock. In addition, Mr. Cox could use his voting influence to maintain our existing management and directors in office, delay or prevent changes in control of our Company, or support or reject other management and board proposals that are subject to stockholder approval, such as amendments to our employee stock plans and approvals of significant financing transactions.

We may not have sufficient resources to effectively introduce and market our services and products, which could materially harm our operating results.

Continuation of market acceptance for our existing services and products require substantial marketing efforts and will require our sales account executives and contract partners to make significant expenditures of time and money. In some instances, we will be significantly or totally reliant on the marketing efforts and expenditures of our contract partners, outside sales agents and distributors.

Because we currently have very limited marketing resources and sales capabilities, commercialization of our products, some of which require regulatory clearance prior to market entrance, we must either expand our own marketing and sales capabilities or consider collaborating with additional third parties to perform these functions. We may, in some instances, rely significantly on sales, marketing and distribution arrangements with collaborative partners and other third parties. In these instances, our future revenue will be materially dependent upon the success of the efforts of these third parties.

Should we determine that expanding our own marketing and sales capabilities is required, we may not be able to attract and retain qualified personnel to serve in our sales and marketing organization, to develop an effective distribution network or to otherwise effectively support our commercialization activities. The cost of establishing and maintaining a more comprehensive sales and marketing organization may exceed its cost effectiveness. If we fail to further develop our sales and marketing capabilities, if sales efforts are not effective or if costs of increasing sales and marketing capabilities exceed their cost effectiveness, our business, results of operations and financial condition would be materially adversely affected.

We operate in a highly competitive industry.

We may encounter competition from local, regional or national entities, some of which have superior resources or other competitive advantages in the larger wireless services space. Intense competition may adversely affect our business, financial condition or results of operations. These competitors may be larger and more highly capitalized, with greater name recognition. We will compete with such companies on brand name, quality of services, level of expertise, advertising, product and service innovation and differentiation of product and services. As a result, our ability to secure significant market share may be impeded.

We could be substantially affected by the Coronavirus (COVID-19) pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China, and has since spread to a number of other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of the time of the filing of this Annual Report on Form 10-K, several states in the United States have declared states of emergency, and several countries around the world, including the United States, have taken steps to restrict travel. While all of our operations are located in the United States, we participate in a national supply chain, and the existence of a worldwide pandemic, the fear associated with COVID-19, or any, pandemic, and the reactions of governments around the world in response to COVID-19, or any, pandemic, to regulate the flow of labor and products and impede the travel of personnel, may impact our ability to conduct normal business operations, which could adversely affect our results of operations and liquidity. Disruptions to our supply chain and business operations, or to our suppliers' or customers' supply chains and business operations, could include disruptions from the closure of supplier and manufacturer facilities, interruptions in the supply of raw materials and components, personnel absences, or restrictions on the shipment of our or our suppliers' or customers' products, any of which could have adverse ripple effects on our output and delivery schedule. If we need to close any of our facilities or a critical number of our employees become too ill to work, our operations could be materially adversely affected in a rapid manner. Similarly, if our customers experience adverse business consequences due to COVID-19, or any other, pandemic, demand for our products could also be materially adversely affected in a rapid manner. Global health concerns, such as COVID-19, could also result in social, economic, and labor instability in the countries and localities in which we or our suppliers and customers operate. Any of these uncertainties could have a material adverse effect on our business, financial condition or results of operations.

Risks Related to Our Securities

Sales of a significant number of shares of our Common Stock in the public market or the perception of such possible sales, could depress the market price of our Common Stock.

Sales of a substantial number of shares of our Common Stock in the public markets, which include an offering of our preferred stock or Common Stock could depress the market price of our Common Stock and impair our ability to raise capital through the sale of additional equity or equity-related securities. We cannot predict the effect that future sales of our Common Stock or other equity-related securities would have on the market price of our Common Stock.

Our share price could be volatile and our trading volume may fluctuate substantially.

The price of our Common Stock has been and may in the future continue to be extremely volatile. Many factors could have a significant impact on the future price of our shares of Common Stock, including:

- our inability to raise additional capital to fund our operations, whether through the issuance of equity securities or debt;
- our failure to successfully implement our business objectives;
- compliance with ongoing regulatory requirements;
- market acceptance of our products;
- changes in government regulations;
- general economic conditions and other external factors;
- actual or anticipated fluctuations in our quarterly financial and operating results; and
- the degree of trading liquidity in our shares of Common Stock.

A decline in the price of our shares of Common Stock could affect our ability to raise further working capital and adversely impact our ability to continue operations.

The relatively low price of our shares of Common Stock, and a decline in the price of our shares of Common Stock, could result in a reduction in the liquidity of our Common Stock and a reduction in our ability to raise capital. Because a significant portion of our operations has been and will continue to be financed through the sale of equity securities, a decline in the price of our shares of Common Stock could be especially detrimental to our liquidity and our operations. Such reductions and declines may force us to reallocate funds from other planned uses and may have a significant negative effect on our business plans and operations, including our ability to continue our current operations. If the price for our shares of Common Stock declines, it may be more difficult to raise additional capital. If we are unable to raise sufficient capital, and we are unable to generate funds from operations sufficient to meet our obligations, we will not have the resources to continue our operations.

The market price for our shares of Common Stock may also be affected by our ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, may have a material adverse effect on the market price of our shares of Common Stock.

Financial Industry Regulatory Authority ("FINRA") sales practice requirements may also limit a stockholder's ability to buy and sell our Common Stock.

FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our Common Stock, which may limit your ability to buy and sell our Common Stock and have an adverse effect on the market for our shares.

"Penny Stock" rules may make buying or selling our Common Stock difficult.

Trading in our Common Stock has previously been subject to the "penny stock" rules. The SEC has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than $5.00 per share, subject to certain exceptions. These rules require that any broker-dealer that recommends our Common Stock to persons other than prior customers and accredited investors, must, prior to the sale, make a special written suitability determination for the purchaser and receive the purchaser's written agreement to execute the transaction. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated with trading in the penny stock market. In addition, broker-dealers must disclose commissions payable to both the broker-dealer and the registered representative and current quotations for the securities they offer. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in our Common Stock, which could severely limit the market price and liquidity of our Common Stock.

We currently do not intend to pay dividends on our Common Stock. As result, your only opportunity to achieve a return on your investment is if the price of our Common Stock appreciates.

We currently do not expect to declare or pay dividends on our Common Stock. In addition, in the future we may enter into agreements that prohibit or restrict our ability to declare or pay dividends on our Common Stock. As a result, your only opportunity to achieve a return on your investment will be if the market price of our Common Stock appreciates and you sell your shares at a profit.

We could issue additional Common Stock, which might dilute the book value of our Common Stock.

Our Board has authority, without action or vote of our shareholders, to issue all or a part of our authorized but unissued shares. Such stock issuances could be made at a price that reflects a discount or a premium from the then-current trading price of our Common Stock. In addition, in order to raise capital, we may need to issue securities that are convertible into or exchangeable for our Common Stock. These issuances would dilute the percentage ownership interest, which would have the effect of reducing your influence on matters on which our shareholders vote, and might dilute the book value of our Common Stock. You may incur additional dilution if holders of stock warrants or options, whether currently outstanding or subsequently granted, exercise their options, or if warrant holders exercise their warrants to purchase shares of our Common Stock.

Future Issuance of Our Common Stock, Preferred Stock, Options and Warrants Could Dilute the Interests of Existing Stockholders.

We may issue additional shares of our Common Stock, Preferred Stock, options and warrants in the future. The issuance of a substantial amount of Common Stock, options and warrants could have the effect of substantially diluting the interests of our current stockholders. In addition, the sale of a substantial amount of Common Stock or Preferred Stock in the public market, or the exercise of a substantial number of warrants and options either in the initial issuance or in a subsequent resale by the target company in an acquisition which received such Common Stock as consideration or by investors who acquired such Common Stock in a private placement could have an adverse effect on the market price of our Common Stock.

Item 1b. Unresolved Staff Comments.

None.

Item 2. Properties.

The Company presently occupies space at 3124 Brother Blvd, Suite 104, Bartlett, TN 38133. This building is owned by an entity owned by Mr. Cox, our CEO and Chairman and the controlling shareholder of the Company. Axia Management, LLC ("Axia") is also owned by Mr. Cox. Axia pays the rent for this building on our behalf and this amount is included within the outsourced management services fee we pay to Axia.

The Company will acquire additional office space as its needs warrant.

Item 3. Legal Proceedings.

From time to time, we may be engaged in various lawsuits and legal proceedings in the ordinary course of our business. Except as described below, we are currently not aware of any legal proceedings the ultimate outcome of which, in our judgment based on information currently available, would have a material adverse effect on our business, financial condition or results of operations.

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 material disputes and does not have any material 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 4. Mine Safety Disclosures.

Not Applicable.

PART II

Item 5. Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our Common Stock is quoted on the OTCQB under the trading symbol "SURG". The Company's shares began trading on July 24, 2007.

As of May 11, 2020, there were approximately 1,596 holders of record of our Common Stock. The last reported sales price for our Common Stock as reported on the OTCQB on May 11, 2020 was $0.30.

Authorized Capital

As of May 11, 2020, we were authorized to issue 500,000,000 shares of Common Stock, $0.001 par value, 100,000,000 shares of Series A preferred stock, $0.001 par value, and 1,000,000 shares of Series C preferred stock, $0.001 par value.

Common Stock

Each share of our Common Stock entitles its holder to one vote in the election of each director and on all other matters voted on generally by our stockholders, other than any matter that (1) solely relates to the terms of any outstanding series of preferred stock or the number of shares of that series and (2) does not affect the number of authorized shares of preferred stock or the powers, privileges and rights pertaining to the Common Stock. No share of our Common Stock affords any cumulative voting rights. This means that the holders of a majority of the voting power of the shares voting for the election of directors can elect all directors to be elected if they choose to do so.

Holders of our Common Stock will be entitled to dividends in such amounts and at such times as our Board of Directors in its discretion may declare out of funds legally available for the payment of dividends. We currently intend to retain our entire available discretionary cash flow to finance the growth, development and expansion of our business and do not anticipate paying any cash dividends on the Common Stock in the foreseeable future. Any future dividends will be paid at the discretion of our Board of Directors.

If we liquidate or dissolve our business, the holders of our Common Stock will share ratably in all our assets that are available for distribution to our stockholders after our creditors are paid in full and the holders of all series of our outstanding preferred stock, if any, receive their liquidation preferences in full.

Our Common Stock has no preemptive rights and is not convertible or redeemable or entitled to the benefits of any sinking or repurchase fund.

As of May 11, 2020, there were 103,344,030 shares of Common Stock issued and outstanding.

Preferred Stock

Series "A" Preferred Stock

The Company, pursuant to the consent of the Board of Directors filed a Certificate of Designation with the Nevada Secretary of State which designated 10,000,000 shares of the Company's authorized Preferred Stock as Series "A" Preferred Stock, par value $0.001. The Series "A" Preferred Stock has the following attributes:

- Ranks senior only to any other class or series of designated and outstanding preferred shares of the Company;
- Bears no dividend;
- Has no liquidation preference, other than the ability to convert to Common Stock of the Company;
- The Company does not have any rights of redemption;
- Voting rights equal to ten shares of Common Stock for each share of Series "A" Preferred Stock;
- Entitled to same notice of meeting provisions as common stockholders;
- Protective provisions require approval of 75% of the Series "A" Preferred Shares outstanding to modify the provisions or increase the authorized Series "A" Preferred Shares; and
- Each ten Series "A" Preferred Shares can be converted into one share of common stock at the option of the holder.

On March 29, 2018, the Company, pursuant to the consent of the Board of Directors, filed a Certificate of Amendment to Certificate of Designation with the Nevada Secretary of State which increased the amount of authorized Series A Preferred Stock from 10,000,000 to 13,000,000.

On April 11, 2018, the Company issued 3,000,000 shares of Series A Preferred Stock as consideration for the True Wireless, Inc. merger. As discussed in Note 1 to our audited financial statements, 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. These preferred shares were recorded as a retroactive 2017 transaction as incentive to complete the merger.

Upon close of the merger, the Company recorded 10,000,000 shares of Series A Preferred Stock as a part of the recapitalization transaction for services previously rendered by the Company's former Chief Executive Officer and Chairman of the Board of Directors.

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

Series "C" Convertible Preferred Stock

On June 22, 2018, the Board of Directors approved a Certificate of Designation for Company Series C Convertible Preferred stock, which was filed with the Secretary of State of the State of Nevada on that date. The Certificate of Designations approved the creation of a new series of preferred stock consisting of 1,000,000 shares of Series C Convertible Preferred Stock par value $0.001 ("Series C Preferred Stock") with an original issue price of $100.00 per share.

The Series "C" Preferred Stock has the following attributes:

- Ranks junior only to any other class or series of designated and outstanding preferred shares of the Company;
- Bears a dividend per share of Series C Preferred Stock equal to the per share amount (as converted), and in the same form as, the dividend payable to the holders of the Common Stock;
- With respect to such liquidation, dissolution or winding up, the holders of Series C Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Corporation to the holders of Junior Securities but after distribution of such assets among, or payment thereof to holders of any Senior Preferred Stock, an amount equal to the Series C Original Issue Price for each share of Series C Preferred Stock plus an amount equal to all declared but unpaid dividends on Series C Preferred Stock;
- The Company does not have any rights of redemption;
- Voting rights equal to 250 shares of Common Stock for each share of Series "C" Preferred Stock;
- Entitled to same notice of meeting provisions as common stockholders;
- Protective provisions require approval of 75% of the Series "C" Preferred Shares outstanding to modify the provisions or increase the authorized Series "C" Preferred Shares; and
- Each one Series "C" Preferred Share can be converted into two hundred fifty (250) shares of Common Stock at the option of the holder.

As noted above, each share of Series C Preferred Stock is convertible into 250 shares of Company Common Stock (the same conversion rate utilized in the exchange transaction), but is only convertible on the first to occur of the following events:

(i) The Volume Weighted Average Price ("VWAP") of the Company's Common Stock during any then consecutive trading days is at least $2.00 per share; or

(ii)June 30, 2019.

On June 29, 2018, each of Kevin Brian Cox ("Cox"), the Company's Chief Executive Officer, and Thirteen Nevada LLC ("13") entered into separate Exchange Agreements with the Company whereby the Shareholders agreed to exchange an aggregate of 148,741,531 shares of previously issued Company Common Stock for an aggregate of 594,966 shares of newly-issued Company Series C Convertible Preferred Stock. The calculation of weighted average shares was retroactively restated in order to properly account for the above noted share exchange.

During the year ended December 31, 2018, the Company issued 48,400 shares of Series C Preferred in exchange for the conversion of a note payable of $3,000,000 and accrued interest of $24,952.

As discussed in Note 1 to our audited financial statements, 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 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 December 31, 2019, and December 31, 2018, there were 721,598 and 643,366 shares of Series C issued and outstanding, respectively.

Unregistered Sales of Equity Securities

During the year ended December 31, 2019, the Company sold an aggregate of 9,172,855 shares of Common Stock and 4,462,135 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 $3,210,500.

Transfer Agent

The transfer agent of our Common Stock is VStock Transfer, LLC. Their address is 18 Lafayette Place, Woodmere, NY 11598.

Item 6. Selected Financial Data.

Not applicable.

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

This Form 10-K and other reports filed by the Company from time to time with the U.S. Securities and Exchange Commission (the "SEC") contain or may contain forward-looking statements and information that are based upon beliefs of, and information currently available to, the Company's management as well as estimates and assumptions made by Company's management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the filings, the words "anticipate," "believe," "estimate," "expect," "future," "intend," "plan," or the negative of these terms and similar expressions as they relate to the Company or the Company's management identify forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to risks, uncertainties, assumptions, and other factors, including the risks contained in the "Risk Factors" section of this Annual Report on Form 10-K, relating to the Company's industry, the Company's operations and results of operations, and any businesses that the Company may acquire. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our consolidated financial statements would be affected to the extent there are material differences between these estimates and actual results. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result. The following discussion should be read in conjunction with our consolidated financial statements and notes thereto appearing elsewhere in this report.

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 was 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 type 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 $7.2 million for the year ended December 31, 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 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 consolidated statements of operations. The Company periodically reviews its investment in Centercom for impairment. Management has determined that no impairment was required as of December 31, 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 YEARS ENDED DECEMBER 31, 2019 AND 2018

Revenues during the years ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
Revenue	$ 25,742,941	$ 15,244,155
Cost of revenue	20,305,453	8,570,240
Gross profit	$ 5,437,488	$ 6,673,915

Revenue increased $10,498,786 (69%) primarily as a result of the addition of the ECS revenues of $10,766,995, an increase of $3,149,700 in Surge Blockchain LLC and $6,057,087 in Surge Logics LLC and a decrease of $7,381,300 in True Wireless, Inc. while gross profit decreased $1,236,427 (19%) primarily as a result of a decrease in gross profit of $4,674,196 in True Wireless, Inc that offset the gross profit gains from the increased revenues.

Costs and expenses during the years ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
Depreciation and amortization	$ 227,322	$ 149,642
Selling, general and administration	12,978,194	8,059,742
Total	$ 13,205,516	$ 8,209,384

Depreciation and amortization increased $77,680 primarily as a result of the addition of the ECS assets.

Selling, general and administrative expenses during the years ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
Telecom operations center	$ 2,318,068	$ 1,852,427
Contractors and consultants	2,134,202	1,177,371
Compensation	1,895,932	753,373
Webhosting/internet	651,370	819,255
Professional services	1,761,292	1,499,685
Advertising and marketing	1,116,046	559,333
Bad debt expense	985,633	-
DRIP fees	547,000	-
Other	1,568,651	1,398,298
Total	$ 12,978,194	$ 8,059,742

Selling, general and administrative costs (S, G & A) increased by $4,918,452 (61%). The 2019 period includes $1,537,033 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 $1,852,427 in 2018 to $2,318,068 in 2019 primarily as a result of the contracting vendor providing additional services for Surge Blockchain, LLC.

* Contractors and consultants increased to $2,134,202 in 2019 from $1,177,371 in 2018 primarily due to outside IT services on the SurgePays portal. The 2019 period includes $375,113 in expenses of the Surge companies that are not included in the 2018 expenses.

* Compensation increased from $753,373 in 2018 to $1,895,932 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 $365,807 in expense of the Surge companies that are not included in the 2018 expenses.

* Webhosting/internet costs decreased to $651,370 in 2019 from $819,255 in 2018.

* Professional services increased from $1,499,685 in 2018 to $1,761,292 in 2019 primarily as a result of increased audit and legal fees.

* Advertising and marketing costs increased to $1,116,046 in 2019 from $559,333 in 2018 primarily due to the Company implementing new advertising and marketing campaigns.

* Bad debt expense increased to $985,633 in 2019 from $0 in 2018 primarily due to the Company's evaluation of the receivables generated during the initial rollout of the SurgePays portal and providing an appropriate allowance for bad debts.

* 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 $1,568,651 in 2019 from $1,398,298 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 $267,595 in expenses of the Surge companies that are not included in the 2018 expenses.

Other (expense) income during the years ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
Interest, net	$ (227,016)	$ (140,457)
Change in fair value of derivative liability	4,013	(4,105)
Change in fair value of LTC cryptocurrency	-	(95,387)
Gain on equity investment in Centercom	25,192	-
Gain on sale of assets	-	273,453
Gain (loss) on settlement of liabilities	(481,187)	43,117
	$ (678,998)	$ 76,621

Interest expense increased to $227,016 in 2019 from $140,457 in 2018 primarily due to an increase in total borrowings.

The change in fair value of LTC cryptocurrency decreased to $0 in 2019 from $95,387 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 $25,192 in 2019 is due to the 40% acquisition of Centercom in January 2019.

In December 2018, the Company sold all of its Cryptocurrency assets and recognized a gain on the sale totaling $273,453. See Note 6 to the Consolidated Financial Statements.

During the year ended December 31, 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 year ended December 31, 2018, the Company settled outstanding liabilities through the issuance of 3,330,703 shares of Common Stock and recorded a gain on settlement of $43,117.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

At December 31, 2019 and 2018, our current assets were $3,574,885 and $3,059,820, respectively, and our current liabilities were $7,054,124 and $4,792,035, respectively, which resulted in a working capital deficit of $3,479,239 and $1,732,215, respectively.

Total assets at December 31, 2019 and 2018 amounted to $9,986,373 and $4,084,318, respectively. At December 31, 2019, assets consisted of current assets of $3,574,885, net property and equipment of $294,616, net intangible assets of $4,769,117, goodwill of $866,782, equity investment in Centercom of $203,700, operating lease right of use asset of $210,816 and other long-term assets of $66,457, 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 December 31, 2019, our total liabilities of $14,685,988 increased $8,613,437 from $6,072,551 at December 31, 2018.

At December 31, 2019, our total stockholders' deficit was $4,699,615 as compared to $1,988,233 at December 31, 2018. The principal reason for the increase in stockholders' deficit was the impact of the net loss of $8,447,026 offset by equity issuances during 2019.

The following table sets forth the major sources and uses of cash for the years ended December 31, 2019 and 2018.

	2019	2018
Net cash used in operating activities	$ (6,533,141)	$ (1,015,614)
Net cash used in investing activities	(32,241)	(278,035)
Net cash provided by financing activities	6,466,810	464,101
Net change in cash and cash equivalents	$ (98,572)	$ (829,548)

At December 31, 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 - See Note 11 to the Consolidated Financial Statements.

Advances from related party - See Note 16 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.

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 $8.4 million for the year ended December 31, 2019. As of December 31, 2019, the Company had cash and working capital deficit of approximately $346,000 and $3.5 million, respectively.

Management's 2019 strategic decision to invest and allocate millions of dollars into software development, product development and its infrastructure has enabled the company to be position for immediate rapid growth. The Company continues to add stores to the ECS and Wholesale Marketplace platforms while aggressively exploring new distribution channels and acquisitions. This is enabling the addition of products from manufacturers in market specific categories in conjunction with national rollouts of proprietary brands such as LocoRabbit Wireless, Max CBD and Essential products needed in today's world.

The 3rd quarter asset purchase agreement of the ECS Business 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.

During the year ended December 31, 2019, the Surge software development team has successfully implemented the merging of the SurgePays and ECS software to more efficiently and cost effectively increase synergized revenue and profitability moving forward. In addition, management made the decision to expedite programming, software development and integration to enable the successful launch of the SurgePays Prepaid Visa card.

The development of the Surge Logistics Intake software and the infrastructure at CenterCom BPO have enabled rapid scaling growth and evidenced in Surge Logics revenue trajectory.

To support the significant growth inflection, the Company has reorganized its human resources department, including building the administrative, legal and finance office in Bartlett, TN and the operations center in El Salvador which will be able to now host 300 employees. Management believes the Company now has the ability to scale to support its expected growth in 2020, which was a major goal for fiscal year 2019. During the year ended December 31, 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 in the near term.

In March of 2020, the World Health Organization declared COVID-19 a pandemic. COVID-19 could disrupt the economy, the Company's supply chain, and access to capital sources thus adversely affecting the Company's ability to continue its operations. Management's evaluation of the events and conditions and management's plans regarding those matters are described in Note 3 to the consolidated financial statements.

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 3 2020 through increased cash flow from ongoing operations 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

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 Consolidated Financial Statements. During the year ended December 31, 2019, we were required to make material estimates and assumptions that affect the reported amounts and related disclosures of assets, liabilities, revenue and expenses as a result of the acquisitions completed during 2019. 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 7A. Quantitative and Qualitative Disclosures About Market Risks.

We do not hold any derivative instruments and do not engage in any hedging activities.

Item 8. Financial Statements and Supplementary Data.

Our consolidated financial statements are contained in pages F-1 through F-33 which appear at the end of this Annual Report on Form 10-K.

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

There are no reportable events under this item for the year ended December 31, 2019.

Item 9A. 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). Our management has determined that, as of December 31, 2019, the Company's disclosure controls and procedures are not effective due to a lack of segregation of duties.

Management's Annual Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with the United States' generally accepted accounting principles (US GAAP), including those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as set forth in its Internal Control - Integrated Framework. Based on our evaluation under the framework in Internal Control - Integrated Framework, our management has concluded that our internal control over financial reporting was not effective as of December 31, 2019 due to a lack of segregation of duties.

There were no significant changes in internal controls or in other factors that could significantly affect these controls during the year ended December 31, 2019.

Item 9b. Other Information.

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The names of our executive officers and directors and their age, title, and biography as of May 11, 2020 are set forth below.

Set forth below is certain biographical information concerning our current executive officers and directors. We currently have two executive officers as described below.

Directors and Executive Officers	Position/Title	Age
Kevin Brian Cox	Chief Executive Officer and Director	44
Anthony P. Nuzzo, Jr.	President, Chief Operating Officer, and Director	50
David C. Ansani	Secretary, Chief Administrative Officer, and Director	55
Anthony Evers	Chief Financial Officer	56
Carter Matzinger	Director	45
David N. Keys	Director	64

The following information sets forth the backgrounds and business experience of the directors and executive officers.

Kevin Brian Cox – Chief Executive Officer and a Director – Mr. Cox has been Chief Executive Officer and a Director since July 2017. He also served as Chief Financial Officer of the Company from July 2017 to March 2018 and as President of the Company from July 2017 to February 2019. He was the majority owner of True Wireless from January 2011 through April 2018, when True Wireless became a wholly owned subsidiary of the Company. He became CEO of True Wireless on January 2011 and served in this capacity until December 2, 2018. Mr. Cox got his start in telecom in 2004 when he founded his first telephone company (CLEC). Through organic growth and acquisition, he ran 3 CLECs providing service to 200,000 residential subscribers and became the largest prepaid home phone company in the country before selling in 2009. Mr. Cox is a minority partner, investor and or stakeholder in several other technology companies including telecom, wireless and network transactions. Mr. Cox has a proven track record of not only success but winning. Many aspects of his leadership style are contributed to what he learned on the football field while earning Team Captain and All-Conference honors at Murray State University while majoring in Economics.

Anthony P. Nuzzo Jr. – President, Chief Operating Officer and Director – Mr. Nuzzo has been the Chief Operating Officer and a director of the Company since July 2017. In February 2019, he was appointed President of the Company. In 1991 Mr. Nuzzo formed Nuzzo Enterprises, Inc. d/b/a Jackson Hewitt Tax Service, a tax franchise, and successfully expanded the company to include twenty-two locations spread over six counties in Chicago, IL and the Syracuse, NY area. In June 2003, Mr. Nuzzo became one of five co-founders and Managing Members to successfully launch Leading Edge Recovery Solutions, LLC. In 2008 ranked 21st in the U.S. within the Financial Services Industry by the Inc. 500 Fastest Growing Private Companies Annual Publication received the honor of Inc. 500 Fastest Growing Private Companies Annual Publication being Ranked 346 overall by Inc. In 2009, Mr. Nuzzo left for a new challenge and purchased Glass Mountain Capital, LLC. Mr. Nuzzo set out to create an Accounts Receivable Management company that focused on helping the consumer while achieving goals set by the clients. In 2013 under the leadership of Mr. Nuzzo Glass Mountain Capital, LLC was ranked 198 in the U.S. within the Financial Services Industry by the Inc. 500 Fastest Growing Private Companies Annual Publication received the honor of Inc. 500 Fastest Growing Private Companies Annual Publication being overall by Inc. Magazine annual publishing of the Top 500 Fastest Growing Private Companies in the U.S. REVENUE: $6.9 Million. In early 2017, Mr. Nuzzo successful launched a near shore BPO, CenterCom Global, BPO in Central America. CenterCom will give all clients a near shore option that will drive down costs and build efficiencies.

David C. Ansani – Secretary, Chief Administrative Officer and Director – Mr. Ansani has been Chief Administrative Officer and a director of the Company since August 2017. He was also appointed Secretary of the Company in February 2019. From 2010 to the present date, he has been and is Chief Compliance Officer/Human Resources Officer/In-House Counsel for Glass Mountain Capital, LLC, a start-up financial services company specializing in the recovery of distressed assets. In this capacity, he reviews and evaluates compliance issues and concerns within the organization. The position ensures that management and employees are in compliance with applicable laws, rules and regulations of regulatory agencies (FDCPA, TCPA, GLB, CFPB, etc.); that company policies and procedures are being followed; and that behavior in the organization meets the company's standards of conduct.

Anthony Evers – Chief Financial Officer – Mr. Evers has served as Chief Financial Officer since May 1, 2020. Mr. Evers has served as Chief Financial Officer and Chief Information Officer for a variety of organizations, including non-profit, private-equity backed, and publicly traded companies. From October 2019 to March 2020, he served as Chief Financial Officer for Vista Health System. Between June 2019 and October 2019, Mr. Evers served as CFO of Santa Cruz Valley Regional Hospital. Between 2015 and 2019, Mr. Evers served as CFO and CIO of KSB Hospital. Prior to that, he served as CFO of various organizations, including Norwegian American Hospital and Horizon Homecare and Hospice. During his career, Mr. Evers has been the financial lead in over 20 merger and divesture transactions ranging from a single physician practice to multi-entity nursing homes. Throughout his career, Mr. Evers has served on numerous boards of directors, including Wheaton Franciscan Healthcare, Covenant Healthcare, All Saints Health System, Rogers Hospital, and the Animal Shelter in Beaver Dam WI. He has also served as a member of the Dixon Illinois Chamber of Commerce. Mr. Evers has also served as the audit and finance committee chair at several of these organizations. Mr. Evers obtained his Bachelors of Business Administration in Finance and Masters of Science in Accounting from University of Wisconsin-Whitewater. Mr. Evers also successfully obtained his Certified Public Accountant and Certified Internal Auditor credentials.

Carter Matzinger – Director – Mr. Matzinger has been a director of the Company since April 2015 and served as Chief Executive Officer and Chief Financial Officer of the Company from April 2015 to July 2017. He remains an employee of the Company. He has over 18 years of diverse experience including working with many Fortune 500 companies including: The Limited, CompuServe, Goodyear Tire, and Amoco. For the past nine years, Mr. Matzinger has worked in the field of online marketing and has specialized in building large affiliate networks. He works closely with online advertisers and advertising networks to expand the reach of profitability of the Company. His experience in search engine optimization, list management, and pay-per-click advertising provides a vast network of relationships and industry expertise. Mr. Matzinger is the co-founder and President of Blvd Media Group, LLC (now Surge Blockchain, LLC), and KSIX LLC. Mr. Matzinger is a graduate of the University of Utah in 1997 B.A. in Business Administration.

David N. Keys – Director – Mr. Keys has been a director of the Company since July 2019. Mr. Keys began his career with Deloitte serving in the audit group in the Las Vegas and New York City executive offices. David was the Executive Vice President, CFO and member of the executive committee of the Board of Directors of American Pacific, a chemical company that was publicly traded on the NASDAQ for the entirety of the time he was a director and executive officer. Since 2004, Mr. Keys has been an independent financial and operations consultant. Mr. Keys currently serves as Chairman of the Board and Audit Committee of RSI International Systems Inc. (TSXV: RSY), and on the Board of private companies, including Prosetta Biosciences Inc., Akonni Biosystems Inc., Walker Digital Table Systems, LLC, and Coast Flight Training and Management Inc. He previously served on the Boards of Directors of AmFed Financial Inc., Norwest Bank of Nevada and Wells Fargo Bank of Nevada. Mr. Keys also served on the Advisory Board of Directors of FM Global, a leading provider of property and casualty insurance. Mr. Keys is a Certified Public Accountant (CPA), Certified Valuation Analyst (CVA), Certified Management Accountant (CMA), Chartered Global Management Accountant (CGMA), Certified Information Technology Professional (CITP), Certified in Financial Forensics (CFF), and Certified in Financial Management (CFM). David is a member of the National Roster of Neutrals of the American Arbitration Association. He received a Bachelor of Science in accounting from Oklahoma State University.

None of the above directors and executive officers has been involved in any legal proceedings as listed in Regulation S-K, Section 401(f), except as follows:

On November 20, 2018, the Oklahoma Corporation Commission (the "OCC") entered a Final Order Approving Consent Decree (the "Order") regarding the operations of True Wireless Inc. (a wholly-owned subsidiary of the Company) as a wireless telecommunications provider in Oklahoma. This Order finalized a settlement resolving violations of the OCC's rules governing the marketing of subsidized wireless telecommunications services from mobile locations (i.e., other than from brick and mortar locations). As part of that settlement, True Wireless agreed to restructure its management team to shift regulatory compliance and managerial responsibilities to other persons whose focus is on the day-to-day operations of True Wireless. As of December 7, 2018, Mr. Cox had resigned as an officer, director and manager of True Wireless. Mr. Cox is not an employee of True Wireless and does not participate in any of the Company's or its subsidiaries' operations in Oklahoma. Mr. Cox was expressly permitted by the settlement to remain as CEO of the Surge Holdings, Inc., the parent of True Wireless. In the third quarter of 2019, management made the decision to exit the government subsidized telecommunications industry due to the regulatory environment and being confined to selling in only 5 states. Management's focus on shifting to a national sales offering of non-subsidized products contributed to a reduction in True Wireless revenues for the year ended December 31, 2019.

Except as set forth in our discussion below in "Certain Relationships and Related Transactions," none of our directors or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the Commission.

Family Relationships

There are no family relationships among any of our directors or executive officers.

Board Composition, Committees, and Independence

Audit Committee. The Company intends to establish an audit committee, which will consist of independent directors. The audit committee's duties would be to recommend to the Company's board of directors the engagement of independent auditors to audit the Company's financial statements and to review its accounting and auditing principles. The audit committee would review the scope, timing and fees for the annual audit and the results of audit examinations performed by the internal auditors and independent public accountants, including their recommendations to improve the system of accounting and internal controls. The audit committee would at all times be composed exclusively of directors who are, in the opinion of the Company's board of directors, free from any relationship which would interfere with the exercise of independent judgment as a committee member and who possess an understanding of financial statements and generally accepted accounting principles.

Compensation Committee. Our board of directors does not have a standing compensation committee responsible for determining executive and director compensation. Instead, the entire board of directors fulfills this function, and each member of the Board participates in the determination. Given the small size of the Company and its Board and the Company's limited resources, locating, obtaining and retaining additional independent directors is extremely difficult. In the absence of independent directors, the Board does not believe that creating a separate compensation committee would result in any improvement in the compensation determination process. Accordingly, the board of directors has concluded that the Company and its stockholders would be best served by having the entire board of directors' act in place of a compensation committee. When acting in this capacity, the Board does not have a charter.

In considering and determining executive and director compensation, our board of directors' reviews compensation that is paid by other similar public companies to its officers and takes that into consideration in determining the compensation to be paid to the Company's officers. The board of directors also determines and approves any non-cash compensation to any employee. The Company does not engage any compensation consultants to assist in determining or recommending the compensation to the Company's officers or employees.

Code of Ethics

Our Board of Directors has not adopted a Code of Business Conduct and Ethics.

Term of Office

Our directors are appointed at the annual meeting of shareholders and hold office until the annual meeting of the shareholders next succeeding his or her election, or until his or her prior death, resignation or removal in accordance with our bylaws. Our officers are appointed by the Board and hold office until the annual meeting of the Board next succeeding his or her election, and until his or her successor shall have been duly elected and qualified, subject to earlier termination by his or her death, resignation or removal.

Delinquent Section 16(a) Report

Section 16(a) of the Exchange Act requires the Company's executive officers and directors, and persons who own more than 10% of the Company's Common Stock, to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC.

To the Company's knowledge, based solely on a review of reports furnished to it, other than David Keys, none of the Company's officers, directors and ten percent holders have made the required filings.

Item 11. Executive Compensation.

Summary Compensation Table

The following table shows the compensation for the Company's Chief Executive Officer and the two other highest paid executive officers whose cash compensation exceeded $100,000 for the years ended December 31, 2019 and 2018.

		Annual Compensation			Long-Term Compensation[3]			
Name and Principal Position	Year	Salary ($)[1]	Bonus ($)[2]	Other Annual Compensation ($)	Restricted Stock Awards ($)	Securities Underlying Options ($)	LTIP Payouts	All Other Compensation
Carter Matzinger[4]	2019	$ 122,738	$ —	$ —	$ —	$ —	$ —	$ —
Former CEO and CFO and Current Director	2018	$ 120,000(5)	$ —	$ —	$ —	$ —	$ —	$ —
Kevin Brian Cox[4]	2019	$ 90,625	$ —	$ —	$ —	$ —	$ —	$ —
CEO and Director	2018	$ —	$ —	$ —	$ —	$ —	$ —	$ —
David C. Ansani	2019	$ 213,238	$ —	$ —	$ —	$ —	$ —	$ —
Secretary, Chief Administrative Officer and Director	2018	$ 200,406(5)	$ —	$ —	$ —	$ —	$ —	$ —

(1) Management base salaries can be increased by our Board of Directors based on the attainment of financial and other performance guidelines set by the management of the Company.

(2) Salaries listed do not include annual bonuses to be paid based on profitability and performance. These bonuses will be set, from time to time, by a disinterested majority of our Board of Directors. No bonuses will be set until such time as the aforementioned occurs.

(3) The Company plans on developing an "Employee Stock Option Plan" ("ESOP") for both management and strategic consultants. However, the Company does anticipate executing long-term employment contracts with both, along with other members of the future management team, during the 2019 calendar year. It is anticipated these management agreements will contain compensation terms that could include a combination of cash salary, annual bonuses, insurance and related benefits, matching IRA contributions, restricted stock awards based upon longevity and management incentive stock options. At the current time, the Company does not know the final structure of the ESOP or the proposed long-term management employment contracts.

(4) Mr. Matzinger resigned as Chief Executive Officer and Chief Financial Officer in July 2017 and Mr. Cox became CEO and CFO on that same date. Mr. Cox resigned as CFO upon the appointment of Brian Speck in March 2018.

(5) Three quarters of which were reflected on the Company's Statements of Operations for the year ended December 31, 2018 included in the Annual Report on Form 10-K filed by the Company on April 1, 2019, due to the consolidation of the Company's Statements of Operations with those of True Wireless, pursuant to the merger between the Company and True Wireless.

Outstanding Equity Awards at December 31, 2019

There were no outstanding equity awards to any of our Named Executive Officers during the year ended December 31, 2019.

Employment Agreements

Anthony Evers Employment Agreement

On March 1, 2020, in connection with Mr. Evers' appointment as Chief Financial Officer of the Company, the Company and Mr. Evers entered into an employment agreement (the "Evers Employment Agreement"), whereby as compensation for his services, the Company shall pay Mr. Evers a salary of $270,000 per year. Pursuant to the terms of the Evers Employment Agreement, the Company will pay the full cost of Mr. Evers' health insurance premiums. In the event Mr. Evers' employment with the Company shall terminate, Mr. Evers shall be entitled to a severance payment of a full year of salary and benefits.

Compensation of Directors

On July 17, 2019, the Company entered into a Director Agreement with David N. Keys (the "Keys Director Agreement") whereby Mr. Keys is to be reimbursed for (i) all reasonable out-of-pocket expenses incurred in attending any in-person meetings; and (ii) any costs associated with filings required to be made by Mr. Keys in regards to any beneficial ownership of securities.

In conjunction with the Keys Director Agreement, the Company entered into an Indemnification Agreement (the "Indemnification Agreement") with Mr. Keys. The Indemnification Agreement indemnifies to the fullest extent permitted under Nevada law for any claims arising out of or resulting from, amongst other things, (i) any actual, alleged or suspected act or failure to act by Mr. Keys in his capacity as a director or agent of the Company and (ii) any actual, alleged or suspected act or failure to act by Mr. Keys in respect of any business, transaction, communication, filing, disclosure or other activity of the Company. Under the Indemnification Agreement, Mr. Keys is indemnified for any losses pertaining to such claims, provided, however, that the losses shall not include expenses incurred by Mr. Keys in respect of any claim as which he shall have been adjudged liable to the Company, unless the court having jurisdiction rules otherwise. The Indemnification Agreement provides for indemnification of Mr. Keys during his directorship and for a period of six (6) years thereafter.

Other than as provided above with respect to the Keys Director Agreement and the Indemnification Agreement, at the time of this filing, directors receive no remuneration for their services as directors of the Company, nor does the Company reimburse directors for expenses incurred in their service to the Board of Directors of the Company. The Company plans to put in place an industry standard director compensation package during the fiscal year 2019.

Change of Control

There are no arrangements, known to the Company, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the Company.

We are not aware of any arrangements that may result in "changes in control" as that term is defined by the provisions of Item 403(c) of Regulation S-K.

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

The following sets forth information as of May 11, 2020, regarding the number of shares of our Common Stock beneficially owned by (i) each person that we know beneficially owns more than 5% of our outstanding Common Stock, (ii) each of our directors and executive officers and (iii) all of our directors and executive officers as a group.

The amounts and percentages of our Common Stock beneficially owned are reported on the basis of SEC rules governing the determination of beneficial ownership of securities. Under the SEC rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days through the exercise of any stock option, warrant or other right, and the conversion of Preferred Stock. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest. Unless otherwise indicated, each of the shareholders named in the table below, or his or her family members, has sole voting and investment power with respect to such shares of our Common Stock. Except as otherwise indicated, the address of each of the shareholders listed below is: 3124 Brother Blvd, Suite 104, Bartlett, TN 38133.

Title of Class	Name and Address of Beneficial Owner [1]	Title of Beneficial Owner	Amount of Beneficial Ownership	% of Class[2]
Common	**Anthony P. Nuzzo Jr.** 1930 Thoreau Drive, Suite 100 Schaumberg, IL 60173	President, Chief Operating Officer and Director	20,500,000(3)	17.74%
Series C Preferred[4]			72,000	9.98%
Common	**Kevin Brian Cox**	Chairman, Director, President and Chief Executive Officer	178,604,885(5)	71.61%
Series A Preferred[6]			10,500,000(7)	80.77%
Series C Preferred			603,364	83.62%
Common	**David C. Ansani** 1930 Thoreau Drive Suite 100 Schaumburg, IL 60173	Secretary, Chief Administrative Officer, and Director	7,000(8)	*
Common	**Anthony Evers**	Chief Financial Officer	2,500(9)	*
Common	**Carter Matzinger** 10624 S. Eastern, Suite A-910 Henderson, NV 89052	Director	12,519,000(10)	11.44%
Series A Preferred			2,500,000	19.23%
Series C Preferred			46,232(11)	6.41%
Common	**David N. Keys**	Director	852,155(12)	*
Common	All Directors & Officers as a Group (6 persons)		212,533,040	76.10%
Common	Sidney J. Lorio Jr. 2116 Parkwood Drive Bedford, TX 76021	5% Holder	8,277,252(13)	8.44%
Common	Edwin F. Winfield 1771 East Flamingo Road, Suite 206A Las Vegas, NV 89119	5% Holder	5,126,134(14)	5.26%

* Less than one (1) percent

(1) The person named in this table has sole voting and investment power with respect to all shares of Common Stock reflected as beneficially owned.

(2) Based on 103,344,030 of Common Stock outstanding as of May 11, 2020.

(3) Based on (i) 2,500,000 shares of Common Stock, including 1,600,000 shares owned by Anthony P. Nuzzo Jr. and 900,000 shares owned by BCAN Holdings, LLC, a Nevada limited liability company, of which Mr. Nuzzo is managing member; and (ii) shares of Series C Preferred Stock convertible into 18,000,000 shares of Common Stock.

(4) Each share of Series C Preferred Stock is convertible into 250 shares of Common Stock. Series C Preferred Stock is entitled to vote on an as-converted basis.

(5) Based on (i) 26,713,885 shares of Common Stock, including 21,000,000 shares owned by Kevin Brian Cox, 4,813,885 shares owned by EWP Communications, LLC, a Tennessee liability company, of which Mr. Cox is a beneficial owner, and 900,000 shares owned by BCAN Holdings, LLC, a Nevada limited liability company, of which Mr. Cox is a beneficial owner; (ii) shares of Series A Preferred Stock convertible into 1,050,000 shares of Common Stock; and (iii) shares of Series C Preferred Stock convertible into 150,841,000 shares of Common Stock.

(6) Each share of Series A Preferred Stock is entitled to vote ten (10) shares of Common Stock for each one (1) share of Series A Preferred Stock held and each 10 shares of Series A Preferred Stock is convertible into one share of Common Stock.

(7) Includes 75,000 shares owned by EWP Communications, LLC, a Tennessee liability company, of which Mr. Cox is a beneficial owner.

(8) Shares are held in Mr. Ansani's IRA.

(9) Consisting of shares of Common Stock.

(10) Based on (i) 711,000 shares of Common Stock owned by Thirteen Nevada, LLC, a Nevada limited liability company, of which Mr. Matzinger is a beneficial owner; (ii) shares of Series A Preferred Stock convertible into 250,000 shares of Common Stock; and (iii) shares of Series C Preferred Stock convertible into 10,000,000 shares of Common Stock.

(11) Including 6,232 shares owned by Carter Matzinger, and 40,000 shares owned by Thirteen Nevada, LLC, a Nevada limited liability company, of which Mr. Matzinger is a beneficial owner.

(12) Includes 83,296 shares owned by the Connie L Keys Rollover IRA (Connie Keys, David N. Keys' wife, is the sole trustee), 134,750 shares owned by the David N Keys Rollover IRA (Mr. Keys is the sole trustee), 134,109 shares owned by the David N Keys SEP IRA (Mr. Keys is the sole trustee), and 500,000 shares owned by PCC Holdings LLC. PCC Holdings LLC's 100% member and Managing Member is GCK Holdings LLC. GCK Holdings LLC's Managing Members are DNK Nevada Trust and CLK Nevada Trust of which David N. Keys shares voting and dispositive power.

(13) Including 567,857 warrants to purchase the Company's Common Stock and 7,709,395 shares of Common Stock.

(14) Includes 4,626,134 shares owned by Edwin F. Winfield and 500,000 shares owned by Vegas Media Group, Inc., a Nevada corporation, of which Mr. Winfield is a beneficial owner.

The Company has not yet formalized stock option plans for its officers, employees, directors and consultants.

There are no arrangements, known to the Company, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the Company.

We are not aware of any arrangements that may result in "changes in control" as that term is defined by the provisions of Item 403(c) of Regulation S-K.

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

Since January 1, 2018, other than compensation arrangements, the following is a description of transactions to which we were a participant or will be a participant to, in which:

- the amounts involved exceeded or will exceed the lesser of 1% of our total assets or $120,000; and
- any of our directors, executive officers or holders of more than 5% of our capital stock, or any member of the immediate family of the foregoing persons, had or will have a direct or indirect material interest.

On May 1, 2020, the Company sold a promissory note in the principal amount of $100,000 (the "May AN Note") to AN Holdings, LLC, a Nevada limited liability company ("AN"). Mr. Anthony P. Nuzzo Jr., Chief Operating Officer of the Company and a member of the Company's board of directors, is a managing member of AN. The May AN Note accrues interest at a rate of fifteen percent (15%) per annum.

On April 22, 2020, the Company sold a promissory note in the principal amount of $100,000 (the "April AN Note") to AN. The April AN Note accrues interest at a rate of fifteen percent (15%) per annum. On April 29, 2020, the Company repaid the outstanding balance of the AN Note.

As of January 30, 2020, the bank accounts of ECS Prepaid, ECS, and CSLS collectively had balances of $300,000 (the "Bank Accounts Balance"). The Company will issue 25,000 shares of Common Stock to a trust controlled by the Winfreys on a monthly basis until the Bank Accounts Balance is returned to the Winfreys (the "Ongoing Share Issuance"). The Company has to repay the Bank Accounts Balance to the Winfreys by January 30, 2021. Mr. Cox signed a Guaranty to repay the Bank Accounts Balance. As consideration for Mr. Cox's guarantee of repayment, the Company and Mr. Cox signed a Guarantor Fee Agreement whereby the Company will pay Mr. Cox a fee of $2,500 per month until the Bank Accounts Balance is repaid (the "Guarantor Fee Agreement").

On November 6, 2019, the Company sold a promissory note in the principal amount of $100,000 (the "AN Note") to AN. The AN Note accrues interest at a rate of fifteen percent (15%) per annum. On November 7, 2019, the Company repaid the outstanding balance of the AN Note.

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 December 31, 2019 and 2018, the outstanding balance due was $0 and $389,502, respectively.

The Company presently occupies space at 3124 Brother Blvd, Suite 104, Bartlett, TN 38133. This building is owned by an entity owned by Mr. Cox, our CEO and Chairman and the controlling shareholder of the Company. Axia Management, LLC ("Axia") is also owned by Mr. Cox. Axia pays the rent for this building on our behalf and this amount is included within the outsourced management services fee we pay to Axia.

For the years ended December 31, 2019 and 2018, outsourced management services fees of $1,020,000 was paid to Axia as compensation for services provided and were commensurate with the level of effort required to provide these services. These costs are included in Selling, general and administrative expenses in the Consolidated Statements of Operations.

At December 31, 2019 and 2018, the Company had trade payables to Axia of $666,112 and $66,535, respectively.

For the years ended December 31, 2019 and 2018, the Company purchased telecom services and access to wireless networks and access to from 321 Communications in the amount of $704,683and $1,016,393, respectively. These costs are included in Cost of revenue in the Consolidated Statements of Operations. Mr. Cox is a minority owner of 321 Communications.

At December 31, 2019 and 2018, the Company had trade payables to 321 Communications of $140,927 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 years ended December 31, 2019 and 2018 were $2,384,780 and $2,129,546, respectively, and are included in Cost of revenue in the Statement of Operations. Mr. Nuzzo, a director and officer and a 10% shareholder of the Company's voting equity 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 December 31, 2019 and 2018, the Company had trade payables to CenterCom Global of $282,159 and $175,000, respectively.

On December 31, 2018, the Company, via its wholly-owned subsidiary, Surge Cryptocurrency Mining, Inc., sold all of its cryptocurrency assets to DataWolf Technology Centers, LLC, an entity under the sole control of Brian Cox, our CEO and Chairman of the Board. The cryptocurrency assets consisted of Litecoins (a cryptocurrency referred to as LTC) with a value of $93,996.75 and mining hardware systems (consisting of Antminer L3+ machines) with a value of $797,195.73 for a purchase price of $891,192. No cash payment was made. The purchase price consisted of the assumption of Surge Cryptocurrency Mining, Inc.'s liabilities including of amounts owed to the Company and other subsidiaries of the Company or of amounts owed to other entities wholly controlled by Mr. Cox. Since January 1, 2019, Surge Cryptocurrency Mining, Inc has been a dormant entity that does not own any assets.

See Note 9 to our Consolidated Financial Statements for long-term debt due to related parties.

Item 14. Principal Accountant Fees and Services.

Fees Billed for Audit and Non-Audit Services

The following table presents for each of the last two fiscal years the aggregate fees billed in connection with the audits of our financial statements and other professional services rendered by our independent registered public accounting firm Rodefer Moss & Co, PLLC.

	2019	2018
Audit Fees (1)	$ 100,000	$ 95,000
Audit-Related Fees (2)		
Tax Fees (3)	-	-
All Other Fees (4)	-	-
Total Accounting fees and Services	$ 100,000	$ 95,000

(1) *Audit Fees*. These are fees for professional services for the audit of our annual financial statements, and for the review of the financial statements included in our filings on Form 10-K and Form 10-Q, and for services that are normally provided in connection with statutory and regulatory filings or engagements.

(2) *Audit-Related Fees*. These are fees for assurance and related services by the principal accountant that are reasonably related to the performance of the audit or review of the registrant's financial statements.

(3) *Tax Fees*. These are fees for professional services rendered by the principal accountant with respect to tax compliance, tax advice, and tax planning.

(4) *All Other Fees*. These are fees for products and services provided by the principal accountant, other than the services reported above.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Exhibit	Filing Date	
2.1	Agreement and Plan of Reorganization, dated April 11, by and among Surge Holdings, Inc., , True Wireless Acquisition, Inc., True Wireless, Inc., and Kevin Brian Cox	8-K	2.1	04/16/2018	
3.1	Articles of Incorporation	SB-2	3.1	03/14/2007	
3.2	Certificate of Amendment to Articles of Incorporation	10-K/A	3.1	05/14/2013	
3.3	Certificate of Amendment to Articles of Incorporation	8-K/A	3.1	12/11/2015	
3.4	Certificate of Designation of Series A Preferred Stock	8-K	10.1	08/01/2016	
3.5	Amendment to Certificate of Designation for Series A Convertible Preferred Stock	S-1	3.5	09/12/2019	
3.6	Certificate of Designation for Series C Convertible Preferred Stock	8-K	4.1	07/10/2018	
3.7	Amendment to Certificate of Designation for Series C Convertible Preferred Stock	S-1	3.7	09/12/2019	
3.8	Bylaws	SB-2	3.2	03/14/2007	
3.9	Amended Bylaws	10-K/A	3.2	05/14/2013	
3.10	Amended Bylaws	8-K/A	3.2	12/11/2015	
4.1	Convertible Promissory Note, issued to GBT Technologies Inc.	10-Q	10.2	11/14/2019	
4.2	Form of Convertible Promissory Note dated October 7, 2019	8-K	4.1	10/15/2019	
4.3	Form of Common Stock Purchase Warrant dated October 7, 2019	8-K	4.2	10/15/2019	
5.1*	Legal Opinion of Lucosky Brookman LLP				
10.1+	Employment Agreement, dated January 1, 2019, by and between Surge Holdings, Inc. and Carter M. Matzinger	S-1	10.1	09/12/2019	
10.2+	Consulting Agreement, dated September 25, 2017, by and between KSIX MEDIA HOLDINGS, INC. and David C. Ansani	S-1	10.2	09/12/2019	
10.3	Asset Purchase Agreement, dated December 31, 2018, by and between Surge Cryptocurrency Mining, Inc. and DataWolf Technology Centers, LLC	S-1	10.3	09/12/2019	
10.4+	Director Agreement, dated July 17, 2019, by and between Surge Holdings, Inc. and David N. Keys	8-K	10.1	07/24/2019	
10.5+	Director and Officer Indemnification Agreement, dated July 17, 2019, by and between Surge Holdings, Inc. and David N. Keys	8-K	10.2	07/24/2019	
10.6	Asset Purchase Agreement between Surge Holding In. and GBT Technologies Inc. executed September 30, 2019	10-Q	10.1	11/14/2019	
10.7	Form Securities Purchase Agreement dated October 7, 2019	8-K	10.1	10/15/2019	
10.8	Promissory Note, issued by Surge Holdings, Inc. to Jack D. and Vanessa J. Mitchell on November 4, 2019	8-K	10.1	11/15/2019	
10.9	Promissory Note, issued by Surge Holdings, Inc. to AN Holdings, LLC on November 6, 2019	8-K	10.2	11/15/2019	
10.10	Membership Interest Purchase Agreement by and among Surge Holdings, Inc., ECS Prepaid, LLC, Dennis R. Winfrey, and Peggy S. Winfrey				X
10.11	Stock Purchase Agreement by and among Surge Holdings, Inc., Electronic Check Services, Inc., Central States Legal Services, Inc., Dennis R. Winfrey, and Peggy S. Winfrey				X
10.12	Form Securities Purchase Agreement, dated January 29, 2020				X

10.13	Form Promissory Note, dated January 29, 2020	X
10.14	Form Securities Purchase Agreement, dated February 3, 2020	X
10.15	Form Promissory Note, dated February 3, 2020	X
10.16	Form Securities Purchase Agreement, dated March 5, 2020	X
10.17	Form Promissory Note, dated March 5, 2020	X
10.18	Guaranty Agreement	X
10.19	Form Securities Purchase Agreement, dated March 13, 2020	X
10.20	Form Promissory Note, dated March 13, 2020	X
10.21	Employment Agreement, dated March 1, 2020, by and between Surge Holdings, Inc. and Anthony Evers	X
10.22	Promissory Note, issued by Surge Holdings, Inc. to AN Holdings, LLC on April 24, 2020	X
31.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herein	X
31.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herein	X
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herein	X
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herein	X
101.INS	XBRL Instance Document	X
101.SCH	XBRL Taxonomy Extension Schema	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X
101.LAB	XBRL Taxonomy Extension Label Linkbase	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X

* To be filed by amendment.

+ Indicates management contract or compensatory plan

SIGNATURES

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, there unto duly authorized.

Surge Holdings, Inc.

Date: May 12, 2020

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

Date: May 12, 2020

By: */s/ Anthony Evers*
Anthony Evers
Chief Financial Officer

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

Signature	Title	Date
/s/ Kevin Brian Cox Kevin Brian Cox	Chief Executive Officer and Director (Principal Executive Officer)	May 12, 2020
/s/ Anthony Evers Anthony Evers	Chief Financial Officer (Principal Financial and Accounting Officer)	May 12, 2020
/s/ David C. Ansani David C. Ansani	Director	May 12, 2020
/s/ Carter Matzinger Carter Matzinger	Director	May 12, 2020
/s/ Anthony P. Nuzzo Anthony P. Nuzzo	Director	May 12, 2020
/s/ David N. Keys David N. Keys	Director	May 12, 2020

SURGE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Surge Holdings, Inc. & Subsidiaries

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Surge Holdings, Inc. & Subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations, stockholders' deficit and cash flows for each of the years in the two-year period ended December 31, 2019 and the related notes. In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and the results of its consolidated operations and its consolidated cash flows for each of the years in the two-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Emphasis of Matter - Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company incurred losses for 2019 and 2018, and at December 31, 2019 had an accumulated deficit and negative working capital. Further, in March of 2020 the World Health Organization declared COVID-19 a pandemic. COVID-19 could disrupt the economy, the Company's supply chain, and access to capital sources thus adversely affecting the Company's ability to continue its operations. Management's evaluation of the events and conditions and management's plans regarding those matters are described in Note 3. The consolidated financial statements do not include any adjustments that might result should management be unable to successfully implement its plan. Our opinion is unmodified with respect to this matter.

/s/ Rodefer Moss & Co, PLLC

We have served as the Company's auditor since 2017
Nashville, Tennessee

May 11, 2020

SURGE HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 346,040	$ 444,612
Accounts receivable, less allowance for doubtful accounts of $774,841 and $17,000, respectively	3,056,213	206,679
Notes receivable	14,959	190,000
Lifeline revenue due from USAC	60,790	850,966
Customer phone supply	-	1,356,701
Prepaid expenses	96,883	10,862
Total current assets	3,574,885	3,059,820
Property and Equipment, less accumulated depreciation of $38,656 and $13,782, respectively	294,616	30,990
Intangible assets less accumulated amortization of $519,404 and $319,375, respectively	4,769,117	65,269
Goodwill	866,782	866,782
Investment in Centercom	203,700	-
Operating least right of use asset, net	210,816	-
Other long-term assets	66,457	61,457
Total assets	$ 9,986,373	$ 4,084,318
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses - others	$ 3,637,577	$ 3,104,234
Accounts payable and accrued expenses - related party	998,517	149,901
Credit card liability	449,158	394,840
Loss contingency	38,040	70,000
Deferred revenue	-	50,000
Derivative liability	190,846	51,058
Operating lease liability	90,944	-
Line of credit	912,870	-
Advance from related party	-	389,502
Notes payable and current portion of long-term debt, net	736,172	582,500
Total current liabilities	7,054,124	4,792,035
Long-term debt less current portion – related party	2,205,440	680,000
Operating lease liability – net	119,872	-
Trade payables - long term	869,868	600,516
Convertible promissory notes payable - net	4,436,684	-
Total liabilities	14,685,988	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 December 31, 2019 and 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 December 31, 2019 and 2018, respectively	722	643
Common stock: $0.001 par value; 500,000,000 shares authorized; 102,193,579 shares and 88,046,391 shares issued and outstanding at December 31, 2019 and 2018, respectively	102,193	88,047
Additional paid in capital	6,055,042	333,623
Accumulated deficit	(10,870,572)	(2,423,546)
Total stockholders' deficit	(4,699,615)	(1,988,233)
Total liabilities and stockholders' deficit	$ 9,986,373	$ 4,084,318

See accompanying notes to consolidated financial statements

SURGE HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
Years ended December 31, 2019 and 2018

	2019	2018
Revenue	$ 25,742,941	$ 15,244,155
Cost of revenue	20,305,453	8,570,240
Gross profit	5,437,488	6,673,915
Cost and expenses		
Depreciation and amortization	227,322	149,642
Selling, general and administrative	12,978,194	8,059,742
Total costs and expenses	13,205,516	8,209,384
Operating loss	(7,768,028)	(1,535,469)
Other expense (income):		
Interest expense, net	(227,016)	(140,457)
Change in fair value of derivative liability	4,013	(4,105)
Change in fair value of LTC cryptocurrency	-	(95,387)
Gain on sale of assets	-	273,453
Gain on investment in Centercom	25,192	-
(Gain)/loss on settlement of liabilities	(481,187)	43,117
Total other expense (income)	(678,998)	76,621
Net loss before provision for income taxes	(8,447,026)	(1,458,848)
Provision for income taxes	-	82,230
Net loss	$ (8,447,026)	$ (1,541,078)
Net loss per common share, basic and diluted	$ (0.09)	$ (0.02)
Weighted average common shares outstanding – basic and diluted	96,186,742	81,566,892

See accompanying notes to consolidated financial statements.

SURGE HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Deficit

	Series A Preferred		Series C Preferred		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance, January 1, 2018	3,000,000	$ 3,000	-	$ -	152,555,416	$ 152,555	$ (155,555)	$ (617,240)	$ (617,240)
Recapitalization in reverse merger	10,000,000	10,000	-	-	79,888,784	79,889	(3,687,835)	(265,228)	(3,863,174)
Issuance of Common Stock and options for services rendered	-	-	-	-	528,000	528	157,380		157,908
Issuance of Common Stock for settlement of accounts payable	-	-	-	-	1,206,741	1,207	249,328		250,535
Issuance of Common Stock for settlement of debt and accrued interest	-	-	-	-	2,608,981	2,609	597,303		599,912
Issuance of Series C Preferred Stock for conversion of promissory note and accrued interest	-	-	48,400	48	-	-	3,024,856	-	3,024,904
Issuance of Series C Preferred Stock in exchange for Common Stock	-	-	594,966	595	(148,741,531)	(148,741)	148,146	-	-
Net income	-	-	-	-	-	-	-	(1,541,078)	(1,541,078)
Balance, December 31, 2018	13,000,000	13,000	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	-	-	-	-	666,000	666	328,908	-	329,574
Issuance of Common Stock for settlement of accounts payable	-	-	-	-	875,000	875	506,625	-	507,500
Issuance of Common Stock and warrants with debt	-	-	-	-	100,000	100	119,960	-	120,060
Sale of Common Stock and warrants	-	-	-	-	9,172,855	9,172	3,201,328	-	3,210,500
Issuance of Common Stock 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	-	-	-	-	-	-	-	(8,447,026)	(8,447,026)
Balance, December 31, 2019	13,000,000	$ 13,000	721,598	$ 722	102,193,579	$ 102,193	$ 6,055,042	$ (10,870,572)	$ (4,699,615)

See accompanying notes to consolidated financial statements

SURGE HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years ended December 31, 2019 and 2018

	2019	2018
Operating activities		
Net loss	$ (8,447,026)	$ (1,541,078)
Adjustments to reconcile net income loss to net cash used in operating activities:		
Depreciation and amortization	227,322	149,642
Amortization of right of use assets	55,608	-
Amortization of debt discount	68,764	-
Stock-based compensation	329,574	157,907
Bad debt expense	977,792	-
Change in fair value of LTC cryptocurrency coins	-	63,487
Change in fair value of derivative liability	(4,013)	4,105
Loss (gain) on settlement of liabilities	474,953	(61,709)
Loss on settlement of debt	-	14,667
Gain on equity investment in Centercom	(25,192)	-
Accrued interest on note receivable	(38,471)	-
Changes in operating assets and liabilities:		
Accounts receivable	(3,599,534)	(102,815)
Lifeline revenue due from USAC	790,176	319,603
Customer phone supply	1,356,701	(836,536)
LTC Cryptocurrency coins	-	(96,992)
Prepaid expenses	(86,021)	40,465
Other assets	(4,999)	-
Credit card liability	54,317	-
Deferred revenue	(50,000)	(171,500)
Loss contingency	(31,960)	120,000
Current portion of operating lease liability	(55,608)	-
Accounts payable and accrued expenses	1,474,476	925,140
Net cash used in operating activities	(6,533,141)	(1,015,614)
Investing activities		
Purchase of equipment	(227,630)	(331,803)
Advances under notes receivable	(14,959)	(190,000)
Net cash received in business combination	210,348	243,768
Net cash used in investing activities	(32,241)	(278,035)
Financing activities		
Issuance of Common Stock and warrants	3,210,500	-
Due from related party - net	-	17,554
Note payable - borrowings	250,000	(31,250)
Note payable - repayments	(70,000)	-
Convertible promissory notes - borrowings	638,000	-
Line of credit - advances	1,130,000	1,441,029
Line of credit - repayments	(217,130)	(1,441,029)
Loan proceeds under related party financing arrangement	2,199,440	1,653,500
Loan repayments under related party financing arrangement	(674,000)	(1,175,703)
Net cash provided by financing activities	6,466,810	464,101
Net decrease in cash and cash equivalents	(98,572)	(829,548)
Cash and cash equivalents, beginning of period	444,612	1,274,160
Cash and cash equivalents, end of period	$ 346,040	$ 444,612
Supplemental cash flow information		
Cash paid for interest and income taxes:		
Interest	$ 77,825	$ 10,580
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	$ 266,424	$ -
Common Stock issued in asset purchase	$ 1,000,000	$ -
Debt acquired in asset purchase	$ 4,000,000	$ -
Common Stock and warrants issued with debt recorded as debt discount	$ 120,060	$ -
Derivative liability on convertible notes recorded as debt discount	$ 176,348	$ -
Debt acquired in business combination	$ -	$ 3,000,000
Exchange of Common Stock for Series C Preferred Stock	$ -	$ 148,741
Liabilities settled in Common Stock	$ -	$ 3,875,352

See accompanying notes to consolidated financial statements

1 BUSINESS

The accompanying 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:

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 was 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 $7.2 million for the year ended December 31, 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 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 consolidated statements of operations. The Company periodically reviews its investment in Centercom for impairment. Management has determined that no impairment was required as of December 31, 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. See Note 5.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

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. One customer accounted for more than 16% of revenues in 2019. No customer accounted for more than 10% of revenues in 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 December 31, 2019 and 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.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company generally does not require collateral to support customer receivables. The Company provides an allowance for doubtful accounts based upon a review of the outstanding accounts receivable, historical collection information and existing economic conditions. The Company determines if receivables are past due based on days outstanding, and amounts are written off when determined to be uncollectible by management. As of December 31, 2019 and 2018, the Company had reserves of $774,841 and 17,000, respectively.

Concentrations

As of December 31, 2019 and 2018, one customer represented approximately 80% and 22% of total gross outstanding receivables, respectively.

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).

Derivative Liabilities

The Company evaluates its options, warrants, convertible notes, or other contracts, if any, to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with paragraph 815-10-05-4 and Section 815-40-25 of the FASB Accounting Standards Codification. The result of this accounting treatment is that the fair value of the embedded derivative is marked-to-market each balance sheet date and recorded as either an asset or a liability. The change in fair value is recorded in the consolidated statement of operations as other income or expense. Upon conversion, exercise or cancellation of a derivative instrument, the instrument is marked to fair value at the date of conversion, exercise or cancellation and then the related fair value is reclassified to equity.

In circumstances where the embedded conversion option in a convertible instrument is required to be bifurcated and there are also other embedded derivative instruments in the convertible instrument that are required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Equity instruments that are initially classified as equity that become subject to reclassification are reclassified to liability at the fair value of the instrument on the reclassification date. Derivative instrument liabilities will be classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument is expected within 12 months of the balance sheet date.

The Company adopted Section 815-40-15 of the FASB Accounting Standards Codification ("*Section 815-40-15*") to determine whether an instrument (or an embedded feature) is indexed to the Company's own stock. Section 815-40-15 provides that an entity should use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions.

The Company utilizes a binomial option pricing model to compute the fair value of the derivative liability and to mark to market the fair value of the derivative at each balance sheet date. The Company records the change in the fair value of the derivative as other income or expense in the consolidated statements of operations.

The Company had derivative liabilities of $190,846 and $51,058 as of December 31, 2019 and 2018, respectively.

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 December 31, 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 year ended December 31, 2019 and 2018:

	For the Year Ended	
	December 31, 2019	December 31, 2018
True Wireless, Inc.	$ 3,446,003	$ 12,798,687
Surge Blockchain, LLC	4,233,263	1,036,650
Surge Logics, Inc.	7,234,366	374,679
ECS	10,767,138	-
Other	62,171	1,034,139
Total revenue	$ 25,742,941	$ 15,244,155

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.

ECS is a leading provider of prepaid wireless load and top-ups, check cashing and wireless SIM activation to convenience stores and bodegas nationwide.

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 adopted accounting pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, "*Leases*" *(Topic 842)*. The FASB issued this update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The updated guidance is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption of the update is permitted, and entities may also elect the optional transition method provided under ASU 2018-11, *Leases, Topic 842: Targeted Improvement,* issued in July 2018, allowing for application of the standard at the adoption date, with recognition of a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company adopted the new standard during the year ended December 31, 2019 and the adoption did not have a material effect on the consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU 2017-09, "*Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting,"* which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. This standard is required to be adopted in the first quarter of 2018. The Company adopted the standard during the year ended December 31, 2018 and the adoption did not have a material effect on its consolidated financial statements and disclosures.

In July 2017, the FASB issued ASU 2017-11, "*Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception".* Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating Topic 480, Distinguishing Liabilities from Equity, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests. The amendments in Part II of this update do not have an accounting effect. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company adopted the new standard during the year ended December 31, 2019 and the adoption did not have a material effect on the consolidated financial statements and related disclosures.

Recent announced accounting pronouncements

In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-07, *Compensation – Stock Compensation (Topic718): Improvements to Nonemployee Share-Based Payment Accounting*. Under the new standard, companies will no longer be required to value non-employee awards differently from employee awards. Companies will value all equity classified awards at their grant-date under ASC 718 and forgo revaluing the award after the grant date. ASU 2018-07 is effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within that reporting period. Early adoption is permitted, but no earlier than the Company's adoption date of Topic 606, *Revenue from Contracts with Customers* (as described above under "*Revenue Recognition*"). The Company adopted the new standard during the year ended December 31, 2019 and the adoption did not have a material effect on the consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, *"Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement".* This update is to improve the effectiveness of disclosures in the notes to the financial statements by facilitating clear communication of the information required by U.S. GAAP that is most important to users of each entity's financial statements. The amendments in this update apply to all entities that are required, under existing U.S. GAAP, to make disclosures about recurring or nonrecurring fair value measurements. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company is currently evaluating this guidance and the impact of this update on its consolidated financial statements.

Management does not believe that any recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

3 LIQUIDITY

The Company had a net loss of approximately $8.4 million for the year ended December 31, 2019. As of December 31, 2019, the Company had cash and working capital deficit of approximately $346,000 and $3.5 million, respectively.

Management's 2019 strategic decision to invest and allocate millions of dollars into software development, product development and its infrastructure has enabled the company to be position for immediate rapid growth. The Company continues to add stores to the ECS and Wholesale Marketplace platforms while aggressively exploring new distribution channels and acquisitions. This is enabling the addition of products from manufacturers in market specific categories in conjunction with national rollouts of proprietary brands such as LocoRabbit Wireless, Max CBD and Essential products needed in today's world.

The 3rd quarter asset purchase agreement of the ECS Business 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.

During the year ended December 31, 2019, the Surge software development team has successfully implemented the merging of the SurgePays and ECS software to more efficiently and cost effectively increase synergized revenue and profitability moving forward. In addition, management made the decision to expedite programming, software development and integration to enable the successful launch of the SurgePays Prepaid Visa card.

The development of the Surge Logistics Intake software and the infrastructure at CenterCom BPO have enabled rapid scaling growth and evidenced in Surge Logics revenue trajectory.

To support the significant growth inflection, the Company has reorganized its human resources department, including building the administrative, legal and finance office in Bartlett, TN and the operations center in El Salvador which will be able to now host 300 employees. Management believes the Company now has the ability to scale to support its expected growth in 2020, which was a major goal for fiscal year 2019. During the year ended December 31, 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 in the near term.

In March of 2020, the World Health Organization declared COVID-19 a pandemic. COVID-19 could disrupt the economy, the Company's supply chain, and access to capital sources thus adversely affecting the Company's ability to continue its operations. Management's evaluation of the events and conditions and management's plans regarding those matters are described in Note 3 to the consolidated financial statements.

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 3 2020 through increased cash flow from ongoing operations 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.

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.

	Year Ended December 31, 2018
Revenues, net	$ 15,684,032
Net loss	$ (1,541,078)
Net loss per share	$ (0.02)
Weighted average number of shares outstanding	81,566,892

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.

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

Purchase Price		
Convertible note	$	4,000,000
Common stock		1,000,000
Total purchase price	$	5,000,000
Allocation of purchase price		
Cash	$	210,348
Equipment		63,289
Intangibles		4,903,876
Accounts payable and accrued expenses		(177,513)
Total allocation of purchase price	$	5,000,000

(1) The 3,333,333 restricted shares of the Company's Common Stock issued at closing of the merger transaction had a closing price of approximately $0.30 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 ECS Business as if the entities were combined on January 1, 2018.

	Year Ended December 31, 2019
Revenues, net	$ 59,064,637
Net loss	$ (8,902,134)
Net loss per share	$ (0.09)
Weighted average number of shares outstanding	96,186,742

	Year Ended December 31, 2018
Revenues, net	$ 64,260,116
Net loss	$ (1,069,810)
Net loss per share	$ (0.01)
Weighted average number of shares outstanding	81,566,892

6 PROPERTY AND EQUIPMENT

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

	December 31, 2019	December 31, 2018
Computer Equipment and Software	$ 309,080	$ 15,263
Furniture and Fixtures	1,416	7,996
Leasehold Improvements	25,193	25,513
	335,689	48,771
Less: Accumulated Depreciation	(41,073)	(13,782)
	$ 294,616	$ 30,990

Depreciation expense was $27,293 and $112,990 for the year ended December 31, 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 year ended December 31, 2019 and 2018, the Company utilized a credit card issued in the name of Surge Holdings, Inc. to pay certain trade obligations totaling $1,191,424 and $55,185, respectively. At December 31, 2019 and 2018, the Company's total credit card liability was $449,157 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 year ended December 31, 2019, the Company drew net advances on the note totaling $425,000. 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 December 31, 2019, the Company drew advances on the note totaling $217,000.

During the fourth quarter 2019, the Company executed a promissory note payable agreement with SMDMM. The promissory note was for a principal sum up to $883,00 at an annual interest rate of 15%, due on November 21, 2022. As of December 31, 2019, the Company drew advances on the note totaling $883,000.

During the year ended December 31, 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 $2,205,440 and $680,000 at December 31, 2019 and 2018, respectively. Accrued interest owed to SMDMM was $64,741 and $10,718 at December 31, 2019 and 2018, respectively.

10 NOTES PAYABLE AND LONG-TERM DEBT

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

	December 31, 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
Promissory note payable to a lender dated November 4, 2019; accruing interest at 18% per annum; due November 3, 2020; 100,000 shares of restricted Common Stock granted on execution recorded as a debt discount – net of debt discount of $26,328 [3]	223,672	-
	$ 736,172	$ 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 December 31, 2019 and 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 December 31, 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. In February 2020, the Company and RNE settled the outstanding debt.

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.

[3] **Promissory note** – The Company evaluated the 100,000 restricted shares of the Company's Common Stock granted with the note and recorded a debt discount of $31,200. The debt discount is amortized over the earlier of (i) the term of the debt or (ii) conversion of the debt, using the effective interest method. The amortization of debt discount is included as a component of interest expense in the consolidated statements of operations. There was unamortized debt discount of $26,328 as of December 31, 2019. During the year ended December 31, 2019, the Company recorded amortization of debt discount totaling $4,872.

11 CONVERTIBLE PROMISSORY NOTES

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

	December 31, 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	-
Convertible note payable to BHP Capital NY dated October 7, 2019 with interest at 18% per annum; due April 7, 2021; convertible into shares of Common Stock [3]	135,000	-
Convertible note payable to Armada Capital Partners LLC dated October 7, 2019 with interest at 18% per annum; due April 7, 2021; convertible into shares of Common Stock [3]	135,000	-
Convertible note payable to Jefferson Street Capital LLC dated October 7, 2019 with interest at 18% per annum; due April 7, 2021; convertible into shares of Common Stock [3]	135,000	-
Less: Debt discount	(201,316)	
	$ 4,436,684	$ -

[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 Company executed a convertible note with Power Up Lending Group ("PowerUp") on September 18, 2019 and identified certain features embedded in the conversion feature of the note requiring the Company to classify it as a derivative liability. 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 (See Note 12 below). On March 6, 2020, Surge Holdings, Inc. the Company prepaid $332,027 in cash to fully satisfy the note which would have matured on September 18, 2020. No shares of the Company's Common Stock were issued or conveyed to PowerUp as a result of the prepayment.

[3] 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.

The Company valued the warrants using the Black-Scholes Option Pricing model and accounted for it as debt discount on the consolidated balance sheet. The debt discount is amortized over the earlier of (i) the term of the debt or (ii) conversion of the debt, using the effective interest method. The amortization of debt discount is included as a component of interest expense in the consolidated statements of operations. There was unamortized debt discount of $201,316 as of December 31, 2019. During the year ended December 31, 2019, the Company recorded amortization of debt discount related to these warrants totaling $13,782.

Future maturities of all debt (excluding debt discount discussed above in Notes 10 and 11) are as follows:

For the Years Ending December 31,		
2020	$	1,908,370
2021		5,510,000
2022		1,100,440
	$	8,518,810

12 DERIVATIVE LIABLIITES

As discussed above in Note 11, The Company executed a convertible note with Power Up Lending Group on September 18, 2019 and received gross proceeds of $233,000. The Company identified certain features embedded in the note requiring the Company to classify the feature as a derivative liability. The conversion price of the note are subject to adjustment for issuances of the Company's Common Stock or any equity linked instruments or securities convertible into the Company's Common Stock at a purchase price of less than the prevailing conversion price or exercise price. Such adjustment shall result in the conversion price and exercise price being reduced to such lower purchase price.

During the year ended December 31, 2019, the fair value of the derivative feature was calculated using the following weighted average assumptions:

	December 31, 2019
Risk-free interest rate	1.59 – 1.87%
Expected life of grants	1 year
Expected volatility of underlying stock	88 - 100%
Dividends	0%

As of December 31, 2019, the derivative liability of the warrants was $190,846. In addition, for the year ended December 31, 2019, the Company recorded $4,013 as a gain on the change in fair value of the derivative on the statement of operations.

13 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 year ended December 31, 2019, total advances and repayments under the LOC were $1,130,000 and $217,130, respectively. As of December 31, 2019 and 2018, the outstanding balance on the LOC was $912,870 and $0, respectively.

14 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 leases office space in Memphis, TN and a call center space in El Salvador. The term of the office is for 2 years beginning on November 1, 2019 commencing with monthly payments of $1,600. The term of the call center lease is for 3 years beginning on March 1, 2019 commencing with monthly payments of $6,680. During the years ended December 31, 2019 and 2018, the Company paid lease obligations of $87,762 and $30,480, respectively, under the leases.

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 terms include options to extend the leases 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:

	Year Ended December 31, 2019
Operating leases	$ 80,760
Interest on lease liabilities	7,002
Total net lease cost	$ 87,762

Supplemental balance sheet information related to leases was as follows:

	December 31, 2019
Operating leases:	
Operating lease ROU assets - net	$ 210,816
Current operating lease liabilities, included in current liabilities	$ 90,944
Noncurrent operating lease liabilities, included in long-term liabilities	119,872
Total operating lease liabilities	$ 210,816

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

	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 55,608
ROU assets obtained in exchange for lease liabilities:	
Operating leases	$ 266,424
Weighted average remaining lease term (in years):	
Operating leases	2.12
Weighted average discount rate:	
Operating leases	5.5%

Total future minimum payments required under the lease obligations as of December 31, 2019 are as follows:

Twelve Months Ending December 31,	
2020 (thereafter)	$ 99,360
2021	99,160
2022	27,040
Total lease payments	$ 222,560
Less: amounts representing interest	(11,744)
Total lease obligations	$ 210,816

15 STOCKHOLDERS' EQUITY

Preferred Stock

Series "A" Preferred Stock

The Company, pursuant to the consent of the Board of Directors filed a Certificate of Designation with the Nevada Secretary of State which designated 10,000,000 shares of the Company's authorized preferred stock as Series "A" Preferred Stock, par value $0.001. The Series "A" Preferred Stock has the following attributes:

- Ranks senior only to any other class or series of designated and outstanding preferred shares of the Company;
- Bears no dividend;
- Has no liquidation preference, other than the ability to convert to Common Stock of the Company;
- The Company does not have any rights of redemption;
- Voting rights equal to ten shares of Common Stock for each share of Series "A" Preferred Stock;
- Entitled to same notice of meeting provisions as common stockholders;
- Protective provisions require approval of 75% of the Series "A" Preferred Shares outstanding to modify the provisions or increase the authorized Series "A" Preferred Shares; and
- Each one Series "A" Preferred Shares can be converted into ten common shares at the option of the holder.

On April 11, 2018, the Company issued 3,000,000 shares of Series A Preferred Stock as consideration for the True Wireless, Inc. merger. As discussed in Note 1, 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. These preferred shares were recorded as a retroactive 2017 transaction as incentive to complete the merger.

Upon close of the merger, the Company recorded 10,000,000 shares of Series A Preferred Stock as a part of the recapitalization transaction for services previously rendered by the Company's former Chief Executive Officer and Chairman of the Board of Directors.

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

Series "C" Convertible Preferred Stock

On June 22, 2018, the Board of Directors approved a Certificate of Designation for Company Series C Convertible Preferred stock, which was filed with the Secretary of State of the State of Nevada on that date. The Certificate of Designations approved the creation of a new series of preferred stock consisting of 1,000,000 shares of Series C Convertible Preferred Stock par value $0.001 ("Series C Preferred Stock") with an original issue price of $100.00 per share.

The Series "C" Preferred Stock has the following attributes:

- Ranks junior only to any other class or series of designated and outstanding preferred shares of the Company;
- Bears a dividend per share of Series C Preferred Stock equal to the per share amount (as converted), and in the same form as, the dividend payable to the holders of the Common Stock;
- With respect to such liquidation, dissolution or winding up, the holders of Series C Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Corporation to the holders of Junior Securities but after distribution of such assets among, or payment thereof to holders of any Senior Preferred Stock, an amount equal to the Series C Original Issue Price for each share of Series C Preferred Stock plus an amount equal to all declared but unpaid dividends on Series C Preferred Stock;
- The Company does not have any rights of redemption;
- Voting rights equal to 250 shares of Common Stock for each share of Series "C" Preferred Stock;
- Entitled to same notice of meeting provisions as common stockholders;
- Protective provisions require approval of 75% of the Series "C" Preferred Shares outstanding to modify the provisions or increase the authorized Series "C" Preferred Shares; and
- Each one Series "C" Preferred Shares can be converted into ten common shares at the option of the holder.

As noted above, each share of Series C Preferred Stock is convertible into 250 shares of Company Common Stock (the same conversion rate utilized in the exchange transaction), but is only convertible on the first to occur of the following events:

(i) The Volume Weighted Average Price ("VWAP") of the Company's Common Stock during any then consecutive trading days is at least $2.00 per share; or

(ii) June 30, 2019.

On June 29, 2018, each of Kevin Brian Cox ("Cox"), the Company's Chief Executive Officer, and Thirteen Nevada LLC ("13") entered into separate Exchange Agreements with the Company whereby the Shareholders agreed to exchange an aggregate of 148,741,531 shares of previously issued Company Common Stock for an aggregate of 594,966 shares of newly-issued Company Series C Convertible Preferred Stock. The calculation of weighted average shares was retroactively restated in order to properly account for the above noted share exchange.

During the year ended December 31, 2018, the Company issued 48,400 shares of Series C Preferred in exchange for the conversion of a note payable of $3,000,000 and accrued interest of $24,952.

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

Common Stock

On March 8, 2018, the Company granted a consultant 48,000 restricted shares for services rendered.

On April 11, 2018, the Company issued 152,555,416 shares of Common Stock as consideration for the True Wireless, Inc. merger. As discussed in Note 1, 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. These common shares were recorded as a retroactive 2017 transaction as incentive to complete the merger.

On April 25, 2018, the Company issued an aggregate of 480,000 shares of Common Stock to two consultants valued at $0.27 per share.

In July 2018, the Company issued an aggregate of 1,156,587 shares of Common Stock valued at $0.20 per share to nine parties in settlement of certain disputes between TW and Benson Communications, S.A. de C.V. The settlement had been previously reached on September 29, 2017.

In August 2018, the Company reached a settlement with the debt holder and issued 2,175,000 in full settlement of the outstanding debt totaling $435,000.

During the year ended December 31, 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.

In October 2019, the Company issued 70,000 shares of Common Stock to a consultant valued at $0.31 per share.

On November 4, 2019, the Company granted 100,000 shares of Common Stock pursuant to a debt agreement executed with a lender. The shares were valued at $0.31 per share and was recorded as a debt discount.

During the year ended December 31, 2019, the Company sold an aggregate of 9,172,855 shares of Common Stock and 4,462,135 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 $3,210,500.

During the year ended December 31, 2019 and 2018, the Company recorded total stock-based compensation expense of $295,900 and $146,000, respectively, in relation to shares issued for services.

As of December 31, 2019 and 2018, there were 102,193,579 and 88,046,391 shares of Common Stock issued and outstanding, respectively.

Stock Warrants

On March 8, 2018, the Company granted its former Chief Financial Officer 50,000 warrants to purchase the Company's Common Stock with an exercise price of $0.41 per share, a term of 5 years, and a vesting period of 1 year. The warrants have an aggregated fair value of approximately $14,700 that was calculated using the Black-Scholes option-pricing model.

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 have an aggregated fair value of approximately $30,782 that was calculated using the Black-Scholes.

For the year ended December 31, 2019 and 2018, when computing fair value of share-based payments, the Company has considered the following variables:

	December 31, 2019	December 31, 2018
Risk-free interest rate	2.50%	2.03%
Expected life of grants	3 years	1.5 years
Expected volatility of underlying stock	168.71%	173.02%
Dividends	0%	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 year ended December 31, 2019 and 2018, the Company recorded total stock-based compensation expense related to the warrants of approximately $33,700 and $11,800, respectively. The unrecognized compensation expense at December 31, 2019 was approximately $0.

16 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 December 31, 2019 and 2018, the outstanding balance due was $0 and $389,502, respectively.

For the year ended December 31, 2019 and 2018, outsourced management services fees of $1,020,000 was paid to Axia Management, LLC ("Axia") as compensation for services provided. These costs are included in Selling, general and administrative expenses in the Consolidated Statements of Operations. Axia is owned by the majority owner of the Company.

At December 31, 2019 and 2018, the Company had trade payables to Axia of $666,112 and $66,535, respectively.

For the year ended December 31, 2019 and 2018, the Company purchased telecom services and access to wireless networks from 321 Communications in the amount of $704,683 and $1,016,393, respectively. These costs are included in Cost of revenue in the Statements of Operations. The owner of the majority of the Company's voting shares is a minority owner of 321 Communications.

At December 31, 2019 and 2018, the Company had trade payables to 321 Communications of $140,923 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 year ended December 31, 2019 and 2018 were $2,384,780 and $2,129,546, respectively, and are included in Cost of revenue in 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 December 31, 2019 and 2018, the Company had trade payables to CenterCom Global of $282,159 and $175,000, respectively.

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

17 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 December 31, 2019, all payments were made as required in the settlement agreement.

18 INCOME TAXES

Deferred Tax Assets

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Reform Bill") was signed into law. Prior to the enactment of the Tax Reform Bill, the Company measured its deferred tax assets at the federal rate of 34%. The Tax Reform Bill reduced the federal tax rate to 21% resulting in the re-measurement of the deferred tax asset as of December 31, 2017. Beginning January 1, 2018, the lower tax rate of 21% will be used to calculate the amount of any federal income tax due on taxable income earned during 2018.

For the periods from inception through the date of conversion to a C corporation in April 2018, the Company reported its income under True Wireless LLC, a limited liability company. As a result, the Company's income for federal and state income tax purposes were reportable on the tax returns of the individual partners. Accordingly, no recognition has been made for federal or state income taxes in the accompanying financial statements of the Company through the date of conversion.

At December 31, 2019, the Company has available for U.S. federal income tax purposes a net operating loss ("NOL") carry-forwards of approximately $8.3 million that may be used to offset future taxable income through the fiscal year ending December 31, 2039. If not used, these NOLs may be subject to limitation under Internal Revenue Code Section 382 should there be a greater than 50% ownership change as determined under the regulations. The Company plans on undertaking a detailed analysis of any historical and/or current Section 382 ownership changes that may limit the utilization of the net operating loss carryovers. No tax benefit has been reported with respect to these net operating loss carry-forwards in the accompanying consolidated financial statements since the Company believes that the realization of its net deferred tax asset of approximately $1,749,000 was not considered more likely than not and accordingly, the potential tax benefits of the net loss carry-forwards are fully offset by a valuation allowance of $1,749,000.

Deferred tax assets consist primarily of the tax effect of NOL carry-forwards. The Company has provided a full valuation allowance on the deferred tax assets because of the uncertainty regarding its realizability. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon future generation for taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. After consideration of all the information available, Management believes that significant uncertainty exists with respect to future realization of the deferred tax assets and has therefore established a full valuation allowance. The valuation allowance increased by approximately $1,711,000 and $290,000 for the year ended December 31, 2019 and 2018, respectively.

The Company evaluated the provisions of ASC 740 related to the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. ASC 740 prescribes a comprehensive model for how a company should recognize, present, and disclose uncertain positions that the Company has taken or expects to take in its tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Differences between tax positions taken or expected to be taken in a tax return and the net benefit recognized and measured pursuant to the interpretation are referred to as "unrecognized benefits." A liability is recognized (or amount of net operating loss carry forward or amount of tax refundable is reduced) for unrecognized tax benefit because it represents an enterprise's potential future obligation to the taxing authority for a tax position that was not recognized as a result of applying the provisions of ASC 740.

If applicable, interest costs related to the unrecognized tax benefits are required to be calculated and would be classified as "Other expenses – Interest expense" in the statement of operations. Penalties would be recognized as a component of "General and administrative."

No material interest or penalties on unpaid tax were recorded during the year ended December 31, 2019 and 2018. As of December 31, 2019 and 2018, no liability for unrecognized tax benefits was required to be reported. The Company does not expect any significant changes in its unrecognized tax benefits in the next year.

Components of deferred tax assets are as follows:

	December 31, 2019	December 31, 2018
Net deferred tax assets – Non-current:		
Expected income tax benefit from NOL carry-forwards	$ 2,002,427	$ 291,359
Less valuation allowance	(2,002,427)	(291,359)
Deferred tax assets, net of valuation allowance	$ -	$ -

Income Tax Provision in the Consolidated Statements of Operations

A reconciliation of the federal statutory income tax rate and the effective income tax rate as a percentage of income before income taxes is as follows:

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Federal statutory income tax rate	21.0%	21.0%
Change in valuation allowance on net operating loss carry-forwards	(21.0)%	(21.0)%
Effective income tax rate	0.0%	0.0%

19 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 year ended December 31, 2019 and 2018 and as of December 31, 2019 and 2018, are as follows:

	Surge	TW	ECS	Total
Year ended December 31, 2019				
Revenue	$ 9,558,415	$ 5,417,388	$ 10,767,138	$ 25,742,941
Cost of revenue	(5,916,947)	(3,998,410)	(10,390,096)	(20,305,453)
Gross margin	3,641,468	1,418,978	377,042	5,437,488
Costs and expenses	(9,199,277)	(3,597,229)	(409,010)	(13,205,516)
Operating loss	(5,557,809)	(2,178,251)	(31,968)	(7,768,028)
Year ended December 31, 2018				
Revenue	$ 2,445,468	$ 12,798,687	$ -	$ 15,244,155
Cost of revenue	(1,864,727)	(6,705,513)	-	(8,570,240)
Gross margin	580,741	6,093,174	-	6,673,915
Costs and expenses	(2,558,156)	(5,651,228)	-	(8,209,384)
Operating loss	(1,977,415)	441,946	-	(1,535,469)
December 31, 2019				
Total assets	$ 3,636,624	$ 1,339,577	$ 5,010,172	$ 9,986,373
Total liabilities	10,850,674	3,815,175	20,139	14,685,988
December 31, 2018				
Total assets	$ 947,550	$ 3,136,768	$ -	$ 4,084,318
Total liabilities	2,694,258	3,378,293	-	6,072,551

19 SUBSEQUENT EVENTS

Membership Interest Purchase Agreement

On January 30, 2020, the Company entered into a Membership Interest Purchase Agreement (the "MIPA") by and among the Company, ECS Prepaid, LLC, a Missouri limited liability company ("ECS Prepaid"), Dennis R. Winfrey, an individual, and Peggy S. Winfrey, an individual (together, the "Winfreys"), whereby the Company purchased from the Winfreys all of the Membership Interests of ECS Prepaid owned by the Winfreys (the "ECS Prepaid Membership Interests"). In consideration for the ECS Prepaid Membership Interests, the Company issued to Suray Holdings LLC, an entity jointly controlled by the Winfreys, 450,000 shares of Common Stock of the Company.

ECS and CSLS Stock Purchase Agreement

On January 30, 2020, the Company entered into a Stock Purchase Agreement (the "ECS and CSLS SPA") by and among the Company, Electronic Check Services, Inc., a Missouri corporation ("ECS"), Central States Legal Services, Inc., a Missouri corporation ("CSLS"), and the Winfreys, whereby the Company purchased from the Winfreys all of the issued and outstanding stock of each of ECS and CSLS (the "ECS and CSLS Stock"). In consideration for the ECS and CSLS Stock, the Company issued 50,000 shares of Common Stock to Suray (the "ECS and CLS Purchase Share Issuance").

January SPAs and Notes

On January 30, 2020, the Company entered into Securities Purchase Agreements (the "January 2020 SPAs"), with three (3) accredited investors (the "January 2020 Investors"), pursuant to which the January 2020 Investors purchased from the Company, for an aggregate purchase price of $500,000 (the "January 2020 Purchase Price"), Promissory Notes in the aggregate principal amount of $540,000 (the "January 2020 Notes"). The January 2020 Notes will be repaid according to a schedule of fixed interest and principal payments beginning in August 2020. As additional consideration for the January 2020 Investors loaning the January 2020 Purchase Price to the Company, the Company issued to each of the January 2020 Investors 250,000 shares of Common Stock for a total of 750,000 shares (the "January 2020 Share Issuance").

The January 2020 Notes shall accrue interest at a rate of fourteen percent (14%) per annum and will mature on February 5, 2021. No payments of principal or interest are due through July 2020 (five (5) months following issuance) and then there are seven (7) fixed payments of principal and interest due on a monthly basis until maturity.

Settlement Agreement

On January 15, 2020, the Company and Carter Matzinger (a member of the Company's Board of Directors) (collectively, the "Surge Party"), and the former owners of the Company's wholly-owned subsidiary, DigitizeIQ, LLC (collectively, the "DigitizeIQ Party" and, together with the Surge Party, the "Parties"), entered into a settlement agreement (the "DigitizeIQ Settlement Agreement") to settle any claims the Parties may have had against each other. The parties made claims against each other with regard to alleged breaches of an Exchange Agreement, a Non-Compete Agreement, and promissory notes issued by the Company to the DigitzeIQ Party (the "DigitzeIQ Promissory Notes").

Pursuant to the DigitizeIQ Settlement Agreement, the Parties, in addition to releasing all claims against each other, agreed to cooperate to ensure the complete transfer and assignment of the domain "digitizeiq.com" to the Company and agreed that the DigitizeIQ Promissory Notes are deemed terminated. As a result of the DigitizeIQ Promissory Notes being terminated, on an unaudited basis, the Company reduced its liabilities by approximately $580,000.

February SPAs and Note

On February 3 and February 6, 2020, the Company entered into Securities Purchase Agreements (the "February 2020 SPAs"), with two (2) accredited investor (the "February 2020 Investors"), pursuant to which the February 2020 Investors purchased from the Company, for an aggregate purchase price of $400,000 (the "February 2020 Purchase Price"), Promissory Notes in the principal amount of $432,000 (the "February 2020 Notes"). The February 2020 Notes will be repaid according to a schedule of fixed interest and principal payments beginning in August 2020. As additional consideration for the February 2020 Investors loaning the February 2020 Purchase Price to the Company, the Company issued to each of the February 2020 Investors 300,000 shares of Common Stock for a total of 600,000 shares (the "February Share Issuance").

The terms of the February 2020 Notes are substantially the same as the terms of the January 2020 Notes.

Anthony Evers Employment Agreement

On March 1, 2020, in connection with Mr. Evers' appointment as Chief Financial Officer of the Company, the Company and Mr. Evers entered into an employment agreement (the "Evers Employment Agreement"), whereby as compensation for his services, the Company shall pay Mr. Evers a salary of $270,000 per year. Pursuant to the terms of the Evers Employment Agreement, the Company will pay the full cost of Mr. Evers' health insurance premiums. In the event Mr. Evers' employment with the Company shall terminate, Mr. Evers shall be entitled to a severance payment of a full year of salary and benefits.

March SPA and Note

On March 5, 2020, the Company entered into a Securities Purchase Agreement (the "March 2020 SPA"), with an accredited investor (the "March 2020 Investor"), pursuant to which the March 2020 Investor purchased from the Company, for an aggregate purchase price of $350,000 (the "March 2020 Purchase Price"), a Promissory Note in the principal amount of $378,000 (the "March 2020 Note"). The March 2020 Note will be repaid according to a schedule of fixed interest and principal payments beginning in September 2020. As additional consideration for the March 2020 Investor loaning the March 2020 Purchase Price to the Company, the Company issued to the March 2020 Investor 400,000 shares of Common Stock of the Company.

The March 2020 Note shall accrue interest at a rate of fourteen percent (14%) per annum and will mature on March 5, 2021. No payments of principal or interest are due through August 2020 (five (5) months following issuance) and then there are seven (7) fixed payments of principal and interest due on a monthly basis until maturity.

April SPA and Note

On April 1, 2020, the Company entered into a Securities Purchase Agreement (the "April 2020 SPA"), with an accredited investor (the "April 2020 Investor"), pursuant to which the April 2020 Investor purchased from the Company, for an aggregate purchase price of $150,000 (the "April 2020 Purchase Price"), a Promissory Note in the principal amount of $162,000 (the "April 2020 Note"). The April 2020 Note will be repaid according to a schedule of fixed interest and principal payments beginning in September 2020. As additional consideration for the April 2020 Investor loaning the April 2020 Purchase Price to the Company, the Company issued to the April 2020 Investor 172,000 shares of Common Stock of the Company.

The April 2020 Note shall accrue interest at a rate of fourteen percent (14%) per annum and will mature on March 15, 2021. No payments of principal or interest are due through August 2020 (five (5) months following issuance) and then there are seven (7) fixed payments of principal and interest due on a monthly basis until maturity.

Exhibit 10.10

MEMBERSHIP INTEREST PURCHASE AGREEMENT

BY AND AMONG

SURGE HOLDINGS, INC.,

ECS PREPAID, LLC,

DENNIS R. WINFREY,

AND

PEGGY S. WINFREY

Dated as of January [ ], 2020

THIS MEMBERSHIP INTEREST PURCHASE AGREEMENT (this "**Agreement**") is made and entered into as of January [ ], 2020 and effective as of October 1, 2019, by and among Surge Holdings, Inc., a Nevada corporation (the "**Purchaser**"), ECS Prepaid, LLC, a Missouri limited liability company (the "**Company**"), Dennis R. Winfrey, an individual, and Peggy S. Winfrey, an individual (together, the "**Members**" and, together with the Company, the "**Seller Parties**").

RECITALS

A. The Members are the sole legal and beneficial owners of all of the Membership Interests as of the date of this Agreement.

B. Subject to the terms and conditions set forth in this Agreement, the Purchaser desires to purchase from the Members, and the Members desire to sell to the Purchaser, all of the Membership Interests owned by the Members free from any and all Liens.

NOW, THEREFORE, in consideration of the mutual agreements, covenants and other premises set forth herein, the mutual benefits to be gained by the performance thereof, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and accepted, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

For all purposes of this Agreement, the following terms shall have the following respective meanings:

"**Affiliate**" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person. For purposes of this Agreement, "control," when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through ownership of voting securities or by Contract or otherwise, and the terms "controlling" and "controlled by" have correlative meanings to the foregoing.

"**Business Day(s)**" means each day that is not a Saturday, Sunday or other day on which the Purchaser is closed for business or banking institutions located in Memphis, Tennessee are authorized or obligated by Law or executive order to close.

"**Closing Purchaser Stock Consideration**" means four hundred fifty thousand (450,000) shares of Purchaser Common Stock to be issued to the Suray Holdings LLC (an entity jointly controlled by Dennis R. Winfrey, Peggy S. Winfrey, and Derron Winfrey) at the Closing.

"**Company Representatives**" means any of the officers, directors, managers, partners, independent contractors, consultants, advisors, employees, members, agents, representatives or Affiliates of the Company.

"**Contract**" means any mortgage, indenture, lease, contract, license, covenant, plan, insurance policy, purchase order (including any related terms and conditions), work order or other agreement, instrument, arrangement, obligation, understanding or commitment, permit, concession or franchise, whether oral or written and including any amendment, waiver or modification made thereto.

"**Dollars**" or "**$**" means United States Dollars.

"**GAAP**" means United States generally accepted accounting principles consistently applied.

"**Governmental Entity**" means any federal, national, foreign, supranational, state, provincial, local or other government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body of competent jurisdiction.

"**Indebtedness**" of any Person means, as of any specified date, the amount equal to the sum (without any double-counting) of the following obligations (whether or not then due and payable), to the extent they are either obligations of such Person or its Subsidiary or guaranteed by such Person or its Subsidiary, including through the grant of a security interest upon any assets of such Person or its Subsidiary: (a) all outstanding indebtedness for borrowed money owed to third parties or Affiliates; (b) all obligations for the deferred purchase price of property or services (including any potential future earn-out, purchase price adjustment, releases of "holdbacks" or similar payments) ("**Deferred Purchase Price**"); (c) all obligations evidenced by notes, bonds, debentures or other similar instruments (whether or not convertible) or arising under indentures; (d) all obligations arising out of any financial hedging, swap or similar arrangements; (e) all obligations of such Person as a lessee that would be required to be capitalized in accordance with GAAP; (f) all obligations in connection with any letter of credit, banker's acceptance, guarantee, surety, performance or appeal bond, or similar credit transaction; (g) any deferred revenues or prepayments ; (h) any unpaid Taxes of the Company; (i) any payables or other amounts owed to any Affiliate of the Company; (j) any mortgage or other obligation secured by a Lien; (k) all Liabilities for refunds to customers for payments received in error; and (l) the aggregate amount of all accrued interest payable on such items under clauses (a) through (k) and prepayment premiums, penalties, breakage costs, "make whole amounts," costs, expenses and other payment obligations of such Person that would arise (whether or not then due and payable) if all such items under clauses (a) through (k) were prepaid, extinguished, unwound and settled in full as of such specified date. For purposes of determining the Deferred Purchase Price obligations as of a specified date, such obligations shall be deemed to be the maximum amount of Deferred Purchase Price owing as of such specified date (whether or not then due and payable) or potentially owing at a future date.

"**IRS**" means the United States Internal Revenue Service.

"Knowledge" or "**Known**" means, whether or not capitalized, with respect to the Company, the knowledge of Dennis R. Winfrey, or Peggy S. Winfrey after a reasonable investigation and inquiry.

"**Laws**" means all constitutions, laws (including common law), statutes, regulations, ordinances, codes, orders, decrees, judgments, writs, injunctions, decisions, rules, standards, and rulings or any other pronouncements having the effect of law of the United States, any foreign country or any domestic or foreign state, county, city or other political subdivision of any Governmental Entity.

"**Liability**" or "**Liabilities**" means debts, liabilities, commitments, losses, deficiencies, duties, charges, claims, damages, demands, costs, fees, Taxes, expenses and obligations (including guarantees, endorsements and other forms of credit support), whether accrued or fixed, absolute or contingent, matured or unmatured, known or unknown, on- or off-balance sheet, including those arising under any Contract, Law, statute, ordinance, regulation, rule, code, common law or other requirement or rule enacted or promulgated by any Governmental Entity or any litigation, court action or proceeding, lawsuit, originating application to an employment tribunal, or binding arbitration.

"**Lien**" means any lien, pledge, charge, claim, mortgage, security interest, defect in title, preemptive right, vesting limitation, community or marital property interest, right of first offer, notice, negotiation or refusal, transfer restriction of any kind or other encumbrance of any sort.

"**Loss**" means any claim, action, proceeding, loss, Liability, damage (excluding punitive damages except in the case of a third- party claim), cost, interest, award, judgment, penalty, Tax, and expense, including reasonable attorneys' and consultants' fees and expenses and including any such reasonable out-of-pocket expenses incurred in connection with investigating, defending against or settling any of the foregoing, in each case, whether arising from a third-party or a direct claim.

"**Material Adverse Effect**" means any state of facts, condition, change, development, event or effect that, either alone or in combination with any other state of facts, condition, change, development, event or effect, is, or would be reasonably likely to be, materially adverse to the business, assets (whether tangible or intangible), Liabilities, condition (financial or otherwise), operations or capitalization of the Company, when viewed on a short, medium or long term horizon, but in each case shall not include the effect of facts, conditions, changes, developments, events or effects to the extent resulting from (a) conditions affecting the industry in which the Company operate generally, (b) war, terrorism or hostilities, (c) any changes in general economic or business conditions or the financial or securities markets generally, (d) any change in GAAP or applicable Laws (or interpretation thereof), (e) any acts of God, or natural disasters or any worsening thereof or actions taken in response thereto, or national or international political or social conditions, (f) any failure in and of itself (as distinguished from any fact, condition, change, development, event or effect (other than as described in clauses (a) – (e) of this definition) giving rise to or contributing to such failure) by the Company to meet any projections or forecasts for any period, and (g) taking or not taking any actions at the prior written direction of the Purchaser; provided, that in the case of clauses (a), (b), (c), (d) and (e), such fact, condition, change, development, event or effect does not have any disproportionate or unique material adverse effect on the Company.

"**Membership Interests**" means all the authorized and outstanding membership interests and all other equity interests of the Company.

"**Ongoing Purchaser Stock Consideration**" means twenty-two thousand five hundred(22,500) shares of Purchaser Common Stock to be issued to the Dennis R. Winfrey Revocable Trust on the 15th day of each month until such time as the funds currently held by Company in the bank accounts (as referenced in paragraph 2.1 (d)) are returned to Seller Parties, not to exceed 12 months without written agreement among the necessary parties.

"**Permit**" means all consents, licenses, permits, grants, agreements and authorizations required by any Governmental Entity to lawfully operate the business of the Company (including any pending applications for such all consents, licenses, permits, grants, agreements and authorizations).

"**Permitted Liens**" means (a) Liens for Taxes (i) not yet due and payable or (ii) that are being contested in good faith by appropriate procedures, (b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen, and repairmen incurred in the ordinary course of business consistent with past practice and not yet delinquent, and/or (c) zoning, building, or other restrictions, variances, covenants, rights of way, encumbrances, and easements.

"**Person**" means an individual or entity, including a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a cooperative, a foundation, a joint venture, an unincorporated organization, or a Governmental Entity (or any department, agency, or political subdivision thereof).

"**Purchaser Common Stock**" means Common Stock, par value $0.001 per share, of the Purchaser.

"**Purchaser Indemnified Parties**" means the Purchaser, its Affiliates and its and their respective officers, directors, employees, agents and representatives.

"**Restricted Shares**" means all shares of Purchaser Common Stock issuable hereunder other than shares of Purchaser Common Stock (a) the offer and sale of which have been registered under a registration statement pursuant to the Securities Act and sold thereunder, (b) with respect to which a sale or other disposition may be made in reliance on and in accordance with Rule 144 (or any successor provision) under the Securities Act, or (c) with respect to which the holder thereof shall have delivered to the Purchaser either (i) an opinion of counsel in form and substance reasonably satisfactory to Purchaser, delivered by counsel reasonably satisfactory to the Purchaser, or (ii) a "no action" letter from the SEC, in either case to the effect that subsequent transfers of such shares of Purchaser Common Stock may be effected without registration under the Securities Act.

"**SEC**" means the Securities and Exchange Commission.

"**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

"**Subsidiary**" of any Person means any corporation, partnership, limited liability company, cooperative, association or other organization (including any branch), whether incorporated or unincorporated, which is directly or indirectly controlled by such Person, whether through ownership of securities or otherwise.

"**Tax**" or "**Taxes**" means any and all U.S. federal, state, local and non-U.S. taxes, assessments and other governmental charges, duties (including stamp duty), fees, impositions of any kind whatsoever including taxes based upon or measured by gross receipts, income, profits, gains, sales, use and occupation, and value added, ad valorem, transfer, franchise, withholding, payroll, recapture, environmental, employment, unclaimed property, escheat, excise and property taxes as well as public imposts, and social security charges (including health, unemployment, workers' compensation and pension insurance), together with all interest, penalties, and additions imposed with respect to such amounts.

"**Tax Returns**" means any return, declaration, report, statement, information statement or other document filed or required to be filed with respect to Taxes, including any claims for refunds of Taxes, any information returns and any amendments, schedules or supplements of any of the foregoing.

"**Transaction Expenses**" means any Liabilities incurred by or on behalf of the Members or the Company (or any Affiliate thereof, if required to be paid by the Company) in connection with the negotiation and execution of this Agreement (including all fees, costs and expenses of any brokers, accountants, financial advisors, attorneys, consultants, auditors and other experts), the performance of such Person's and its Affiliates' obligations hereunder and thereunder and the consummation of the Transactions (including any fees and expenses associated with obtaining any terminations or amendments contemplated hereby, or any waivers, consents or approvals of any Person), any Liabilities that may become due and payable by the Company or the Members as a result of the Transactions (including all brokers', finders' or similar fees owed by any such Person in connection with the Transactions) and any change of control payments, bonuses, severance, termination or retention obligations or similar amounts payable by or due from the Company that are triggered by the Transactions, the employer portions of any payroll or employment Taxes with respect to any such change of control payments, bonuses, severance, termination or retention obligations or similar compensatory payments made by the Company to service providers in connection with the Transactions, any payments owed to the Members.

"**Transactions**" means the Membership Interests Purchase and the other transactions contemplated hereby.

"**Willful Breach**" means (a) a breach of a representation or warranty contained in Article III, Article IV, or Article V of this Agreement that the breaching party knows is a misrepresentation of such representation or warranty or (b) a breach of a covenant contained in this Agreement that the breaching party knows is a breach of such covenant.

Each of the following terms is defined in the Section set forth opposite such term:

Term	Section
9.9% Threshold	2.1(d)
Agreement	Preamble
Charter Documents	3.1(a)
Claims	6.4
Closing	2.2
Closing Date	2.2(b)
Company	Preamble
Continuing Employees	6.2f
Disclosure Schedule	Article III
Excluded Claims	6.4(b)
Interested Party	3.12(iii)
Issued Shares	2.1(e)
Material Contracts	3.11(b)
Membership Interests Purchase	2.1(a)
Offered Employees	6.2
Purchaser	Preamble
Purchaser Closing Deliveries	2.3(a)
Releasor	6.4
Seller Parties	Preamble
Seller Party Closing Deliveries	2.3(b)
Springfield Property	3.10(b)
Members	Preamble

ARTICLE II

THE MEMBERSHIP INTERESTS PURCHASE

2.1 Purchase and Sale.

(a) Purchase and Sale of Membership Interests. Upon the terms and subject to the conditions of this Agreement, at the Closing, the Members shall sell, assign, transfer, convey and deliver to the Purchaser, and the Purchaser will purchase and acquire from the Members, all of the Members' right, title and interest in and to all of the outstanding Membership Interests, free and clear of any and all Liens (the "**Membership Interests Purchase**"), in exchange for the consideration specified herein.

(b) Payments at the Closing on Membership Interests. In full consideration for the transfer of the Membership Interests as set forth in Section 2.1(a) simultaneously with the Closing, the Purchaser shall issue to Suray Holdings LLC the Closing Purchaser Stock Consideration.

(c) Ongoing Payments. Starting on January 15, 2020, the Purchaser shall issue to the Dennis R. Winfrey Revocable Trust the Ongoing Purchaser Stock Consideration. The Ongoing Purchaser Stock Consideration shall be paid as a Collateral Fee for the funds currently held by the Company bank account(s).

(d) Legend on Stock Certificates. The certificates representing the shares of Purchaser Common Stock issuable pursuant to Section 2.1(b), shall include an endorsement typed or otherwise denoted conspicuously thereon of the following legend (along with any other legends that may be required under applicable Laws):

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO TRANSFER MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933, AS AMENDED."

In the event that any shares of Purchaser Common Stock issuable hereunder shall cease to be Restricted Shares, the Purchaser shall, upon the written request of shareholder in question, issue to such shareholder a new certificate representing such shares of Purchaser Common Stock without the legend required by this Section 2.1(d).

(e) Purchase Stock Consideration. In no event shall the aggregate number of shares of Purchaser Common Stock issued hereunder (the "**Issued Shares**") exceed a number of shares equal to 9.9% of the number of shares of Purchaser Common Stock outstanding immediately prior to the Closing (the "**9.9% Threshold**"). In the event that the number of shares of Purchaser Common Stock otherwise comprising the Issued Shares would exceed the 9.9% Threshold, the number of shares of Purchaser Common Stock issued will be cut back to the 9.9% Threshold until such time as the Members holder less than the 9.9% Threshold. Seller Parties will not, for the eighteen (18) calendar months following the date hereof, for the purpose of open market trades, offer, pledge, sell, contract to sell, grant, lend, or otherwise transfer or dispose of shares of Purchaser Common Stock, directly or indirectly, in an amount greater than five percent (5.0%) 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 Purchaser Common Stock is then trading. Other than via open market trades, Seller Parties may not offer, pledge, sell, contract to sell, grant, lend, or otherwise transfer or dispose of the Purchaser Common Stock without the prior written consent of the Purchaser. Purchaser's consent to a transfer or disposal of the Purchaser Common Stock by Seller Parties shall be specifically conditioned on the transferee of the Purchaser Common Stock signing a Leak-Out Agreement with the Purchaser with substantially the same terms as this Section 2.1(e). 2.2 Closing. The closing of the Membership Interests Purchase (the "**Closing**") shall take place at such time and date as the parties hereto may agree in writing. The Closing shall take place remotely via the exchange of documents and signature pages or at such location as the parties hereto agree. The date on which the Closing occurs is herein referred to as the "**Closing Date**".

2.3 Closing Deliveries.

(a) Closing Deliveries of the Purchaser. In addition to the payments provided for in Section 2.1(c), at the Closing, the Purchaser shall have delivered or caused to be delivered to the Members (collectively, the "**Purchaser Closing Deliveries**"):

(i) a certificate, dated as of the Closing Date and executed on behalf of the Purchaser by an officer of the Purchaser, certifying the resolutions of the Managers of the Purchaser approving, in accordance with the provisions of the Purchaser's operating agreement and applicable Law, this Agreement and the Transactions.

(b) Closing Deliveries of the Seller Parties. At the Closing, the Seller Parties shall have delivered or caused to be delivered to the Purchaser (collectively, the "**Seller Party Closing Deliveries**"):

(i) an instrument of conveyance, in form and substance reasonably satisfactory to the Purchaser, evidencing the transfer of all uncertificated Membership Interests endorsed by the Members for transfer to the Purchaser;

(ii) an executed Manager Resignation Letter, effective as of the Closing, for each Manager of the Company (unless otherwise instructed in writing by the Purchaser prior to the Closing);

(iii) a certificate, dated as of the Closing Date and executed on behalf of the Company by its Managers, certifying: (A) a true and complete copy of the Company's operating agreement, including all amendments thereto; and (C) resolutions of the Managers of the Company and the Members approving, in accordance with the provisions of such certificate of incorporation, such bylaws and applicable Law, this Agreement and the Transactions; and

(iv) certificates of good standing for the Company issued not earlier than three (3) Business Days prior to the Closing Date by the Secretary of State of the State of Missouri.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SELLER PARTIES

Each Seller Party hereby jointly and severally represents and warrants to the Purchaser as of the date hereof and as of the Closing, subject to such exceptions as are specifically disclosed in the disclosure schedule (referencing the appropriate section and subsection numbers or disclosed in any other section or subsection of the disclosure schedule, subject to Section 10.13) supplied by the Seller Parties to the Purchaser (the "**Disclosure Schedule**") concurrently with the execution of this Agreement:

3.1 Organization; Authority and Enforceability.

(a) The Company is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Missouri and have the requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its business as currently conducted. The Company is duly qualified or licensed as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character or location of its assets or properties (whether owned, leased or licensed) or the nature of its activities make such qualification or licensing necessary to the business of the Company as currently conducted except where the failure to be so qualified or licensed, individually or in the aggregate, both (i) has not had and would not reasonably be expected to have a Material Adverse Effect and (ii) has not had and would not be reasonably expected to have a material adverse effect on the ability of the Company to perform its obligations under this Agreement or to consummate the Transactions and would not materially impede or delay or be reasonably expected to materially impede or delay the consummation of the Transactions. The Company has made available to the Purchaser a true and correct copy of its articles of organization and operating agreement, as amended to date, each of which is in full force and effect on the date hereof (collectively, the "**Charter Documents**"). The Managers of the Company has not approved or proposed any other amendments to the Charter Documents. Section 3.1(a)(i) of the Disclosure Schedule lists the respective directors, managers, partners and officers of the Company. Section 3.1(a)(ii) of the Disclosure Schedule lists, by legal entity, every state or foreign jurisdiction in which the Company has employees or facilities or otherwise is required to register to conduct business since January 1, 2015. Section 3.1(a)(iii) of the Disclosure Schedule lists each predecessor entity of the Company and any other name under which the Company has previously operated.

(b) The Company has all requisite corporate power and authority to enter into this Agreement and to consummate the Transactions. The execution, delivery and performance by the Company of this Agreement, and the consummation of the Transactions, have been duly and validly authorized by all necessary corporate action on the part of the Company. This Agreement has been duly and validly authorized, executed and delivered by the Company and the obligations of the Company hereunder are or will be, upon such execution and delivery (and assuming due authorization, execution and delivery by the other parties hereto), valid, legally binding and enforceable against the Company in accordance with its terms.

3.2 Capital Structure of the Company.

(a) Section 3.2 of the Disclosure Schedule sets forth all of the Membership Interests in the Company together with each holder thereof. All outstanding Membership Interests have been issued in compliance with all applicable federal, state, local or foreign statutes, Laws, including federal securities Laws and any applicable state securities or "blue sky" Laws.

(b) All of the issued and outstanding Membership Interests in the Company are duly authorized, validly issued, fully paid and non-assessable and are free and clear of any Liens, preemptive rights, rights of first refusal or "put" or "call" rights created by statute, the Charter Documents, or any agreement to which the Company is a party or by which they are bound. The Members are the sole legal and beneficial owner of, and has good and marketable title, free and clear of all Liens, to, all of the outstanding Membership Interests and such interest constitutes the entire interest of the Members in the issued and outstanding share capital or voting securities of the Company and no other Person has any right, title or interest in or to the Membership Interests. There are no warrants, calls, rights, convertible securities, commitments or agreements of any character, written or oral, to which the Company is a party or by which the Company is bound obligating the Company to reduce its capital or issue, deliver, sell, repurchase, cancel or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any Membership Interests or obligating the Company to grant or otherwise amend or enter into any such warrant, call, right, commitment or agreement. The Company has no outstanding options, restricted stock units, restricted shares, stock appreciation right, profit participation, "phantom equity" or any other type of equity instrument or any plan or similar arrangement pursuant to which it has reserved Membership Interests for issuance; the Company has never promised (in writing or otherwise) any such equity instrument to any Person. The Company has never adopted, sponsored or maintained any stock option plan or any other plan or agreement providing for equity or equity related compensation to any Person. There have been no (interim) dividends or other distributions with respect to any Membership Interests, and there are no declared or accrued but unpaid (interim) dividends or other distributions with respect to any Membership Interests. There are no outstanding bonds, debentures, notes or other obligations, granting its holder the right to vote on any matters on which Members of the Company may vote (or which are convertible into or exercisable for securities having the right to vote).

(c) As a result of the Membership Interests Purchase, as of the Closing, the Purchaser will be the sole record and beneficial holder of all issued and outstanding Membership Interests and all rights to acquire or receive any Membership Interests, whether or not such Membership Interests are outstanding.

(d) Except as contemplated hereby, there are no (i) voting trusts, proxies, or other agreements or understandings with respect to the voting stock of the Company, or (ii) agreements to which the Company is a party relating to the registration, sale or transfer (including agreements relating to rights of first refusal, co sale rights or "drag along" rights) of any Membership Interests.

(e) Section 3.2(e) of the Disclosure Schedule lists all of the former owners of the Membership Interests or other equity of the Company, and the approximate date on which such Membership Interests or other equity was sold or otherwise disposed of by such owners.

3.3 Subsidiaries. The Company does not have, and have never had, any Subsidiary. Except as set forth on Section 3.3 of the Disclosure Schedules, the Company does not control, directly or indirectly, or have (or has ever had) any direct or indirect equity participation or similar interest in, or any obligations to acquire any equity securities of or make any contribution to or debt or equity investment in, any Person.

3.4 No Conflict. The execution and delivery by the Company of this Agreement, and the consummation of the and Membership Interests Purchase or any other Transactions, will not conflict with or result in any violation of or default under (with or without notice or lapse of time, or both), or give rise to a right of notice or termination, cancellation, modification or acceleration of any right or obligation or loss of any benefit under, or require any consent, approval or waiver from any Person pursuant to, or result in the creation of any Lien upon the Membership Interests pursuant to, (a) any provision of the Charter Documents, (b) any Contract to which the Company is a party or by which any of the Company's properties or assets may be bound, or (c) any Laws applicable to the Company or any of its properties or assets (whether tangible or intangible). Section 3.4of the Disclosure Schedule sets forth all necessary consents, waivers and approvals of parties to any Contracts to which the Company is a party or by which the Company's properties or assets may be bound as are required thereunder in connection with the Transactions, or for any such Contract to remain in full force and effect without limitation, modification or alteration after the Closing so as to preserve all rights of, and benefits to, the Company under such Contracts from and after the Closing. Following the Closing, the Company will continue to be permitted to exercise all of its rights under the Contracts without the payment of any additional amounts or consideration other than ongoing fees, royalties or payments which the Company would otherwise be required to pay pursuant to the terms of such Contracts had the Transactions not occurred.

3.5 Governmental Consents and Approvals. No consent, notice, waiver, approval, order or authorization of, or registration, declaration or filing with any Governmental Entity is required by, or with respect to, the Company in connection with the execution and delivery of this Agreement or the consummation of the and Membership Interests Purchase and the other Transactions, except for such consents, notices, waivers, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable securities Laws.

3.6 No Undisclosed Liabilities, No Material Adverse Effect; Ordinary Course.

(a) The Company has no Liabilities of any type, whether or not accrued, absolute, contingent, matured, unmatured, known or unknown, on- or off-balance sheet.

(b) Since September 30, 2019, there has not occurred any Material Adverse Effect.

3.7 Accounts Receivable; Accounts Payable.

(a) All of the accounts receivable, whether billed or unbilled, of the Company arose in the ordinary course of business, are carried at values determined in accordance with GAAP consistently applied, are not subject to any valid set-off or counterclaim, do not represent obligations for goods sold on consignment, on approval or on a sale-or-return basis or subject to any other repurchase or return arrangement and, to the Knowledge of the Company, are collectible (which receivables are recorded in accordance with GAAP consistently applied). No Person has any Lien other than a Permitted Lien on any accounts receivable of the Company and no agreement for deduction or discount has been made with respect to any accounts receivable of the Company other than in the ordinary course of business.

(b) All accounts payable and notes payable of the Company arose in bona fide arm's length transactions in the ordinary course of business and no such account payable or note payable is delinquent by more than thirty (30) days in its payment. Since September 30, 2019, the Company has paid its accounts payable in the ordinary course of business and in a manner consistent with its past practices, and the Company has not materially delayed any such payments.

3.8 Tax Matters.

(a) The Company has (i) prepared and timely filed all Tax Returns required to be filed by the Company and all such Tax Returns are true and correct in all material respects and have been completed in accordance with applicable Law, and (ii) timely paid all Taxes that were due and payable (whether or not shown on a Tax Return).

(b) The Company has paid or withheld with respect to its employees, Members and other third parties, all U.S. federal, state and non-U.S. income Taxes and social security charges and similar fees, Federal Insurance Contribution Act taxes, Federal Unemployment Tax Act taxes and other Taxes required to be paid or withheld, and has timely paid over any such Taxes to the appropriate authorities.

(c) There is no Tax deficiency outstanding, assessed or proposed in writing against the Company, nor has the Company executed any waiver of any statute of limitations on or extending the period for the assessment or collection of any Tax, which waiver or extension is still in effect.

(d) No audit or other examination of any Tax Return of the Company is presently in progress, nor has the Company been notified in writing of any request for such an audit or other examination, and to the Knowledge of the Company, no such action or proceeding is being contemplated. No adjustment relating to any Tax Return filed by the Company has been proposed in writing by any Tax authority, which adjustment has not been resolved. There are no matters relating to Taxes under discussion between any Tax authority and the Company

(e) The Company has delivered to the Purchaser or made available to the Purchaser, copies of all income and other material Tax Returns for the Company filed for all periods since and including the taxable period ended December 31, 2016.

(f) No claim has ever been made by a Tax authority in a jurisdiction where the Company does not file Tax Returns that it is or may be subject to taxation by that jurisdiction.

(g) There are no Liens on the assets of the Company relating or attributable to Taxes other than clause (a) of the definition of Permitted Liens.

(h) The Company will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of (i) any installment sale or open transaction disposition made prior to the Closing Date, (ii) any prepaid amount or deferred revenue received or accrued prior to the Closing Date, or (iii) the use of an improper method of accounting for a taxable period ending on or prior to the Closing Date.

(i) The Company is not subject to any private letter ruling or closing agreement of the IRS or comparable rulings of any other Governmental Entity. There is no power of attorney given by or binding upon the Company with respect to Taxes for any period for which the statute of limitations (including any waivers or extensions) has not yet expired that is currently in effect.

(j) The Company has not been and are not subject to Tax in a country other than its country of organization by virtue of having a place of business, a permanent establishment or branch in any country outside the country of its organization.

(k) The Company (and any predecessors of the Company or any entity merged or liquidated into the Company) has been classified as a partnership or as a disregarded entity at all times since its inception and the corresponding provisions of the income tax Laws of the states and local jurisdictions in which the Company has and are required to file Tax Returns, and the Company has filed all forms and taken all actions necessary to maintain such status and will be a partnership or as a disregarded entity as of the Closing. The Company has, and at all times has had, only one class of equity securities (other than with respect to any differences in voting rights) and does not have any outstanding options, contracts or other arrangements that would constitute a second class of equity securities.

(l) Other than the Purchaser Stock Consideration issued in connection with this Agreement and the Purchaser Common Stock issued in connection with that certain Stock Purchase Agreement, of even date with this Agreement, by and among the Purchaser, Electronic Check Services, Inc., a Missouri corporation, Central States Legal Services, Inc., a Missouri corporation, and the Members, no Seller Party directly or indirectly owns any shares of capital stock of the Purchaser.

3.9 Restrictions on Business Activities. Except as set forth on Section 3.9 of the Disclosure Schedule, there is no Contract (non- competition or otherwise), commitment, judgment, injunction, order or decree to which the Company is a party or otherwise binding upon the Company which has or may reasonably be expected to have the effect of prohibiting or impairing any business practice of the Company, any acquisition of property and assets (including tangible and intangible property and assets) by the Company, the conduct of business by the Company, or otherwise limiting the freedom of the Company to engage in any line of business or to compete with any Person.

3.10 Title to Real and Personal Properties; Absence of Liens.

(a) The Company does not own any real property, nor has the Company ever owned any real property.

(b) The Company is a party to a lease with Peggy S. Winfrey for the Company's use of the premises at 1615 S Ingram Mill Rd, Ste. B, Springfield MO 65804 (the "**Springfield Property**"). Other than the Springfield Property, the Company has not entered into, nor are bound by, any lease, lease guaranty, sublease, agreement for the leasing, tenancy, license, other use or occupancy of, or otherwise granting a right in or relating to any real property nor is any Person in the course of acquiring any such rights or interests.

(c) The Company has good and valid title to, ownership of, or, in the case of leased properties and assets, valid leasehold interests in, all of its tangible properties and assets, real, personal and mixed, used or held for use in or necessary for the conduct of the business of the Company as currently conducted, free and clear of any Liens, except for Permitted Liens.

(d) The lease to the Springfield Property is valid and in full force and effect, and the Company has neither received nor provided any written or oral notice of any default or event that with notice of lapse of time, or both, would constitute a default by the Company or any other party thereto under any of the real property leases identified in the Disclosure Schedule. The Company has timely and fully performed all covenants and obligations under the property leases identified in the Disclosure Schedule. The Company has no existing offsets, defenses, counterclaims, or credits against rentals under any provision of the real property leases identified in the Disclosure Schedule, other than any security deposit.

(e) Except as set forth in Section 3.10(f) of the Disclosure Schedule, the Company has not previously assigned, transferred, or conveyed all or any part of its right, title, or interest under any of the real property leases identified in the Disclosure Schedule to any other Person.

(f) The property and assets of the Company constitute all of the properties and assets (whether real, personal or mixed and whether tangible or intangible) necessary and sufficient to permit to conduct the business of the Company immediately after the Closing in the ordinary course of business consistent with past practice.

(g) To the Knowledge of Company, there is no action or proceeding pending or threatened relating to the real property identified in the Disclosure Schedule.

3.11 Material Contracts.

(a) Except as set forth in Section 3.11 of the Disclosure Schedule (specifying the appropriate paragraph), the Company is not parties to, and has no obligations, rights or benefits under:

(i) any Contract that restricts or purports to restrict the ability of the Company or any of their Affiliates (including, after the Closing Date, the Purchaser or any of their Affiliates) to (A) conduct or compete with any line of business or operations or in any geographic area or during any period of time, (B) solicit or engage any customer, vendor or service provider, or (C) beneficially own any assets, properties or rights, anywhere at any time;

(ii) (A) any employment, independent contractor or consulting Contract with any officer of the Company or any other employee, independent contractor or consultant that provides for annual, aggregate compensation in excess of $150,000 per year, and (B) any employment, independent contractor or consulting Contract with any employee consultant or independent contractor that provides for any severance or termination pay (in cash or otherwise) or retention or change in control compensation or benefits to any employee, consultant or contractor;

(iii) any Contract for employment, consulting or independent contractor services that is not cancelable by the Company without penalty with not less than thirty (30) days' notice;

(iv) any Contract with any professional employer organization or similar entity or Person pursuant to which such entity or Person performs or provides the Company with employment, employer and/or human resources-related services (or similar administrative services) in regard to employees working for the Company;

(v) any Contract for Indebtedness and any Contract pursuant to which any assets or property are subject to a Lien, other than Permitted Liens;

(vi) any lease of personal property or other Contract affecting the ownership of, leasing of, or other interest in, any personal property;

(vii) any surety or guarantee agreement or other similar undertaking with respect to contractual performance;

(viii) any Contract relating to capital expenditures and involving payments by the Company other than in the ordinary course of business in excess of $50,000 individually or $100,000 in the aggregate per vendor;

(ix) any Contract relating to the disposition or acquisition of material assets or any interest in any business enterprise outside the ordinary course of business;

(x) any dealer, distribution, joint marketing, joint venture, partnership, strategic alliance, Affiliate or development agreement or outsourcing arrangement;

(xi) any Contract that contains a right of first refusal, first offer, first negotiation, take or pay, exclusivity, minimum purchase commitments, or "most favored nation" provision in favor of any Person;

(xii) any Contract providing for the settlement of any suit, claim, action, litigation, administrative charge, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Entity, governmental authority or arbitrator;

(xiii) any nondisclosure or confidentiality Contract (except such Contracts with substantially similar terms to those in the Company's standard form of non-disclosure agreement provided to the Purchaser prior to the date hereof);

(xiv) all Contracts with any Governmental Entity;

(xv) all Contracts under which the Company has advanced or loaned any amount to any of its directors, managers, officers, or employees; or

(xx) any other Contract that requires payments by the Company in excess of $50,000 which is not cancelable by the Company without penalty within thirty (30) days.

(b) True and complete copies of each Contract disclosed in the Disclosure Schedule or required to be disclosed pursuant to this Section 3.11 (each, a "**Material Contract**" and collectively, the "**Material Contracts**") have been made available to the Purchaser.

(c) Each Material Contract to which the Company is a party or any of its properties or assets (whether tangible or intangible) is subject is a valid and binding agreement enforceable against the Company in accordance with its terms, and is in full force and effect with respect to the Company and, to the Knowledge of the Company, any other party thereto subject to (i) laws of general application relating to bankruptcy, insolvency and the relief of debtors, and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies. The Company is in material compliance with and has not materially breached, violated or defaulted under, or received notice that it has materially breached, violated or defaulted under, any of the terms or conditions of any Material Contract, nor to the Knowledge of the Company is any party obligated to the Company pursuant to any Material Contract subject to any material breach, violation or default thereunder, nor do the Company has Knowledge of any presently existing facts or circumstances that, with the lapse of time, giving of notice, or both would constitute such a material breach, violation or default by the Company or any such other party, except as set forth on Section 3.11(c) of the Disclosure Schedule.

(d) The Company has performed all material obligations required to have been performed by the Company pursuant to each Material Contract.

3.12 Interested Party Transactions.

(a) Except as set forth on Section 3.12(a) of the Disclosure Schedule, no (i) equityholder, officer, manager, partner or director of the Company, (ii) Affiliate or immediate family member of any such Person listed in (i), or (iii) Person that any Person listed in (i) or (ii) has or has had an equity or other ownership or financial interest (each, an "**Interested Party**"), has or has had in the prior three (3) years, directly or indirectly, (A) any interest in property (including real and personal property) or assets (including tangible and intangible assets) used or held for use in the business of the Company, (B) any Person that furnished or sold, or furnishes or sells, services, products, or technology that the Company furnishes or sells, or proposes to furnish or sell, (C) any interest in any Person that purchases from or sells or furnishes to the Company any services, products or technology, or (D) any interest in, or is a party to, any Contract or has any right or claim against the Company or any of its assets.

(b) All transactions pursuant to which any Interested Party has purchased any material services, products, or technology from, or sold or furnished any services, products or technology to, the Company that were entered into have been on an arms' length basis on terms no less favorable to the Company than would be available from an unaffiliated party.

3.13 Permits. The Company possesses and has possessed all Permits required for the operation of its business, and is, and in the last three (3) years has been, in compliance in all material respects with the terms and conditions of all such Permits. All such Permits are listed on Section 3.13 of the Disclosure Schedule. All such Permits are valid and full force and effect and such Permits constitute all Permits required to permit the Company to operate or conduct its business or hold any interest in its properties, rights or assets. The consummation of the and the Membership Interests Purchase shall not cause the revocation, modification or cancellation of any such Permit, and no additional Permit is required in connection therewith or for the ability of the Company to maintain its business and operations immediately following such consummation.

3.14 Brokers' and Finders' Fees. None of the Seller Parties has incurred, nor will incur, directly or indirectly, any Liability for brokerage or finders' fees or agents' commissions, fees related to investment banking or similar advisory services or any similar charges in connection with this Agreement or the Transaction, nor will the Purchaser, nor any of the Seller Parties incur, directly or indirectly, any such Liability based on arrangements made by or on behalf of the Company or the Members.

3.15 Employment.

(a) None of the employment policies or practices of the Company is currently being, or at any time during the past three (3) years has been, audited or, to the Knowledge of the Company, investigated, by any Governmental Entity, and to the Knowledge of the Company, none of the employment policies or practices of the Company is currently subject to imminent audit or investigation by any Governmental Entity. The Company and the officers of the Company is not currently, and within the last three (3) years have not been, subject to any order, decree, injunction, fine, penalty or judgment by any Governmental Entity or private settlement contract in respect of any labor or employment matters.

(b) The Company is not currently, and during the past three (3) years has not been, a party to any collective bargaining agreements; and there are no labor unions or other organizations representing, or, to the Knowledge of the Company, purporting or attempting to represent, any employee of the Company, and the Company has no duty to bargain with any such union or organization with respect to wages, hours or other terms and conditions of employment of any of their employees.

(c) Section 3.15(c) of the Disclosure Schedule contains a complete and accurate list of the current employees of the Company and shows with respect to each such employee as of the date hereof (unless otherwise specified) (i) the employee's position held, and principal place of employment, (ii) base salary or hourly wage rate, as applicable, (iii) annual commission opportunity, (iv) bonus eligibility for the current year (and bonus paid for the prior year), (v) each employee's designation as either exempt or non-exempt for wage and hour purposes, (vi) all other remuneration payable (including applicable rates) and other benefits provided or which the Company is bound to provide (whether at present or in the future) to each such employee, or any Person connected with any such employee, and includes, if any, particulars of all profit sharing, incentive and bonus arrangements to which the Company is a party, (vii) the date of hire, (viii) vacation and other paid time off eligibility for the current calendar year (including current balance of accrued unused vacation or other paid time off, and current accrual rate as of October 31, 2019), and (ix) leave status (including type of leave, and expected return date, if known).

(d) There is no officer, Key Employee, employee that is material to the business, or group of employees of the Company who have indicated an intention to terminate his, her, or their employment or engagement with the Company as of the date hereof, and in the past three (3) months from the date hereof, the employment of no officer or employee that is material to the business of the Company has been terminated for any reason.

3.16 Compliance with Laws. The Company is conducting, and have conducted in the last three (3) years, its business in compliance in all material respects with all Laws, other legal restraints (whether temporary, preliminary or permanent) applicable to the Company. Since its inception, the Company has not (a) been in violation of any Laws or other legal restraints (whether temporary, preliminary or permanent) applicable to the Company in any material respect or (b) received written notice of violation of any such foreign, federal, state or local laws, statutes, rules, regulations, executive orders, decrees, injunctions, orders or other legal restraints (whether temporary, preliminary or permanent) applicable to the Company that remains uncured.

3.17 Bank Accounts. Section 3.18 of the Disclosure Schedule lists the names, account numbers, authorized signatories and locations of all banks and other financial institutions at which the Company has an account or safe deposit box and the name of each Person authorized to draft on or have access to any such account or safe deposit box. The bank accounts shall be immediately be amended to include additional signatories as appointed by Purchaser ("Purchaser Signatories"). Further, at no time shall any outgoing transactions in an amount more than $5,000.00 or outside of the ordinary course business be initiated without the additional signature of one of the Purchaser Signatories.

3.18 No Other Representation and Warranties. Except for the representations and warranties contained in this Article III and/or Article IV, none of the Company, the Members, nor any representative thereof has made or makes any other express or implied representation or warranty, either written or oral, on behalf of the Company, or any representation or warranty arising from statute or otherwise at law with respect to the Company. The Seller Parties acknowledge that except for the representations and warranties contained in Article V, neither the Purchaser nor any representative thereof has made or makes any other express or implied representation or warranty, either written or oral, on behalf of the Purchaser, or any representation or warranty arising from statute or otherwise at law with respect to the Purchaser.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE MEMBERS

The Members, on behalf of themselves, hereby represent and warrant to the Purchaser as of the date hereof and as of the Closing, subject to such exceptions as are specifically disclosed in the Disclosure Schedule:

4.1 Power and Capacity; Enforceability. The Members possesses all requisite capacity necessary to enter into this Agreement and to consummate the Transactions. This Agreement to which the Members are parties have been duly executed and delivered by the Members and the obligations of the Members hereunder are or will be, upon such execution and delivery (and assuming the due authorization, execution and delivery by the other parties hereto), valid, legally binding and enforceable against the Members in accordance with their respective terms.

4.2 No Conflict.

(a) The execution, delivery and performance by the Members of this Agreement, and the consummation of the and the Membership Interests Purchase or any other Transactions will not conflict with or result in any violation of or default under (with or without notice or lapse of time, or both), or give rise to a right of notice or termination, cancellation, modification or acceleration of any right or obligation or loss of any benefit under, or require any consent, approval or waiver from any Person pursuant to, or result in the creation of any Lien upon the Membership Interests pursuant to (i) any Contract or order to which the Members are subject or (ii) any Laws applicable to the Members or the Members' assets (whether tangible or intangible).

(b) No consent, notice, waiver, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by, or with respect to, the Members in connection with the execution and delivery of this Agreement to which the Members are a party, or the consummation of the and the Membership Interests Purchase and the other Transactions except for such consents, notices, waivers, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable securities Laws.

4.3 Title to Membership Interests. The Members own of record and beneficially all of the outstanding Membership Interests, and has good and valid title to such Membership Interest, free and clear of all Liens and, at Closing, shall deliver to the Purchaser good and valid title to such Membership Interest, free and clear of all Liens. The Members do not own, and do not have the right to acquire, directly or indirectly, any other Membership Interest. The Members are not parties to any option, warrant, purchase right, or other Contract or commitment that could require the Members to sell, transfer, or otherwise dispose of any Membership Interest (other than this Agreement). The Members are not a party to any voting trust, proxy, or other agreement or understanding with respect to the voting of any share capital of the Company.

4.4 Litigation. There is no action, suit, claim, litigation, investigation, arbitration, or proceeding of any nature pending, or, to the knowledge of the Members, threatened, against the Members that seeks to restrain or enjoin the consummation of the Transactions, nor, to the knowledge of the Members, are there any presently existing facts or circumstances that would constitute a reasonable basis therefor. There are no outstanding governmental orders and no unsatisfied judgments, penalties or awards against or affecting the Members or the Membership Interest.

4.5 Investment Purpose. The Members are acquiring the shares of Purchaser Common Stock issued hereunder solely for their own accounts for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof. The Members understand and acknowledge that the Purchaser Common Stock is not being registered with the SEC under the Securities Act but instead is being transferred under an exemption or exemptions from the registration and qualification requirements of the Securities Act and other applicable securities laws which impose certain restrictions on the Members' ability to transfer the Purchaser Common Stock. The Members are able to bear the economic risk of holding the Purchaser Common Stock for an indefinite period (including total loss of its investment), and has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risk of its investment.

4.6 No Solicitation. At no time were the Members presented with or solicited by any publicly issued or circulated newspaper, mail, radio, television or other form of general advertising or solicitation in connection with the offer, sale and purchase of the Purchaser Common Stock by the Purchaser or its agents.

4.7 Accredited Investor. The Members are accredited investors as defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

4.8 Disclosure of Information. The Members have received or has had full access to all the information the Members consider necessary or appropriate to make an informed investment decision with respect to the Purchaser Stock Consideration. The Members further has had an opportunity to ask questions and receive answers from the Purchaser regarding the terms and conditions of the offering of the Purchaser Stock Consideration and to obtain additional information (to the extent the Purchaser possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to the Members or to which the Members had access.

4.9 Understanding of Risks. The Members are fully aware of: (a) the highly speculative nature of the Purchaser Common Stock, (b) the financial hazards involved, (c) the liquidity of the Purchaser Common Stock, (d) the qualifications and backgrounds of the management of the Purchaser and (e) the tax consequences of acquiring the Purchaser Common Stock.

4.10 Qualifications. The Members have such knowledge and experience in financial and business matters that the Members are capable of evaluating the merits and risks of this prospective investment, have the capacity to protect the Members' own interests in connection with this transaction, and is financially capable of bearing a total loss of the Purchaser Stock Consideration.

4.11 Rule 144. The Members acknowledge that, because the Purchaser Stock Consideration has not been registered under the Securities Act, the Purchaser Stock Consideration must be held indefinitely unless subsequently registered under the Securities Act or unless an exemption from such registration is available. The Members are aware of the provisions of Rule 144 promulgated under the Securities Act.

4.12 No Other Representation and Warranties. Except for the representations and warranties contained in Article III and this Article IV, neither the Members nor any representative thereof has made or makes any other express or implied representation or warranty, either written or oral, on behalf of the Members, or any representation or warranty arising from statute or otherwise at law with respect to the Members. The Members acknowledge that except for the representations and warranties contained in Article V, neither the Purchaser nor any representative thereof has made or makes any other express or implied representation or warranty, either written or oral, on behalf of the Purchaser, or any representation or warranty arising from statute or otherwise at law with respect to the Purchaser.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser hereby represents and warrants to the Seller Parties as of the date hereof and as of the Closing:

5.1 Organization; Authority and Enforceability.

(a) The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and has the requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted.

(b) The Purchaser has all requisite corporate power and authority to enter into this Agreement and to consummate the Transactions. The execution and delivery by the Purchaser of this Agreement and the consummation of the Transactions have been duly and validly authorized by all necessary corporate action on the part of the Purchaser. This Agreement has been duly and validly authorized, executed and delivered by the Purchaser and the obligations of the Purchaser hereunder are or will be, upon such execution and delivery (and assuming due authorization, execution and delivery by the other parties hereto), valid, legally binding and enforceable against the Purchaser in accordance with their respective terms.

5.2 No Conflict. The execution and delivery by the Purchaser of this Agreement to which the Purchaser is a party, and the consummation of the and the Membership Interests Purchase or any other Transactions, will not conflict with or result in any violation or default under (with or without notice or lapse of time, or both), or give rise to a right of notice or termination, cancellation, modification or acceleration of any right or obligation or loss of any benefit under (a) any provision of any organizational documents of the Purchaser, (b) any Contract to which the Purchaser is a party or by which any of the Purchaser's properties or assets may be bound, or (c) Laws applicable to the Purchaser or any of its properties or assets (whether tangible or intangible).

5.3 Consents. No consent, notice, waiver, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by, or with respect to, the Purchaser in connection with the execution and delivery of this Agreement to which the Purchaser is a party or the consummation of the and the Membership Interests Purchase and the other Transactions, except for such consents, notices, waivers, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable securities Laws.

5.4 Valid Issuance of Purchaser Common Stock. The shares of Purchaser Common Stock to be issued pursuant to this Agreement will, when issued, be duly authorized, validly issued, fully paid and non-assessable and issued in compliance with federal and state securities Laws.

5.5 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Transactions based upon arrangements made by or on behalf of the Purchaser.

5.6 No Other Representation and Warranties. Except for the representations and warranties contained in this Article V, neither the Purchaser nor any representative thereof has made or makes any other express or implied representation or warranty, either written or oral, on behalf of the Purchaser, or any representation or warranty arising from statute or otherwise at law with respect to the Purchaser. The Purchaser acknowledges that except for the representations and warranties contained in Article III and Article IV, none of the Company, the Members, nor representative thereof has made or makes any other express or implied representation or warranty, either written or oral, on behalf of the Company or the Members, or any representation or warranty arising from statute or otherwise at law with respect to the Company or the Members.

ARTICLE VI

COVENANTS

6.1 Public Disclosure. Except as expressly provided for herein, the Seller Parties shall not (and shall not authorize any Company Representative to), directly or indirectly, issue or make any statement or communication to any third party (other than their respective legal, accounting and financial advisors that are bound by confidentiality restrictions) regarding the existence or subject matter of this Agreement or the Transactions (including any claim or dispute arising out of or related to this Agreement, or the interpretation, making, performance, breach or termination hereof and the reasons therefor) without the consent of the Purchaser or as expressly provided for herein.

6.2 Continuing Employees. All employees and independent contractors of the Company (collectively, the "**Offered Employees**"), will be offered continued employment on an at-will basis by or with the Purchaser or one of its Subsidiaries (including the Company). The Offered Employees who accept employment with the with the Purchaser or one of its Subsidiaries (including the Company) shall be referred to herein as "**Continuing Employees**." Continuing Employees shall be eligible to participate in the health, welfare and other benefit programs of the Company. Notwithstanding the foregoing, nothing contained in this Section 6.2 shall (i) be treated as an amendment of any particular employee benefit plan, program, policy, agreement or arrangement, (ii) give any third party, including any Offered Employee, any Continuing Employee, any former employee of the Company or any beneficiary representative thereof, any right to enforce the provisions of this Section 6.2 or (iii) operate to duplicate any benefit provided to any Continuing Employee or the funding of any such benefit. Nothing contained in this Agreement (x) confers (or is intended to confer) upon any Offered Employee, any Continuing Employee or any other Person any right to continued employment after the Closing or (y) prevents (or is intended to prevent) the Purchaser or any of its Affiliates from amending, modifying or terminating any employee benefit plan, program, policy, agreement or arrangement at any time.

6.3 Release. Effective for all purposes as of the Closing, the Members acknowledge and agree, on behalf of themselves and each of their Affiliates, heirs, successors, assigns and agents (each, a "**Releasor**"), that the Members, on behalf of themselves and the other Releasors, hereby irrevocably and unconditionally releases the Purchaser and its Affiliates (including the Company), and their respective Affiliates, successors and assigns, present or former directors, officers, employees, and agents, from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages or causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorneys' fees and costs incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, existing or prospective, relating to the Members' investment in, ownership of any securities in, any rights to proceeds upon the sale of, any rights or assets of, or employment by, the Company (collectively, "**Claims**"); provided, however, that the foregoing release shall not cover Claims (a) arising from rights of the Members under this Agreement or (b) for accrued wages payable in the ordinary course of business in the current payroll cycle (collectively, "**Excluded Claims**"). Such released Claims include (except as otherwise excluded as an Excluded Claim), to the maximum extent permitted by applicable Laws, any and all Claims: (i) relating to or arising out of such employment, the end of such employment and/or the terms and conditions of such employment; (ii) of or for employment discrimination, harassment or retaliation under any local, state or federal law or ordinance, including without limitation Title VII or the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, as amended the Equal Pay Act of 1963, as amended, or the Americans with Disabilities Act of 1990, as amended; (iii) under the Family and Medical Leave Act of 1993, as amended, or under similar state or local law; (iv) under the federal Worker Adjustment Retraining and Notification Act or any similar state or local law; (v) under the Employee Retirement Income Security Act of 1974, as amended (excluding claims for accrued, vested benefits under any pension or welfare benefit plan, subject to the terms of the applicable plan and applicable Law); (vi) under any other federal, state or local statute, law, rule or regulation of the applicable jurisdiction; (vii) for wages (excluding accrued wages payable in the ordinary course of business in the current payroll cycle), bonuses, incentive compensation, stock, options or other equity- based incentives, severance, vacation pay or any other compensation or benefits; (viii) under or for violation of any public policy or Contract (express or implied); (ix) for any tort, or otherwise arising under common law; (x) arising under any policies, practices or procedures of the Company; (xi) any and all Claims for wrongful or constructive discharge, breach of Contract (express or implied), infliction of emotional distress, defamation; and (xii) any and all Claims for costs, fees, or other expenses, including attorneys' fees incurred in these matters. The Members represents and acknowledges that they have read this release and understands its terms and has been given an opportunity to ask questions of the Company's representatives, and to consult with independent legal counsel of their own choosing. The Members further represents that in signing this release they are not relying, and have not relied, on any representation or statement not set forth in this release made by any representative of the Purchaser or anyone else with regard to the subject matter, basis or effect of this release or otherwise. The Members hereby acknowledge and agree that neither the release provided hereunder nor the furnishing of the consideration for the release given hereunder will be deemed or construed at any time to be an admission by any released party or Releasor of any improper or unlawful conduct. The Members hereby irrevocably covenants to refrain from, directly or indirectly, asserting any claim, or commencing, instituting or causing to be commenced, any action, proceeding, charge, complaint, or investigation of any kind against any of the released parties, in any forum whatsoever (including any administrative agency), that is based upon any claim purported to be released hereunder. Notwithstanding the foregoing or anything to the contrary in this release, it is understood and agreed that the release given herein does not prohibit any Releasor from filing an administrative charge with the Equal Employment Opportunity Commission or similar equal employment opportunity/anti-discrimination administrative agency (federal, state or local). The Members, however, waive any right to monetary or other recovery in connection with any such charge and/or in the event any such federal, state or local administrative agency pursues any claims on the Members' behalf or otherwise in connection with any such charge or relating to the Members' employment with the Company or any successor or assign. This release may be pleaded by any released party as a full and complete defense regarding any matter purported to be released hereby and may be used as the basis for an injunction against any action at law or equity instituted or maintained against them regarding such matter in violation of this Agreement. In the event any claim is brought or maintained by a Releasor against any released party in violation of this Agreement, the Members shall be responsible for all costs and expenses, including reasonable attorneys' fees, incurred by the released parties in defending same. The Members expressly acknowledge that the release contained herein applies to all Claims, regardless of whether such Claims are known or unknown, suspected or unsuspected, existing or prospective, and include Claims which, if known by the releasing party, might materially affect its decision to enter into this Section 6.3 (other than the Excluded Claims). The Members have considered and taken into account the possible existence of such Claims in determining to execute and deliver this Agreement.

6.4 Non-Competition/Non-Solicitation.

(a) The Members, is their individual capacity or through any of their Affiliates shall not, directly or indirectly, for a period of four (4) years after the Closing Date, engage (whether as owner, employee, operator, manager, consultant or otherwise) anywhere in the world in any business that competes with the business of the Company, the Purchaser or any of their respective Affiliates. Notwithstanding the foregoing, the Members and their Affiliates shall not be prohibited by this Section 6.5(a) from acquiring or owning less than one percent (1%) of the outstanding voting power of any publicly traded company on a passive basis.

(b) The Members and their Affiliates shall not, nor shall they permit any of their Affiliates to, directly or indirectly, for a period of four (4) years after the Closing Date, (i) other than for the benefit of the Company or the Purchaser, solicit, call upon, divert, take away, attempt to induce, or accept or conduct any business from or with, any customer, supplier, agent or distributor of the Company, the Purchaser or any of their respective Affiliates, or cause any such customer, supplier, agent or distributor to terminate or adversely affect or materially reduce their business relationship with the Company, the Purchaser or any of their respective Affiliates, or (ii) contact, solicit or approach for the purpose of offering employment to, or hire (whether as an employee, consultant, agent, independent contractor or otherwise), any employee employed or full-time consultant engaged by the Purchaser or any of its Affiliates (including the Company) during the one (1) year period preceding such contact, solicitation or approach (provided, that the foregoing clause shall not prohibit the Members or their Affiliates from making a general solicitation not targeting any such employee or consultant).

(c) The Members, for themselves and on behalf of their Affiliates, agree that the scope of the restrictive provisions set forth in this Section 6.4 are reasonable with respect to subject matter, time and scope and that the provisions contained in this Section 6.4 are a material inducement to the Purchaser's entering into this Agreement and but for the provisions contained in this Section 6.4, the Purchaser would not have entered into this Agreement. In the event that any court determines that the subject matter, duration or geographic scope, or all of the foregoing, is unreasonable and that such provision is to that extent unenforceable, the Purchaser and the Members, for itself or themselves and on behalf of each of their or its Affiliates, agree that the provision shall remain in full force and effect for the greatest time period and for the broadest subject matter and in the greatest area, as the case may be, that would not render it unenforceable. It is specifically understood and agreed that any breach of the provisions of this Section 6.4 by the Members or any of their Affiliates will result in irreparable injury to the Purchaser, that the remedy at law alone will be an inadequate remedy for such breach and that, in addition to any other remedy it may have, the Purchaser shall be entitled to enforce the specific performance of this Section 6.4 by the Members and their Affiliates through both temporary and permanent injunctive relief without the necessity of proving actual damages and without posting a bond, but without limitation of the Purchaser's right to damages and any and all other remedies available to the Purchaser, it being understood that injunctive relief is in addition to, and not in lieu of, such other remedies. Should the Members breach Section 6.4(a) or 6.4(b) above, the term of the restrictions set forth in Section 6.4(a) or 6.4(b), as applicable, shall be tolled by the duration of such breach. For the avoidance of doubt, the parties hereto acknowledge and agree that the restrictions set forth in this Section 6.4 are independent of and in addition to any restrictions set forth in any Contract between the Purchaser or any of its Affiliates (including the Company), on the one hand, and the Members, on the other hand (including the remainder of this Agreement). The Members acknowledge and agree that they have received, or are receiving, substantial consideration in connection with the Transactions. No breach by Purchaser or any of its Affiliates of any contractual or other obligations it or they have to the Members shall constitute a defense, or a limitation of, the enforcement of this Section 6.4 against the Members. If the Members violate this Section 6.4, in addition to all other remedies available to the Purchaser at law, in equity, and under contract, the Members agree that the Members shall pay the Purchaser's costs of enforcement of this Section 6.4, including reasonable attorneys' fees and expenses.

ARTICLE VII

TAX MATTERS

7.1 Tax Returns.

(a) Except as provided in Section 7.1(b), the Purchaser shall prepare and timely file, or shall cause to be prepared and timely filed, all Tax Returns of the Company required to be filed after the Closing Date for taxable periods ending on or before the Closing Date; provided, that with respect to any Tax Return for a taxable period ending on or prior to the Closing Date, (i) such Tax Return shall be prepared in a manner consistent with past practice of the Company unless otherwise required by applicable Law and (ii) if such Tax Return reflects a material amount of Tax for which the Seller Parties must indemnify the Purchaser, the Purchaser shall provide such Tax Return to the Members for their review and comment at least thirty (30) days prior to the date on which such Tax Return is to be filed (or as soon as is reasonably practicable) and Purchaser shall consider in good faith the reasonable comments of the Members with respect to such Tax Return.

(b) The Members shall prepare and timely file, or shall cause to be prepared and timely filed, all Tax Returns of the Company required to be filed after the Closing Date for taxable periods ending on or before the Closing Date and that are income Tax Returns and reflect items of income, loss, deduction or credit which the Members is required to report on their income Tax Returns; provided, that with respect to any Tax Return for a taxable period ending on or prior to the Closing Date, (a) such Tax Return shall be prepared in a manner consistent with the past practice of the Company unless otherwise required by applicable Law and (b) the Members shall provide such Tax Return to the Purchaser for its review and comment at least thirty (30) days prior to the date on which such Tax Return is to be filed (or as soon as is reasonably practicable) and Members shall consider in good faith the reasonable comments of the Purchaser with respect to such Tax Return.

7.2 Tax Cooperation. The Purchaser, the Company and the Members shall cooperate fully, as and to the extent reasonably requested by the other parties hereto, in connection with the filing, preparation and review of Tax Returns, and any Tax audits, Tax proceedings or other Tax-related claims (including claims under this Agreement). Such cooperation shall include providing records and information that are reasonably relevant to any such matters and in their possession (or if not in their possession, if reasonably able to obtain), making employees available on a mutually convenient basis to provide additional information, and explaining any materials provided pursuant to this Section 7.2. The Purchaser, the Company and the Members shall not destroy or dispose of any Tax workpapers, schedules or other materials and documents in their possession or under their control supporting Tax Returns of the Company until the seventh (7th) anniversary of the Closing Date.

7.3 Transfer Taxes. All sales, use, transfer, value added, goods and services, gross receipts, excise, conveyance and documentary, stamp, recording, registration, conveyance and similar Taxes incurred in connection with the Transactions pursuant to this Agreement, including penalties and interest ("**Transfer Taxes**") shall be borne fifty percent (50%) by the Purchaser and fifty percent (50%) by the Members. The Purchaser shall timely file all necessary Tax Returns and other documentation with respect to all such Transfer Taxes and the Members shall join in the execution of any such Tax Returns to the extent required by applicable Law.

ARTICLE VIII

SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION

8.1 Survival of Representations and Warranties. The representations and warranties of the Company and/or the Members contained in Article III and Article IV of this Agreement or the Certificates shall survive until the fifteen (15) month anniversary of the Closing Date (the "**Survival Date**"); provided, that in the event of any fraud or Willful Breach by a Seller Party with respect to the representations and warranties set forth in Article III, and the Members with respect to the representations and warranties set forth in Article IV, such claim shall survive without limitation. The representations and warranties of the Purchaser contained in Article V of this Agreement or in any certificate delivered pursuant to this Agreement shall survive until the Survival Date; provided, that in the event of any fraud or Willful Breach by Purchaser with respect to the representations and warranties set forth in Article V, such claim shall survive without limitation. The covenants and indemnities (other than for breach of representation and warranties as provided for earlier in this Section 8.1) of a party hereunder shall survive until thirty (30) days following the expiration of the statute of limitations applicable to the subject matter thereof (or such longer period as specified in the applicable covenant). If an Officer's Certificate asserting a claim for indemnification hereunder, (x) in the case of representations and warranties that survive until the Survival Date, on or before the Survival Date, or (y)in the case of the covenants and indemnities (other than for breach of representation and warranties as provided for in clause (x)), before the date on which such covenant or indemnity ceases to survive, then the claims arising in connection with such Officer's Certificate shall survive for the benefit of all Indemnified Parties beyond the expiration of the applicable survival period for such representation, warranty, covenant or indemnity until such claims are fully and finally resolved. The parties further acknowledge that the time periods set forth in this Section 8.1 for the assertion of claims under this Agreement are the result of arms' length negotiation among the parties and that they intend for the time periods to be enforced as agreed by the parties.

8.2 Indemnification.

(a) Subject to the provisions of this Article VIII, from and after the Closing, the Members agree to indemnify and hold harmless the Purchaser Indemnified Parties, from and against, and shall compensate and reimburse the Purchaser Indemnified Parties for, all Losses incurred or sustained by the Purchaser Indemnified Parties, or any of them, directly or indirectly, arising under, in connection with or as a result of any of the following (the "**Indemnifiable Matters**"):

(i) any breach (or an allegation that would amount to a breach in the case of a third party claim) of a representation or warranty made by the Company and/or the Members in this Agreement or any Certificate;

(ii) any failure (or an allegation that would amount to a failure in the case of a third party claim) by (A) the Company to perform or comply with any covenant or agreement applicable to the Company contained in this Agreement and required to be performed or complied with as of or prior to the Closing or (B) the Members to perform or comply with any covenant or agreement applicable to the Members contained in this Agreement;

(iii) any fraud, or any Willful Breach of any provision of this Agreement or any Certificate, to the extent committed as of or prior to the Closing, by a Seller Party or any authorized representative thereof;

(iv) any claims or threatened claims by or purportedly on behalf of any holder or former holder of any Membership Interests, or in respect of any rights to acquire the Membership Interests, any claims or threatened claims alleging violations of fiduciary duty, or any claims or threatened claims by any Person claiming to have rights to any portion of the consideration payable hereunder;

(v) any claims or threatened claims by or purportedly on behalf of any Person with respect to any transaction or agreement between the Company and any Interested Party initiated or consummated as of or prior to the Closing (each, a "**Related Party Transaction**"), including claims or threatened claims alleging violations of fiduciary duty;

(vi) any Transaction Expenses or unpaid Indebtedness of the Company as of immediately prior to the Closing; and/or

(vii) any Taxes owed for periods prior to the Closing.

(b) Subject to the provisions of this Article VIII, from and after the Closing, the Purchaser agrees to indemnify and hold harmless the Members, from and against, and shall compensate and reimburse the Members for, all Losses incurred or sustained by the Members, directly or indirectly, arising under, in connection with or as a result of:

(i) any breach (or an allegation that would amount to a breach in the case of a third party claim) of a representation or warranty made by the Purchaser in Article V of this Agreement or any certificate delivered by the Purchaser to the Seller Parties in connection with the Closing;

(ii) any failure (or an allegation that would amount to a failure in the case of a third party claim) by the Purchaser to perform or comply with any covenant or agreement applicable to the Purchaser contained in this Agreement; or

(iii) any fraud, or any Willful Breach of any provision of this Agreement or any such certificate, to the extent committed as of or prior to the Closing, by the Purchaser or any authorized representative thereof.

(c) For the purpose of this Article VIII only, when determining any inaccuracy or breach of, and the amount of Losses suffered by an Indemnified Party as a result of, any breach or inaccuracy of any representation or warranty set forth in this Agreement that is qualified or limited in scope as to material, material adverse effect, Material Adverse Effect, or any other materiality qualifications or limitations shall be deemed to be made or given without such qualification or limitation.

(d) The Members shall not have any right of contribution, indemnification or right of advancement from the Purchaser or any of its Affiliates with respect to any Loss claimed by a Purchaser Indemnified Party.

(e) The Company and the Members have agreed that the Purchaser Indemnified Parties' rights to indemnification, compensation and reimbursement contained in this Article VIII relating to the representations, warranties, covenants, indemnities and obligations of the Company and/or the Members are part of the basis of the bargain contemplated by this Agreement; and such representations, warranties, covenants, indemnities and obligations, and the rights and remedies that may be exercised by the Purchaser Indemnified Parties with respect thereto, shall not be waived, limited or otherwise affected by or as a result of (and the Purchaser Indemnified Parties shall be deemed to have relied upon such representations, warranties, covenants or obligations notwithstanding) any knowledge on the part of any of the Purchaser Indemnified Parties or any of their representatives (regardless of whether obtained through any investigation by any Purchaser Indemnified Parties or any representative of any Purchaser Indemnified Parties or through disclosure by the Company or any other Person, and regardless of whether such knowledge was obtained before or after the execution and delivery of this Agreement) or by reason of the fact that a Purchaser Indemnified Party or any of its representatives knew or should have known that any representation or warranty is or might be inaccurate or untrue. The Purchaser has agreed that the Members' right to indemnification, compensation and reimbursement contained in this Article VIII relating to the representations, warranties, covenants, indemnities and obligations of the Purchaser are part of the basis of the bargain contemplated by this Agreement.

(f) This Article VIII shall constitute the exclusive remedy after the Closing for recovery of Losses by the Indemnified Parties (x) as a result of breaches of the matters specified in Section 8.2(a), provided, that notwithstanding anything herein to the contrary, nothing in this Agreement shall limit the rights or remedies of the Purchaser or any other Purchaser Indemnified Party (i) in the case of fraud or Willful Breach (including pursuant to Section 8.2(a)(iii) or Section 8.2(b)(iii)), (ii) Transaction Expenses or Indebtedness as described in Section 8.2(a)(vi), (iii) with respect to specific performance, injunctive and other equitable relief, (iv) claims relating to Related Party Transactions, or (v) for breaches of any covenant to be performed following the Closing, or (y) as a result of breaches of the matters specified in Section 8.2(b), provided, that notwithstanding anything herein to the contrary, nothing in this Agreement shall limit the rights or remedies of the Members (i) in the case of fraud or Willful Breach (including pursuant to Section 8.2(a)(iii) or Section 8.2(b)(iii)), (ii) with respect to specific performance, injunctive and other equitable relief, or (iii) for breaches of any covenant to be performed following the Closing. Without limiting the foregoing, the provisions of this Article VIII will not prevent or limit a cause of action under Section 6.6 to obtain an injunction or injunctions to prevent breaches of covenants contained in this Agreement.

8.3 Maximum Payments; Remedy.

(a) The Purchaser Indemnified Parties, on the one hand, or the Members, on the other hand (each, an "**Indemnified Party**"), shall not be entitled to any recovery resulting from Section 8.2(a)(i) or Section 8.2(b)(i), respectively, until such time (if at all) as the total amount of all Losses that have been suffered or incurred by any one or more of such Indemnified Parties with respect to such matters exceeds $50,000 in the aggregate; and in such event, the Purchaser Indemnified Parties or the Members, as the case may be, shall, subject to the limitations set forth in the remaining subsections of this Section 8.3, be entitled to be indemnified against and compensated and reimbursed to the extent all Losses from the first Dollar thereof; provided, that the limitations set forth in this Section 8.3(a) shall not apply to any indemnification claims relating to any breach (or an allegation that would amount to a breach in the case of a third party claim) of any representation or warranty that involves fraud or Willful Breach (including pursuant to Section 8.2(a)(iii) or Section 8.2(b)(iii)).

(b) The Purchaser Indemnified Parties' right to indemnification pursuant to this Article VIII on account of any Losses will be reduced by all insurance of the Company or other third party indemnification or contribution proceeds actually received by the Company in respect of those Losses, net of applicable costs and expenses involved in seeking such recovery (including increases in premiums relating thereto). The applicable Purchaser Indemnified Parties shall remit to the Members, for the benefit of the Members, any such insurance or other third party proceeds that are paid to such Purchaser Indemnified Parties with respect to such Losses for which such Purchaser Indemnified Parties have been previously indemnified pursuant to this Article VIII.

8.4 Claims for Indemnification; Resolution of Conflicts.

(a) Making a Claim for Indemnification; Officer's Certificate. The Members or a Purchaser Indemnified Party may seek recovery of Losses pursuant to this Article VIII by delivering to the Purchaser or the Members, as applicable, an Officer's Certificate in respect of such claim. The date of such delivery of an Officer's Certificate is referred to herein as the "**Claim Date**" of such Officer's Certificate (and the claims for indemnification contained therein). For purposes hereof, "**Officer's Certificate**" means a certificate signed by any authorized representative of an Indemnified Party (or, in the case of an Indemnified Party who is an individual, signed by such individual) stating that an Indemnified Party has paid, sustained, incurred, or accrued, or reasonably anticipates that it will have to pay, sustain, incur or accrue Losses and including, to the extent reasonably practicable, a non-binding, preliminary estimate of the amounts of such Losses; provided, that the Officer's Certificate need only specify such information to the knowledge of such officer or such Indemnified Party as of the Claim Date, shall not limit any of the rights or remedies of any Indemnified Party, and may be updated and amended from time to time by the Indemnified Party by delivering an updated or amended Officer's Certificate to the Members or the Purchaser, as applicable.

(b) Objecting to a Claim for Indemnification.

(i) The Members or the Purchaser, as applicable, may object, in whole or in part, to a claim for indemnification set forth in an Officer's Certificate by delivering to the Indemnified Party seeking indemnification a written statement of objection to the claim made in the Officer's Certificate (an "**Objection Notice**"); provided, that, to be effective, such Objection Notice must (A) be delivered to the Indemnified Party pursuant to Section 10.1 prior to 5:00 p.m. Memphis, Tennessee time on the thirtieth (30th) day following the Claim Date of the Officer's Certificate (such deadline, the "**Objection Deadline**" for such Officer's Certificate and the claims for indemnification contained therein) and (B) set forth in reasonable detail the nature of the objections to the claim in respect of which the objection is made.

(ii) To the extent the Members or Purchaser, as applicable, does not object in writing (as provided in Section 8.4(b)(i)) to the claims contained in an Officer's Certificate prior to the Objection Deadline for such Officer's Certificate, such failure to so object shall be an irrevocable acknowledgment by the Members or the Purchaser, as applicable, that the Indemnified Party is entitled to the full amount of the claims for Losses set forth in such Officer's Certificate (and such entitlement shall be conclusively and irrefutably established) with respect to the applicable Indemnifying Parties (any such claim, an "**Unobjected Claim**"). Within thirty (30) days of a claim becoming an Unobjected Claim, the Indemnifying Parties shall make the applicable payment to such Indemnified Party, subject to Sections 8.4(f) and 8.5.

(c) Resolution of Conflicts. In case the Member or the Purchaser, as applicable, timely delivers an Objection Notice in accordance with Section 8.4(c) hereof, the Member or the Purchaser, as applicable, and the applicable Indemnified Parties shall attempt in good faith to agree upon the rights of the respective parties with respect to each of such claims. If the Member or the Purchaser, as applicable, and the Indemnified Parties reach an agreement, a memorandum setting forth such agreement shall be prepared and signed by all applicable parties (any claims covered by such an agreement, "**Settled Claims**"). Any amounts required to be paid as a result of a Settled Claim shall be paid by the Indemnifying Party to the Indemnified Parties pursuant to the Settled Claim within thirty (30) days of the applicable claim becoming a Settled Claim, subject to Sections 8.4(f) and 8.5. If the Member or the Purchaser, as applicable, and the Indemnified Parties are unable to reach an agreement, the matter specified in the Objection Notice shall be resolved pursuant to Section 10.8 (any claims resolved pursuant thereto, "**Resolved Claims**").

(d) Payable and Unresolved Claims. A "**Payable Claim**" means a claim for indemnification of Losses under this Article VIII, to the extent that such claim has not yet been satisfied, that is (i) a Resolved Claim, (ii) a Settled Claim, or (iii) an Unobjected Claim. An "**Unresolved Claim**" means any claim for indemnification of Losses under this Article VIII specified in any Officer's Certificate delivered pursuant to Section 8.4(b), to the extent that such claim is not a Payable Claim and has not been satisfied.

8.5 Third Party Claims. If the Purchaser becomes aware of a third party claim (a "**Third Party Claim**") which the Purchaser reasonably believes may result in a claim for indemnification by a Purchaser Indemnified Party pursuant to this Article VIII, the Purchaser shall notify the Members promptly of such claim, and the Members shall be entitled, at their expense, to participate in, but not to determine or conduct, the defense of such Third Party Claim. If there is a Third Party Claim that, if adversely determined, would give rise to a right of recovery for Losses under the Agreement, then any amounts incurred by the Purchaser Indemnified Parties in defense or settlement of such Third Party Claim, regardless of the outcome of such claim, shall be deemed Losses under the Agreement. The Purchaser shall have the right in its sole discretion to conduct the defense of, and to settle, any such claim and the Members shall not have a right of approval or consent with respect to any such Third Party Claim; provided, that except with the consent of the Members (such consent not to be unreasonably withheld, conditioned or delayed), no settlement of any such Third Party Claim with third party claimants shall be determinative of the amount of Losses relating to such matter or otherwise admissible in any proceeding or used in any way to resolve any dispute with respect to the amount of Losses.

If the Members becomes aware of a third party claim (a "**Company Third Party Claim**") which they reasonably believe may result in a claim for indemnification by the Members pursuant to this Article VIII, the Members shall notify the Purchaser promptly of such claim, and the Members shall be entitled, at his expense, to participate in, but not to determine or conduct, the defense of such Company Third Party Claim. The Purchasers shall have the right in its sole discretion to conduct the defense of, and to settle, any such claim and the Members shall not have a right of approval or consent with respect to any such Company Third Party Claim; provided, that except with the consent of the Members (such consent not to be unreasonably withheld, conditioned or delayed), no settlement of any such Company Third Party Claim with third party claimants shall be determinative of the amount of Losses relating to such matter or otherwise admissible in any proceeding or used in any way to resolve any dispute with respect to the amount of Losses.

8.6 Limitation on Indemnities. The indemnities in this Article VIII shall be in full force and effect for a period of 7 years from the date hereof for Indemnifiable Matters involving tax liabilities as a result of federal, state and local taxes, for a period of 10 years from the date of execution of any written contracts entered into by the Company and for 15 months from the date hereof on all other Indemnifiable Matters.

ARTICLE IX

AMENDMENT AND WAIVER

9.1 Amendment. This Agreement may not be amended, except by an instrument in writing signed by the parties hereto.

9.2 Extension; Waiver. Any party hereto may, to the extent legally allowed, (a) extend the time for the performance of any of the obligations of any other party hereto, (b) waive any inaccuracies in the representations and warranties made to such party contained herein or in any document delivered pursuant hereto, and (c) waive compliance with any of the covenants, agreements or conditions for the benefit of such party contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. Any waiver of any term or condition shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any other term or condition of this Agreement. No delay or failure by any party to assert any of its rights or remedies shall constitute a waiver of such rights or remedies.

ARTICLE XI

GENERAL PROVISIONS

10.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed delivered, given and received (a) when delivered in person, (b) when transmitted by email or facsimile (with written confirmation of completed transmission), (c) on the third (3rd) Business Day following the mailing thereof by certified or registered mail (return receipt requested) or (d) when delivered by an express courier (with written confirmation of delivery) to the parties hereto at the following addresses (or to such other address or facsimile number as such party may have specified in a written notice given to the other parties):

(a) if to the Purchaser or, following the Closing, the Company, to:

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

with a copy (which shall not constitute notice) to:

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

(b) if to the Members, to:

Mr. Dennis R. Winfrey and Ms. Peggy S. Winfrey
1943 East Nottingham
Springfield, MO 65804

with a copy (which shall not constitute notice) to:

10.2 Expenses. Except as otherwise specified in this Agreement, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the Transactions shall be borne by the party incurring such costs and expenses.

10.3 Interpretation . Unless a clear contrary intention appears: (a) the singular number shall include the plural, and 0ice versa; (b) reference to any gender includes each other gender; (c) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof; (d) "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words "without limitation"; (e) all references in this Agreement to "Schedules," "Sections," "Annexes" and "Exhibits" are intended to refer to Schedules, Sections, Annexes and Exhibits to this Agreement, except as otherwise indicated; (f) the table of contents and headings in this Agreement are for convenience of reference only, shall not be deemed to be a part of this Agreement, and shall not be referred to in connection with the construction or interpretation of this Agreement; (g) "or" is used in the inclusive sense of "and/or"; (h) with respect to the determination of any period of time, "from" means "from and including" and "to" means "to but excluding"; (i) "hereunder," "hereof," "hereto," and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Article, Section or other provision hereof; and (j) "shall" and "will" shall have the same meaning hereunder.

10.4 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party, it being understood that all parties need not sign the same counterpart. Until and unless each party has received a counterpart hereof signed by the other party hereto, this Agreement shall have no effect and no party shall have any right or obligation hereunder (whether by virtue of any other oral or written agreement or other communication). Any signature page delivered electronically or by facsimile (including transmission by Portable Document Format or other fixed image form) shall be binding to the same extent as an original signature page.

10.5 Entire Agreement; Assignment. This Agreement, the exhibits and annexes hereto, the Disclosure Schedule, the other schedules : (a) constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings both written and oral (including any letter of intent, term sheet or related discussions), among the parties with respect to the subject matter hereof, and (b) shall not be assigned by operation of law or otherwise, except that the Purchaser may assign its rights and delegate its obligations hereunder (i) after the Closing, in connection with a sale of the Purchaser or a sale of all or substantially all of its assets, (ii) to one or more of its Affiliates as long as the Purchaser remains ultimately liable for all of the Purchaser's obligations hereunder and (iii) to any lender of the Purchaser or its Affiliates as collateral security.

10.6 Severability. If any provision of this Agreement or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision to other Persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision.

10.7 Other Remedies. Except as otherwise set forth herein, any and all remedies herein expressly conferred upon a party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such party, and the exercise by a party of any one remedy will not preclude the exercise of any other remedy. Without prejudice to remedies at law, the parties shall be entitled to specific performance or other equitable relief, including injunctive relief, in the event of a breach or threatened breach of this Agreement.

10.8 Arbitration; Submission to Jurisdiction; Consent to Service of Process.

(a) all disputes, claims, or controversies arising out of or relating to the Agreement, the Ancillary Agreements (other than as expressly set forth therein) or any other agreement or document executed and delivered pursuant to the Agreement (other than as expressly set forth therein) or the negotiation, breach, validity or performance hereof and thereof or the Transactions, including claims of fraud and including as well the determination of the scope or applicability of this agreement to arbitrate, shall be resolved solely and exclusively by binding arbitration administered by JAMS in Missouri, before a single arbitrator (the "**Arbitrator**"). Except as modified in this Section, the arbitration shall be administered pursuant to JAMS's Comprehensive Rules and Procedures. The parties further agree that this arbitration shall apply equally to requests for temporary, preliminary or permanent injunctive relief, except that in the case of temporary or preliminary injunctive relief any party may proceed in court without prior arbitration for the purpose of avoiding immediate and irreparable harm or to enforce its rights under Section 6.3 or Section 6.4.

(b) The parties covenant and agree that the arbitration hearing shall commence within sixty (60) days of the date on which a written demand for arbitration is filed by any party hereto (the "**Filing Date**"). The hearing shall be no more than five (5) Business Days. In connection with the arbitration, the Arbitrator shall have the power to order the production of documents by each party and any third-party witnesses. In addition, each party may take up to three (3) depositions as of right, with each deposition limited to eight (8) hours, excluding breaks, and the Arbitrator may grant additional depositions upon good cause shown. For purposes of determining the number of depositions as of right, multiple petitioners or multiple respondents shall each respectively be deemed one party. The Arbitrator shall not have the power to order the answering of interrogatories or the response to requests for admission. The Arbitrator's award shall be made and delivered within sixty (60) days of the closing of the evidentiary hearing on the merits (the "**Hearing**") or within sixty (60) days of service of post-Hearing briefs, if the arbitrator directs service of such briefs, shall be binding and final as between the parties, and a judgment may be entered upon the award in any court having jurisdiction thereof. The Arbitrator's decision shall set forth a reasoned basis for any award of damages or finding of liability. The parties covenant and agree that the arbitration shall conclude within six (6) months of the Filing Date, and the Arbitrator shall be provided notice of such six-month limit (and agreed to abide by it) prior to his or her appointment as Arbitrator.

(c) The parties shall maintain the confidential nature of the arbitration proceeding and any award thereunder, including the Hearing, except as may be necessary to prepare for or conduct the arbitration hearing on the merits, or except as may be necessary in connection with a court application for a preliminary remedy, a judicial challenge to an award or its enforcement, or unless otherwise required by Law, judicial decision or applicable securities laws or under applicable stock exchange rules.

(d) The parties will (i) bear their own attorneys' fees, costs and expenses in connection with the arbitration, and (ii) share equally in the fees and expenses charged by the Arbitrator; provided, that the prevailing party shall be awarded its share of the Arbitrator's fees and expenses and all other costs and expenses, including attorneys', consultants' and experts' fees; provided, further, that any party unsuccessfully refusing to comply with the award or an order of the Arbitrator shall be liable for costs and expenses, including attorneys', consultants' and experts' fees, incurred by the other party in enforcing the award or order. If the Arbitrator determines a party to be the prevailing party under circumstances where the prevailing party obtained relief on some but not all of the claims and counterclaims, the Arbitrator may award the prevailing party an appropriate percentage of the costs and expenses incurred by the prevailing party.

(e) Subject in all cases to the foregoing, each of the parties hereto irrevocably consents to the exclusive jurisdiction and venue of the state or federal courts located within Missouri, in connection with any matter based upon, arising out of or relating to this Agreement or the matters contemplated herein, agrees that process may be served upon them in any manner authorized by the laws of the State of Missouri for such Persons and waives and covenants not to assert or plead any objection which they might otherwise have to such jurisdiction, venue and such process. Each party agrees not to commence any legal proceedings related hereto except in such courts.

10.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Missouri, regardless of the Laws that might otherwise govern under applicable principles of conflicts of laws thereof.

10.10 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY AND ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT, OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF ANY PARTY HERETO IN NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT HEREOF.

10.11 Rules of Construction. The parties hereto agree that they have been represented by counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any Law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

10.12 No Third Party Beneficiary. Notwithstanding anything contained in this Agreement to the contrary, nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the parties hereto or their respective successors and assigns any rights, remedies, or Liabilities under or by reason of this Agreement except that (i) Article VIII shall also be for the benefit of the Indemnified Parties and (ii) Section 6.3 shall also be for the benefit of the Affiliates of the Purchaser (which shall include, from and after the Closing, the Company).

10.13 Tax Advice. Other than as expressly set forth in this Agreement, no party to this Agreement makes any representations or warranties to any other party regarding the Tax treatment of the Transactions pursuant to this Agreement or any of the Tax consequences to any other party of this Agreement or the Transactions. Each party to this Agreement acknowledges that it is relying solely on its own Tax advisors in connection with this Agreement and the Transactions.

10.14 Disclosure Schedule. The Disclosure Schedule shall be arranged in separate parts corresponding to the numbered and lettered sections and subsections contained in this Agreement, and the information disclosed in any numbered or lettered part shall be deemed to relate to and to qualify only the particular representation or warranty of any Seller Party set forth in the corresponding numbered or lettered section or subsection of this Agreement, except to the extent that (a) such information is explicitly cross-referenced in another part of the Disclosure Schedule, or (b) it is readily apparent on the face of the disclosure (without reference to any document referred to therein) that such information qualifies another representation and warranty of any Seller Party in this Agreement. Nothing in the Disclosure Schedule shall be deemed adequate to disclose an exception to a representation or warranty of any Seller Party made in this Agreement, unless the applicable part of the Disclosure Schedule identifies the exception with reasonable particularity and describes the relevant facts in reasonable detail. The mere listing of a document or other item in, or attachment of a copy thereof to, the Disclosure Schedule will not be deemed adequate to disclose an exception to a representation or warranty made in this Agreement (unless the representation or warranty pertains directly to the existence of the document or other item itself).

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Purchaser, the Company and the Members have caused this Agreement to be signed, all as of the date first written above.

SURGE HOLDINGS, INC.

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

ECS PREPAID, LLC

By: _____
Name: Dennis R. Winfrey
Title: Manager

_____
DENNIS R. WINFREY, individually

_____
PEGGY S. WINFREY, individually

_____
DERRON WINFREY, in his capacity as a control person of Suray Holdings LLC solely with regard to Sections 2.1(b) and 2.1(d)

[Signature Page – Membership Interest Purchase Agreement]

Exhibit 10.11

STOCK PURCHASE AGREEMENT

BY AND AMONG

SURGE HOLDINGS, INC.,

ELECTRONIC CHECK SERVICES, INC.,

CENTRAL STATES LEGAL SERVICES, INC.

DENNIS R. WINFREY,

AND

PEGGY S. WINFREY

Dated as of January [ ], 2020

THIS STOCK PURCHASE AGREEMENT (this "**Agreement**") is made and entered into as of January [ ], 2020 and effective as of October 1, 2019, by and among Surge Holdings, Inc., a Nevada corporation (the "**Purchaser**"), Electronic Check Services, Inc., a Missouri corporation ("**Electronic Check**"), Central States Legal Services, Inc., a Missouri corporation ("**Central States**" and, together with Electronic Check, the "**Companies**"), Dennis R. Winfrey, an individual, and Peggy S. Winfrey, an individual (together, the "**Stockholders**" and, together with the Companies, the "**Seller Parties**").

RECITALS

A. The Stockholders are the sole legal and beneficial owners of all of the Electronic Check Stock as of the date of this Agreement.

B. Peggy S. Winfrey is the sole legal and beneficial owner of all of the Central States Stock as of the date of this Agreement.

C. Subject to the terms and conditions set forth in this Agreement, the Purchaser desires to purchase from the Stockholders, and the Stockholders desire to sell to the Purchaser, all of the Electronic Check Stock and all of the Central States Stock owned by the Stockholders free from any and all Liens.

NOW, THEREFORE, in consideration of the mutual agreements, covenants and other premises set forth herein, the mutual benefits to be gained by the performance thereof, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and accepted, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

For all purposes of this Agreement, the following terms shall have the following respective meanings:

"**Affiliate**" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person. For purposes of this Agreement, "control," when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through ownership of voting securities or by Contract or otherwise, and the terms "controlling" and "controlled by" have correlative meanings to the foregoing.

"**Business Day(s)**" means each day that is not a Saturday, Sunday or other day on which the Purchaser is closed for business or banking institutions located in Memphis, Tennessee are authorized or obligated by Law or executive order to close.

"**Central States Stock**" means the shares of common stock of Central States, $1.00 par value per share.

"**Closing Purchaser Stock Consideration**" means fifty five thousand (50,000) shares of Purchaser Common Stock to be issued to the Suray Holdings LLC (an entity jointly controlled by Dennis R. Winfrey, Peggy S. Winfrey, and Derron Winfrey) at the Closing.

"**Companies Representatives**" means any of the officers, directors, managers, partners, independent contractors, consultants, advisors, employees, stockholders, agents, representatives or Affiliates of the Companies.

"**Contract**" means any mortgage, indenture, lease, contract, license, covenant, plan, insurance policy, purchase order (including any related terms and conditions), work order or other agreement, instrument, arrangement, obligation, understanding or commitment, permit, concession or franchise, whether oral or written and including any amendment, waiver or modification made thereto.

"**Dollars**" or "**$**" means United States Dollars.

"**Electronic Check Stock**" means the shares of common stock of Electronic Check, $1.00 par value per share.

"**GAAP**" means United States generally accepted accounting principles consistently applied.

"**Governmental Entity**" means any federal, national, foreign, supranational, state, provincial, local or other government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body of competent jurisdiction.

"**Indebtedness**" of any Person means, as of any specified date, the amount equal to the sum (without any double-counting) of the following obligations (whether or not then due and payable), to the extent they are either obligations of such Person or its Subsidiary or guaranteed by such Person or its Subsidiary, including through the grant of a security interest upon any assets of such Person or its Subsidiary: (a) all outstanding indebtedness for borrowed money owed to third parties or Affiliates; (b) all obligations for the deferred purchase price of property or services (including any potential future earn-out, purchase price adjustment, releases of "holdbacks" or similar payments) ("**Deferred Purchase Price**"); (c) all obligations evidenced by notes, bonds, debentures or other similar instruments (whether or not convertible) or arising under indentures; (d) all obligations arising out of any financial hedging, swap or similar arrangements; (e) all obligations of such Person as a lessee that would be required to be capitalized in accordance with GAAP; (f) all obligations in connection with any letter of credit, banker's acceptance, guarantee, surety, performance or appeal bond, or similar credit transaction; (g) any deferred revenues or prepayments ; (h) any unpaid Taxes of the Companies; (i) any payables or other amounts owed to any Affiliate of the Companies; (j) any mortgage or other obligation secured by a Lien; (k) all Liabilities for refunds to customers for payments received in error; and (l) the aggregate amount of all accrued interest payable on such items under clauses (a) through (k) and prepayment premiums, penalties, breakage costs, "make whole amounts," costs, expenses and other payment obligations of such Person that would arise (whether or not then due and payable) if all such items under clauses (a) through (k) were prepaid, extinguished, unwound and settled in full as of such specified date. For purposes of determining the Deferred Purchase Price obligations as of a specified date, such obligations shall be deemed to be the maximum amount of Deferred Purchase Price owing as of such specified date (whether or not then due and payable) or potentially owing at a future date.

"**IRS**" means the United States Internal Revenue Service.

"Knowledge" or "**Known**" means, whether or not capitalized, with respect to the Companies, the knowledge of Dennis R. Winfrey, or Peggy S. Winfrey after a reasonable investigation and inquiry.

"**Laws**" means all constitutions, laws (including common law), statutes, regulations, ordinances, codes, orders, decrees, judgments, writs, injunctions, decisions, rules, standards, and rulings or any other pronouncements having the effect of law of the United States, any foreign country or any domestic or foreign state, county, city or other political subdivision of any Governmental Entity.

"**Liability**" or "**Liabilities**" means debts, liabilities, commitments, losses, deficiencies, duties, charges, claims, damages, demands, costs, fees, Taxes, expenses and obligations (including guarantees, endorsements and other forms of credit support), whether accrued or fixed, absolute or contingent, matured or unmatured, known or unknown, on- or off-balance sheet, including those arising under any Contract, Law, statute, ordinance, regulation, rule, code, common law or other requirement or rule enacted or promulgated by any Governmental Entity or any litigation, court action or proceeding, lawsuit, originating application to an employment tribunal, or binding arbitration.

"**Lien**" means any lien, pledge, charge, claim, mortgage, security interest, defect in title, preemptive right, vesting limitation, community or marital property interest, right of first offer, notice, negotiation or refusal, transfer restriction of any kind or other encumbrance of any sort.

"**Loss**" means any claim, action, proceeding, loss, Liability, damage (excluding punitive damages except in the case of a third- party claim), cost, interest, award, judgment, penalty, Tax, and expense, including reasonable attorneys' and consultants' fees and expenses and including any such reasonable out-of-pocket expenses incurred in connection with investigating, defending against or settling any of the foregoing, in each case, whether arising from a third-party or a direct claim.

"**Material Adverse Effect**" means any state of facts, condition, change, development, event or effect that, either alone or in combination with any other state of facts, condition, change, development, event or effect, is, or would be reasonably likely to be, materially adverse to the business, assets (whether tangible or intangible), Liabilities, condition (financial or otherwise), operations or capitalization of the Companies, when viewed on a short, medium or long term horizon, but in each case shall not include the effect of facts, conditions, changes, developments, events or effects to the extent resulting from (a) conditions affecting the industry in which the Companies operate generally, (b) war, terrorism or hostilities, (c) any changes in general economic or business conditions or the financial or securities markets generally, (d) any change in GAAP or applicable Laws (or interpretation thereof), (e) any acts of God, or natural disasters or any worsening thereof or actions taken in response thereto, or national or international political or social conditions, (f) any failure in and of itself (as distinguished from any fact, condition, change, development, event or effect (other than as described in clauses (a) – (e) of this definition) giving rise to or contributing to such failure) by the Companies to meet any projections or forecasts for any period, and (g) taking or not taking any actions at the prior written direction of the Purchaser; provided, that in the case of clauses (a), (b), (c), (d) and (e), such fact, condition, change, development, event or effect does not have any disproportionate or unique material adverse effect on the Companies.

"**Ongoing Purchaser Stock Consideration**" means two thousand five hundred (2,500) shares of Purchaser Common Stock to be issued to the Dennis R. Winfrey Revocable Trust on the 15th day of each month until such time as the funds currently held by Company in the bank accounts (as referenced in paragraph 2.1 (d)) are returned to Seller Parties, not to exceed 12 months without written agreement among the necessary parties.

"**Permit**" means all consents, licenses, permits, grants, agreements and authorizations required by any Governmental Entity to lawfully operate the business of the Companies (including any pending applications for such all consents, licenses, permits, grants, agreements and authorizations).

"**Permitted Liens**" means (a) Liens for Taxes (i) not yet due and payable or (ii) that are being contested in good faith by appropriate procedures, (b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen, and repairmen incurred in the ordinary course of business consistent with past practice and not yet delinquent, and/or (c) zoning, building, or other restrictions, variances, covenants, rights of way, encumbrances, and easements.

"**Person**" means an individual or entity, including a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a cooperative, a foundation, a joint venture, an unincorporated organization, or a Governmental Entity (or any department, agency, or political subdivision thereof).

"**Purchaser Common Stock**" means Common Stock, par value $0.001 per share, of the Purchaser.

"**Purchaser Indemnified Parties**" means the Purchaser, its Affiliates and its and their respective officers, directors, employees, agents and representatives.

"**Restricted Shares**" means all shares of Purchaser Common Stock issuable hereunder other than shares of Purchaser Common Stock (a) the offer and sale of which have been registered under a registration statement pursuant to the Securities Act and sold thereunder, (b) with respect to which a sale or other disposition may be made in reliance on and in accordance with Rule 144 (or any successor provision) under the Securities Act, or (c) with respect to which the holder thereof shall have delivered to the Purchaser either (i) an opinion of counsel in form and substance reasonably satisfactory to Purchaser, delivered by counsel reasonably satisfactory to the Purchaser, or (ii) a "no action" letter from the SEC, in either case to the effect that subsequent transfers of such shares of Purchaser Common Stock may be effected without registration under the Securities Act.

"**SEC**" means the Securities and Exchange Commission.

"**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

"**Subsidiary**" of any Person means any corporation, partnership, limited liability company, cooperative, association or other organization (including any branch), whether incorporated or unincorporated, which is directly or indirectly controlled by such Person, whether through ownership of securities or otherwise.

"**Tax**" or "**Taxes**" means any and all U.S. federal, state, local and non-U.S. taxes, assessments and other governmental charges, duties (including stamp duty), fees, impositions of any kind whatsoever including taxes based upon or measured by gross receipts, income, profits, gains, sales, use and occupation, and value added, ad valorem, transfer, franchise, withholding, payroll, recapture, environmental, employment, unclaimed property, escheat, excise and property taxes as well as public imposts, and social security charges (including health, unemployment, workers' compensation and pension insurance), together with all interest, penalties, and additions imposed with respect to such amounts.

"**Tax Returns**" means any return, declaration, report, statement, information statement or other document filed or required to be filed with respect to Taxes, including any claims for refunds of Taxes, any information returns and any amendments, schedules or supplements of any of the foregoing.

"**Transaction Expenses**" means any Liabilities incurred by or on behalf of the Stockholders or the Companies (or any Affiliate thereof, if required to be paid by the Companies) in connection with the negotiation and execution of this Agreement (including all fees, costs and expenses of any brokers, accountants, financial advisors, attorneys, consultants, auditors and other experts), the performance of such Person's and its Affiliates' obligations hereunder and thereunder and the consummation of the Transactions (including any fees and expenses associated with obtaining any terminations or amendments contemplated hereby, or any waivers, consents or approvals of any Person), any Liabilities that may become due and payable by the Companies or the Stockholders as a result of the Transactions (including all brokers', finders' or similar fees owed by any such Person in connection with the Transactions) and any change of control payments, bonuses, severance, termination or retention obligations or similar amounts payable by or due from the Companies that are triggered by the Transactions, the employer portions of any payroll or employment Taxes with respect to any such change of control payments, bonuses, severance, termination or retention obligations or similar compensatory payments made by the Companies to service providers in connection with the Transactions, any payments owed to the Stockholders.

"**Transactions**" means the Electronic Check Share Purchase and the Central States Share Purchase and the other transactions contemplated hereby.

"**Willful Breach**" means (a) a breach of a representation or warranty contained in Article III, Article IV, or Article V of this Agreement that the breaching party knows is a misrepresentation of such representation or warranty or (b) a breach of a covenant contained in this Agreement that the breaching party knows is a breach of such covenant.

Each of the following terms is defined in the Section set forth opposite such term:

Term	Section
9.9% Threshold	2.1(d)
Agreement	Preamble
Central States	Preamble
Central States Share Purchase	2.1(b)
Charter Documents	3.1(a)
Claims	6.4
Closing	2.2
Closing Date	2.2(b)
Companies	Preamble
Continuing Employees	6.2f
Disclosure Schedule	Article III
Electronic Check	Preamble
Electronic Check Share Purchase	2.1(a)
Excluded Claims	6.4(b)
Interested Party	3.12(iii)
Issued Shares	2.1(f)
Material Contracts	3.11(b)
Offered Employees	6.2
Purchaser	Preamble
Purchaser Closing Deliveries	2.3(a)
Releasor	6.4
Seller Parties	Preamble
Seller Party Closing Deliveries	2.3(b)
Springfield Property	3.10(b)
Stockholders	Preamble

ARTICLE II

THE STOCK PURCHASE

2.1 Purchase and Sale.

(a) Purchase and Sale of Electronic Check Stock. Upon the terms and subject to the conditions of this Agreement, at the Closing, the Stockholders shall sell, assign, transfer, convey and deliver to the Purchaser, and the Purchaser will purchase and acquire from the Stockholders, all of the Stockholders' right, title and interest in and to all of the outstanding Electronic Check Stock, free and clear of any and all Liens (the "**Electronic Check Share Purchase**"), in exchange for the consideration specified herein.

(b) Purchase and Sale of Central States Stock. Upon the terms and subject to the conditions of this Agreement, at the Closing, Peggy S. Winfrey shall sell, assign, transfer, convey and deliver to the Purchaser, and the Purchaser will purchase and acquire from Peggy S. Winfrey, all of Peggy S. Winfrey's right, title and interest in and to all of the outstanding Central States Stock, free and clear of any and all Liens (the "**Central States Share Purchase**"), in exchange for the consideration specified herein.

(c) Payments at the Closing on Electronic Check Stock and Central States Stock. In full consideration for the transfer of the Electronic Check Stock as set forth in Section 2.1(a) and in full consideration for the transfer of the Central States Stock as set forth in Section 2.1(b) simultaneously with the Closing, the Purchaser shall issue to Suray Holdings LLC the Closing Purchaser Stock Consideration.

(d) Ongoing Payments. Starting on January 15, 2020, the Purchaser shall issue to the Dennis R. Winfrey Revocable Trust the Ongoing Purchaser Stock Consideration. The Ongoing Purchaser Stock Consideration shall be paid as a Collateral Fee for the funds currently held by the Company bank account(s).

(e) Legend on Stock Certificates. The certificates representing the shares of Purchaser Common Stock issuable pursuant to Section 2.1(c), shall include an endorsement typed or otherwise denoted conspicuously thereon of the following legend (along with any other legends that may be required under applicable Laws):

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO TRANSFER MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933, AS AMENDED."

In the event that any shares of Purchaser Common Stock issuable hereunder shall cease to be Restricted Shares, the Purchaser shall, upon the written request of the shareholder in question, issue to such shareholder a new certificate representing such shares of Purchaser Common Stock without the legend required by this Section 2.1(e).

(f) Purchase Stock Consideration. In no event shall the aggregate number of shares of Purchaser Common Stock issued hereunder (the "**Issued Shares**") exceed a number of shares equal to 9.9% of the number of shares of Purchaser Common Stock outstanding immediately prior to the Closing (the "**9.9% Threshold**"). In the event that the number of shares of Purchaser Common Stock otherwise comprising the Issued Shares would exceed the 9.9% Threshold, the number of shares of Purchaser Common Stock issued will be cut back to the 9.9% Threshold until such time as the Stockholders holder less than the 9.9% Threshold. Seller Parties will not, for the eighteen (18) calendar months following the date hereof, for the purpose of open market trades, offer, pledge, sell, contract to sell, grant, lend, or otherwise transfer or dispose of shares of Purchaser Common Stock, directly or indirectly, in an amount greater than five percent (5.0%) 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 Purchaser Common Stock is then trading. Other than via open market trades, Seller Parties may not offer, pledge, sell, contract to sell, grant, lend, or otherwise transfer or dispose of the Purchaser Common Stock without the prior written consent of the Purchaser. Purchaser's consent to a transfer or disposal of the Purchaser Common Stock by Seller Parties shall be specifically conditioned on the transferee of the Purchaser Common Stock signing a Leak-Out Agreement with the Purchaser with substantially the same terms as this Section 2.1(f).

2.2 Closing. The closing of the Electronic Check Share Purchase and the Central States Share Purchase (the "**Closing**") shall take place at such time and date as the parties hereto may agree in writing. The Closing shall take place remotely via the exchange of documents and signature pages or at such location as the parties hereto agree. The date on which the Closing occurs is herein referred to as the "**Closing Date**".

2.3 Closing Deliveries.

(a) Closing Deliveries of the Purchaser. In addition to the payments provided for in Section 2.1(c), at the Closing, the Purchaser shall have delivered or caused to be delivered to the Stockholders (collectively, the "**Purchaser Closing Deliveries**"):

(i) a certificate, dated as of the Closing Date and executed on behalf of the Purchaser by an officer of the Purchaser, certifying the resolutions of the Board of Directors of the Purchaser approving, in accordance with the provisions of the Purchaser's certificate of incorporation, bylaws and applicable Law, this Agreement and the Transactions.

(b) Closing Deliveries of the Seller Parties. At the Closing, the Seller Parties shall have delivered or caused to be delivered to the Purchaser (collectively, the "**Seller Party Closing Deliveries**"):

(i) a certificate or certificates representing the Electronic Check Stock and the Central States Stock accompanied by duly executed share transfer deeds for the transfer to the Purchaser of the Electronic Check and the Central States Stock, in form and substance reasonably satisfactory to the Purchaser; provided, that in the event the certificate or certificates representing the Electronic Check Stock and the Central States Stock have been lost, stolen or destroyed, the Seller Parties shall deliver in lieu thereof an affidavit of loss with respect to such certificate(s), together with a customary indemnification in form reasonably satisfactory to the Purchaser;

(ii) an executed Director and Officer Resignation Letter in substantially the form attached hereto as Exhibit B, effective as of the Closing, for each officer and director of the Companies (unless otherwise instructed in writing by the Purchaser prior to the Closing);

(iii) a certificate, dated as of the Closing Date and executed on behalf of the Companies by their Chief Executive Officer, certifying: (A) a true and complete copy of the Companies' certificate of incorporation, including all amendments thereto; (B) a true and complete copy of the Companies' bylaws, including all amendments thereto; and (C) resolutions of the Boards of Directors of the Companies' and the Stockholders approving, in accordance with the provisions of such certificate of incorporation, such bylaws and applicable Law, this Agreement and the Transactions; and

(iv) certificates of good standing for the Companies issued not earlier than three (3) Business Days prior to the Closing Date by the Secretary of State of the State of Missouri.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SELLER PARTIES

Each Seller Party hereby jointly and severally represents and warrants to the Purchaser as of the date hereof and as of the Closing, subject to such exceptions as are specifically disclosed in the disclosure schedule (referencing the appropriate section and subsection numbers or disclosed in any other section or subsection of the disclosure schedule, subject to Section 10.13) supplied by the Seller Parties to the Purchaser (the "**Disclosure Schedule**") concurrently with the execution of this Agreement:

3.1 Organization; Authority and Enforceability.

(a) The Companies are corporations duly organized, validly existing and in good standing under the laws of the State of Missouri and have the requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its business as currently conducted. The Companies are duly qualified or licensed as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character or location of its assets or properties (whether owned, leased or licensed) or the nature of its activities make such qualification or licensing necessary to the business of the Companies as currently conducted except where the failure to be so qualified or licensed, individually or in the aggregate, both (i) has not had and would not reasonably be expected to have a Material Adverse Effect and (ii) has not had and would not be reasonably expected to have a material adverse effect on the ability of the Companies to perform its obligations under this Agreement or to consummate the Transactions and would not materially impede or delay or be reasonably expected to materially impede or delay the consummation of the Transactions. The Companies have made available to the Purchaser a true and correct copy of its certificates of incorporation, as amended to date, and its bylaws, as amended to date, each of which is in full force and effect on the date hereof (collectively, the "**Charter Documents**"). The Board of Directors of each of Electronic Check and Central States has not approved or proposed any other amendments to the Charter Documents. Section 3.1(a)(i) of the Disclosure Schedule lists the respective directors, managers, partners and officers of the Companies. Section 3.1(a)(ii) of the Disclosure Schedule lists, by legal entity, every state or foreign jurisdiction in which the Companies have employees or facilities or otherwise is required to register to conduct business since January 1, 2015. Section 3.1(a)(iii) of the Disclosure Schedule lists each predecessor entity of the Companies and any other name under which the Companies have previously operated.

(b) The Companies have all requisite corporate power and authority to enter into this Agreement and to consummate the Transactions. The execution, delivery and performance by the Companies of this Agreement, and the consummation of the Transactions, have been duly and validly authorized by all necessary corporate action on the part of the Companies. This Agreement has been duly and validly authorized, executed and delivered by the Companies and the obligations of the Companies hereunder are or will be, upon such execution and delivery (and assuming due authorization, execution and delivery by the other parties hereto), valid, legally binding and enforceable against the Companies in accordance with its terms.

3.2 Capital Structure of Each of Electronic Check and Central States.

(a) The authorized capital stock of Electronic Check consists of 30,000 shares of Electronic Check Stock. (i) 30,000 shares of Electronic Check Stock are issued and outstanding, and (ii) there is no other issued and outstanding capital stock or other securities of Electronic Check and no commitments or agreements to issue any Electronic Check Stock or other securities of Electronic Check. All outstanding shares of Electronic Check Stock have been issued in compliance with all applicable federal, state, local or foreign statutes, Laws, including federal securities Laws and any applicable state securities or "blue sky" Laws.

(b) The authorized capital stock of Central States consists of 30,000 shares of Central States Stock. (i) 30,000 shares of Central States Stock are issued and outstanding, and (ii) there is no other issued and outstanding capital stock or other securities of Central States and no commitments or agreements to issue any Central States Stock or other securities of Central States. All outstanding shares of Central States Stock have been issued in compliance with all applicable federal, state, local or foreign statutes, Laws, including federal securities Laws and any applicable state securities or "blue sky" Laws.

(c) There are no shares held in the treasury of the Companies. All of the issued and outstanding shares of Electronic Check Stock and Central States Stock are duly authorized, validly issued, fully paid and non-assessable and are free and clear of any Liens, preemptive rights, rights of first refusal or "put" or "call" rights created by statute, the Charter Documents, or any agreement to which the Companies are a party or by which they are bound. The Stockholders are the sole legal and beneficial owner of, and has good and marketable title, free and clear of all Liens, to, all of the outstanding Electronic Check Stock and such interest constitutes the entire interest of the Stockholders in the issued and outstanding share capital or voting securities of Electronic Check and no other Person has any right, title or interest in or to the Electronic Check Stock. Peggy S. Winfrey is the sole legal and beneficial owner of, and has good and marketable title, free and clear of all Liens, to, all of the outstanding Central States Stock and such interest constitutes the entire interest of Peggy S. Winfrey in the issued and outstanding share capital or voting securities of Central States and no other Person has any right, title or interest in or to the Central States Stock. There are no warrants, calls, rights, convertible securities, commitments or agreements of any character, written or oral, to which the Companies are a party or by which the Companies are bound obligating the Companies to reduce its capital or issue, deliver, sell, repurchase, cancel or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any shares of Electronic Check Stock or Central States Stock (as the case may be) or obligating the Companies to grant or otherwise amend or enter into any such warrant, call, right, commitment or agreement. The Companies have no outstanding options, restricted stock units, restricted shares, stock appreciation right, profit participation, "phantom equity" or any other type of equity instrument or any plan or similar arrangement pursuant to which it has reserved Electronic Check Stock or Central States Stock (as the case may be) for issuance; the Companies have never promised (in writing or otherwise) any such equity instrument to any Person. The Companies has never adopted, sponsored or maintained any stock option plan or any other plan or agreement providing for equity or equity related compensation to any Person. There have been no (interim) dividends or other distributions with respect to any shares of Electronic Check Stock or Central States Stock (as the case may be), and there are no declared or accrued but unpaid (interim) dividends or other distributions with respect to any shares of Electronic Check Stock or Central States Stock (as the case may be). There are no outstanding bonds, debentures, notes or other obligations, granting its holder the right to vote on any matters on which stockholders of the Companies may vote (or which are convertible into or exercisable for securities having the right to vote).

(c) As a result of the Electronic Check Share Purchase, as of the Closing, the Purchaser will be the sole record and beneficial holder of all issued and outstanding Electronic Check Stock and all rights to acquire or receive any shares of Electronic Check Stock, whether or not such shares of Electronic Check Stock are outstanding.

(d) As a result of the Central States Share Purchase, as of the Closing, the Purchaser will be the sole record and beneficial holder of all issued and outstanding Central States Stock and all rights to acquire or receive any shares of Central States Stock, whether or not such shares of Central States Stock are outstanding.

(e) Except as contemplated hereby, there are no (i) voting trusts, proxies, or other agreements or understandings with respect to the voting stock of the Companies, or (ii) agreements to which the Companies are parties relating to the registration, sale or transfer (including agreements relating to rights of first refusal, co sale rights or "drag along" rights) of any Electronic Check Stock or Central States Stock.

(f) Section 3.2(f) of the Disclosure Schedule lists all of the former owners of any Electronic Check Stock and Central States Stock or other equity of the Companies, and the approximate date on which such Electronic Check Stock and Central States Stock or other equity was sold or otherwise disposed of by such owners.

3.3 Subsidiaries. The Companies do not have, and have never had, any Subsidiary. Except as set forth on Section 3.3 of the Disclosure Schedules, the Companies do not control, directly or indirectly, or have (or has ever had) any direct or indirect equity participation or similar interest in, or any obligations to acquire any equity securities of or make any contribution to or debt or equity investment in, any Person.

3.4 No Conflict. The execution and delivery by the Companies of this Agreement, and the consummation of the Electronic Check Share Purchase and Central States Share Purchase or any other Transactions, will not conflict with or result in any violation of or default under (with or without notice or lapse of time, or both), or give rise to a right of notice or termination, cancellation, modification or acceleration of any right or obligation or loss of any benefit under, or require any consent, approval or waiver from any Person pursuant to, or result in the creation of any Lien upon the Electronic Check Stock or Central States Stock pursuant to, (a) any provision of the Charter Documents, (b) any Contract to which the Companies are a party or by which any of the Companies' properties or assets may be bound, or (c) any Laws applicable to the Companies or any of its properties or assets (whether tangible or intangible). Section 3.4of the Disclosure Schedule sets forth all necessary consents, waivers and approvals of parties to any Contracts to which the Companies are parties or by which the Companies' properties or assets may be bound as are required thereunder in connection with the Transactions, or for any such Contract to remain in full force and effect without limitation, modification or alteration after the Closing so as to preserve all rights of, and benefits to, the Companies under such Contracts from and after the Closing. Following the Closing, the Companies will continue to be permitted to exercise all of its rights under the Contracts without the payment of any additional amounts or consideration other than ongoing fees, royalties or payments which the Companies would otherwise be required to pay pursuant to the terms of such Contracts had the Transactions not occurred.

3.5 Governmental Consents and Approvals. No consent, notice, waiver, approval, order or authorization of, or registration, declaration or filing with any Governmental Entity is required by, or with respect to, the Companies in connection with the execution and delivery of this Agreement or the consummation of the Electronic Check Share Purchase and Central States Share Purchase and the other Transactions, except for such consents, notices, waivers, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable securities Laws.

3.6 No Undisclosed Liabilities, No Material Adverse Effect; Ordinary Course.

(a) The Companies have no Liabilities of any type, whether or not accrued, absolute, contingent, matured, unmatured, known or unknown, on- or off-balance sheet.

(b) Since September 30, 2019, there has not occurred any Material Adverse Effect.

3.7 Accounts Receivable; Accounts Payable.

(a) All of the accounts receivable, whether billed or unbilled, of the Companies arose in the ordinary course of business, are carried at values determined in accordance with GAAP consistently applied, are not subject to any valid set-off or counterclaim, do not represent obligations for goods sold on consignment, on approval or on a sale-or-return basis or subject to any other repurchase or return arrangement and, to the Knowledge of the Companies, are collectible (which receivables are recorded in accordance with GAAP consistently applied). No Person has any Lien other than a Permitted Lien on any accounts receivable of the Companies and no agreement for deduction or discount has been made with respect to any accounts receivable of the Companies other than in the ordinary course of business.

(b) All accounts payable and notes payable of the Companies arose in bona fide arm's length transactions in the ordinary course of business and no such account payable or note payable is delinquent by more than thirty (30) days in its payment. Since September 30, 2019, the Companies have paid its accounts payable in the ordinary course of business and in a manner consistent with its past practices, and the Companies have not materially delayed any such payments.

3.8 Tax Matters.

(a) The Companies have (i) prepared and timely filed all Tax Returns required to be filed by the Companies and all such Tax Returns are true and correct in all material respects and have been completed in accordance with applicable Law, and (ii) timely paid all Taxes that were due and payable (whether or not shown on a Tax Return).

(b) The Companies have paid or withheld with respect to its employees, stockholders and other third parties, all U.S. federal, state and non-U.S. income Taxes and social security charges and similar fees, Federal Insurance Contribution Act taxes, Federal Unemployment Tax Act taxes and other Taxes required to be paid or withheld, and has timely paid over any such Taxes to the appropriate authorities.

(c) There is no Tax deficiency outstanding, assessed or proposed in writing against the Companies, nor have the Companies executed any waiver of any statute of limitations on or extending the period for the assessment or collection of any Tax, which waiver or extension is still in effect.

(d) No audit or other examination of any Tax Return of the Companies is presently in progress, nor have the Companies been notified in writing of any request for such an audit or other examination, and to the Knowledge of the Companies, no such action or proceeding is being contemplated. No adjustment relating to any Tax Return filed by the Companies has been proposed in writing by any Tax authority, which adjustment has not been resolved. There are no matters relating to Taxes under discussion between any Tax authority and the Companies

(e) The Companies have delivered to the Purchaser or made available to the Purchaser, copies of all income and other material Tax Returns for the Companies filed for all periods since and including the taxable period ended December 31, 2016.

(f) No claim has ever been made by a Tax authority in a jurisdiction where the Companies do not file Tax Returns that it is or may be subject to taxation by that jurisdiction.

(g) There are no Liens on the assets of the Companies relating or attributable to Taxes other than clause (a) of the definition of Permitted Liens.

(h) The Companies will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of (i) any installment sale or open transaction disposition made prior to the Closing Date, (ii) any prepaid amount or deferred revenue received or accrued prior to the Closing Date, or (iii) the use of an improper method of accounting for a taxable period ending on or prior to the Closing Date.

(i) The Companies are not subject to any private letter ruling or closing agreement of the IRS or comparable rulings of any other Governmental Entity. There is no power of attorney given by or binding upon the Companies with respect to Taxes for any period for which the statute of limitations (including any waivers or extensions) has not yet expired that is currently in effect.

(j) The Companies have not been and are not subject to Tax in a country other than its country of organization by virtue of having a place of business, a permanent establishment or branch in any country outside the country of its organization.

(k) The Companies (and any predecessors of the Companies or any entity merged or liquidated into the Companies) has been a validly electing S corporation at all times since its inception and the corresponding provisions of the income tax Laws of the states and local jurisdictions in which the Companies have and are required to file Tax Returns, and the Companies has filed all forms and taken all actions necessary to maintain such status and will be an S corporation as of the Closing. Such S corporation election has not been terminated or revoked, whether intentionally or otherwise, including by operation of law, at any time, other than with respect to the transactions pursuant to this Agreement. The Companies have, and at all times has had, only one class of equity securities (other than with respect to any differences in voting rights) and does not have any outstanding options, contracts or other arrangements that would constitute a second class of equity securities.

(l) Other than the Purchaser Stock Consideration issued in connection with this Agreement and the Purchaser Common Stock issued in connection with that certain Membership Interest Purchase Agreement, of even date with this Agreement, by and among the Purchaser, ECS Prepaid, LLC, a Missouri limited liability company, and the Stockholders, no Seller Party directly or indirectly owns any shares of capital stock of the Purchaser.

3.9 Restrictions on Business Activities. Except as set forth on Section 3.9 of the Disclosure Schedule, there is no Contract (non- competition or otherwise), commitment, judgment, injunction, order or decree to which the Companies are parties or otherwise binding upon the Companies which has or may reasonably be expected to have the effect of prohibiting or impairing any business practice of the Companies, any acquisition of property and assets (including tangible and intangible property and assets) by the Companies, the conduct of business by the Companies, or otherwise limiting the freedom of the Companies to engage in any line of business or to compete with any Person.

3.10 Title to Real and Personal Properties; Absence of Liens.

(a) The Companies do not own any real property, nor have the Companies ever owned any real property.

(b) The Companies are parties to a lease with Peggy Winfrey for the Companies' use of the premises at 1615 S Ingram Mill Rd, Ste. B, Springfield MO 65804 (the "**Springfield Property**"). Other than the Springfield Property, the Companies have not entered into, nor are bound by, any lease, lease guaranty, sublease, agreement for the leasing, tenancy, license, other use or occupancy of, or otherwise granting a right in or relating to any real property nor is any Person in the course of acquiring any such rights or interests.

(c) The Companies have good and valid title to, ownership of, or, in the case of leased properties and assets, valid leasehold interests in, all of its tangible properties and assets, real, personal and mixed, used or held for use in or necessary for the conduct of the business of the Companies as currently conducted, free and clear of any Liens, except for Permitted Liens.

(d) The lease to the Springfield Property is valid and in full force and effect, and the Companies have neither received nor provided any written or oral notice of any default or event that with notice of lapse of time, or both, would constitute a default by the Companies or any other party thereto under any of the real property leases identified in the Disclosure Schedule. The Companies have timely and fully performed all covenants and obligations under the property leases identified in the Disclosure Schedule. The Companies have no existing offsets, defenses, counterclaims, or credits against rentals under any provision of the real property leases identified in the Disclosure Schedule, other than any security deposit.

(e) Except as set forth in Section 3.10(f) of the Disclosure Schedule, the Companies have not previously assigned, transferred, or conveyed all or any part of its right, title, or interest under any of the real property leases identified in the Disclosure Schedule to any other Person.

(f) The property and assets of the Companies constitute all of the properties and assets (whether real, personal or mixed and whether tangible or intangible) necessary and sufficient to permit to conduct the business of the Companies immediately after the Closing in the ordinary course of business consistent with past practice.

(g) To the Knowledge of Companies, there is no action or proceeding pending or threatened relating to the real property identified in the Disclosure Schedule.

3.11 Material Contracts.

(a) Except as set forth in Section 3.11 of the Disclosure Schedule (specifying the appropriate paragraph), the Companies are not parties to, and has no obligations, rights or benefits under:

(i) any Contract that restricts or purports to restrict the ability of the Companies or any of their Affiliates (including, after the Closing Date, the Purchaser or any of their Affiliates) to (A) conduct or compete with any line of business or operations or in any geographic area or during any period of time, (B) solicit or engage any customer, vendor or service provider, or (C) beneficially own any assets, properties or rights, anywhere at any time;

(ii) (A) any employment, independent contractor or consulting Contract with any officer of the Companies or any other employee, independent contractor or consultant that provides for annual, aggregate compensation in excess of $150,000 per year, and (B) any employment, independent contractor or consulting Contract with any employee consultant or independent contractor that provides for any severance or termination pay (in cash or otherwise) or retention or change in control compensation or benefits to any employee, consultant or contractor;

(iii) any Contract for employment, consulting or independent contractor services that is not cancelable by the Companies without penalty with not less than thirty (30) days' notice;

(iv) any Contract with any professional employer organization or similar entity or Person pursuant to which such entity or Person performs or provides the Companies with employment, employer and/or human resources-related services (or similar administrative services) in regard to employees working for the Companies;

(v) any Contract for Indebtedness and any Contract pursuant to which any assets or property are subject to a Lien, other than Permitted Liens;

(vi) any lease of personal property or other Contract affecting the ownership of, leasing of, or other interest in, any personal property;

(vii) any surety or guarantee agreement or other similar undertaking with respect to contractual performance;

(viii) any Contract relating to capital expenditures and involving payments by the Companies other than in the ordinary course of business in excess of $50,000 individually or $100,000 in the aggregate per vendor;

(ix) any Contract relating to the disposition or acquisition of material assets or any interest in any business enterprise outside the ordinary course of business;

(x) any dealer, distribution, joint marketing, joint venture, partnership, strategic alliance, Affiliate or development agreement or outsourcing arrangement;

(xi) any Contract that contains a right of first refusal, first offer, first negotiation, take or pay, exclusivity, minimum purchase commitments, or "most favored nation" provision in favor of any Person;

(xii) any Contract providing for the settlement of any suit, claim, action, litigation, administrative charge, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Entity, governmental authority or arbitrator;

(xiii) any nondisclosure or confidentiality Contract (except such Contracts with substantially similar terms to those in the Companies' standard form of non-disclosure agreement provided to the Purchaser prior to the date hereof);

(xiv) all Contracts with any Governmental Entity;

(xv) all Contracts under which the Companies has advanced or loaned any amount to any of its directors, officers, or employees; or

(xx) any other Contract that requires payments by the Companies in excess of $50,000 which is not cancelable by the Companies without penalty within thirty (30) days.

(b) True and complete copies of each Contract disclosed in the Disclosure Schedule or required to be disclosed pursuant to this Section 3.11 (each, a "**Material Contract**" and collectively, the "**Material Contracts**") have been made available to the Purchaser.

(c) Each Material Contract to which the Companies are a party or any of its properties or assets (whether tangible or intangible) is subject is a valid and binding agreement enforceable against the Companies in accordance with its terms, and is in full force and effect with respect to the Companies and, to the Knowledge of the Companies, any other party thereto subject to (i) laws of general application relating to bankruptcy, insolvency and the relief of debtors, and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies. The Companies are in material compliance with and has not materially breached, violated or defaulted under, or received notice that it has materially breached, violated or defaulted under, any of the terms or conditions of any Material Contract, nor to the Knowledge of the Companies is any party obligated to the Companies pursuant to any Material Contract subject to any material breach, violation or default thereunder, nor do the Companies have Knowledge of any presently existing facts or circumstances that, with the lapse of time, giving of notice, or both would constitute such a material breach, violation or default by the Companies or any such other party, except as set forth on Section 3.11(c) of the Disclosure Schedule.

(d) The Companies have performed all material obligations required to have been performed by the Companies pursuant to each Material Contract.

3.12 Interested Party Transactions.

(a) Except as set forth on Section 3.12(a) of the Disclosure Schedule, no (i) equityholder, officer, manager, partner or director of the Companies, (ii) Affiliate or immediate family member of any such Person listed in (i), or (iii) Person that any Person listed in (i) or (ii) has or has had an equity or other ownership or financial interest (each, an "**Interested Party**"), has or has had in the prior three (3) years, directly or indirectly, (A) any interest in property (including real and personal property) or assets (including tangible and intangible assets) used or held for use in the business of the Companies, (B) any Person that furnished or sold, or furnishes or sells, services, products, or technology that the Companies furnishes or sells, or proposes to furnish or sell, (C) any interest in any Person that purchases from or sells or furnishes to the Companies any services, products or technology, or (D) any interest in, or is a party to, any Contract or has any right or claim against the Companies or any of its assets.

(b) All transactions pursuant to which any Interested Party has purchased any material services, products, or technology from, or sold or furnished any services, products or technology to, the Companies that were entered into have been on an arms' length basis on terms no less favorable to the Companies than would be available from an unaffiliated party.

3.13 Permits. The Companies possesses and has possessed all Permits required for the operation of its business, and is, and in the last three (3) years has been, in compliance in all material respects with the terms and conditions of all such Permits. All such Permits are listed on Section 3.13 of the Disclosure Schedule. All such Permits are valid and full force and effect and such Permits constitute all Permits required to permit the Companies to operate or conduct its business or hold any interest in its properties, rights or assets. The consummation of the Electronic Check Share Purchase and the Central States Share Purchase shall not cause the revocation, modification or cancellation of any such Permit, and no additional Permit is required in connection therewith or for the ability of the Companies to maintain its business and operations immediately following such consummation.

3.14 Brokers' and Finders' Fees. None of the Seller Parties has incurred, nor will incur, directly or indirectly, any Liability for brokerage or finders' fees or agents' commissions, fees related to investment banking or similar advisory services or any similar charges in connection with this Agreement or the Transaction, nor will the Purchaser, nor any of the Seller Parties incur, directly or indirectly, any such Liability based on arrangements made by or on behalf of the Companies or the Stockholders.

3.15 Employment.

(a) None of the employment policies or practices of the Companies is currently being, or at any time during the past three (3) years has been, audited or, to the Knowledge of the Companies, investigated, by any Governmental Entity, and to the Knowledge of the Companies, none of the employment policies or practices of the Companies are currently subject to imminent audit or investigation by any Governmental Entity. The Companies and the officers of the Companies are not currently, and within the last three (3) years have not been, subject to any order, decree, injunction, fine, penalty or judgment by any Governmental Entity or private settlement contract in respect of any labor or employment matters.

(b) The Companies are not currently, and during the past three (3) years has not been, a party to any collective bargaining agreements; and there are no labor unions or other organizations representing, or, to the Knowledge of the Companies, purporting or attempting to represent, any employee of the Companies, and the Companies have no duty to bargain with any such union or organization with respect to wages, hours or other terms and conditions of employment of any of their employees.

(c) Section 3.15(c) of the Disclosure Schedule contains a complete and accurate list of the current employees of the Companies and shows with respect to each such employee as of the date hereof (unless otherwise specified) (i) the employee's position held, and principal place of employment, (ii) base salary or hourly wage rate, as applicable, (iii) annual commission opportunity, (iv) bonus eligibility for the current year (and bonus paid for the prior year), (v) each employee's designation as either exempt or non-exempt for wage and hour purposes, (vi) all other remuneration payable (including applicable rates) and other benefits provided or which the Companies is bound to provide (whether at present or in the future) to each such employee, or any Person connected with any such employee, and includes, if any, particulars of all profit sharing, incentive and bonus arrangements to which the Companies are a party, (vii) the date of hire, (viii) vacation and other paid time off eligibility for the current calendar year (including current balance of accrued unused vacation or other paid time off, and current accrual rate as of October 31, 2019), and (ix) leave status (including type of leave, and expected return date, if known).

(d) There is no officer, Key Employee, employee that is material to the business, or group of employees of the Companies who have indicated an intention to terminate his, her, or their employment or engagement with the Companies as of the date hereof, and in the past three (3) months from the date hereof, the employment of no officer or employee that is material to the business of the Companies has been terminated for any reason.

3.16 Compliance with Laws. The Companies are conducting, and have conducted in the last three (3) years, its business in compliance in all material respects with all Laws, other legal restraints (whether temporary, preliminary or permanent) applicable to the Companies. Since its inception, the Companies have not (a) been in violation of any Laws or other legal restraints (whether temporary, preliminary or permanent) applicable to the Companies in any material respect or (b) received written notice of violation of any such foreign, federal, state or local laws, statutes, rules, regulations, executive orders, decrees, injunctions, orders or other legal restraints (whether temporary, preliminary or permanent) applicable to the Companies that remains uncured.

3.17 Bank Accounts. Section 3.18 of the Disclosure Schedule lists the names, account numbers, authorized signatories and locations of all banks and other financial institutions at which the Companies have an account or safe deposit box and the name of each Person authorized to draft on or have access to any such account or safe deposit box. The bank accounts shall be immediately be amended to include additional signatories as appointed by Purchaser ("Purchaser Signatories"). Further, at no time shall any outgoing transactions in an amount more than $5,000.00 or outside of the ordinary course business be initiated without the additional signature of one of the Purchaser Signatories.

3.19 No Other Representation and Warranties. Except for the representations and warranties contained in this Article III and/or Article IV, none of the Companies, the Stockholders, nor any representative thereof has made or makes any other express or implied representation or warranty, either written or oral, on behalf of the Companies, or any representation or warranty arising from statute or otherwise at law with respect to the Companies. The Seller Parties acknowledge that except for the representations and warranties contained in Article V, neither the Purchaser nor any representative thereof has made or makes any other express or implied representation or warranty, either written or oral, on behalf of the Purchaser, or any representation or warranty arising from statute or otherwise at law with respect to the Purchaser.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDERS

The Stockholders, on behalf of themselves, hereby represent and warrant to the Purchaser as of the date hereof and as of the Closing, subject to such exceptions as are specifically disclosed in the Disclosure Schedule:

4.1 Power and Capacity; Enforceability. The Stockholders possesses all requisite capacity necessary to enter into this Agreement and to consummate the Transactions. This Agreement to which the Stockholders are parties have been duly executed and delivered by the Stockholders and the obligations of the Stockholders hereunder are or will be, upon such execution and delivery (and assuming the due authorization, execution and delivery by the other parties hereto), valid, legally binding and enforceable against the Stockholders in accordance with their respective terms.

4.2 No Conflict.

(a) The execution, delivery and performance by the Stockholders of this Agreement, and the consummation of the Electronic Check Share Purchase and the Central States Share Purchase or any other Transactions will not conflict with or result in any violation of or default under (with or without notice or lapse of time, or both), or give rise to a right of notice or termination, cancellation, modification or acceleration of any right or obligation or loss of any benefit under, or require any consent, approval or waiver from any Person pursuant to, or result in the creation of any Lien upon the Electronic Check Stock or the Central States Stock pursuant to (i) any Contract or order to which the Stockholders are subject or (ii) any Laws applicable to the Stockholders or the Stockholders' assets (whether tangible or intangible).

(b) No consent, notice, waiver, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by, or with respect to, the Stockholders in connection with the execution and delivery of this Agreement to which the Stockholders are a party, or the consummation of the Electronic Check Share Purchase and the Central States Share Purchase and the other Transactions except for such consents, notices, waivers, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable securities Laws.

4.3 Title to Shares. The Stockholders own of record and beneficially all of the outstanding Electronic Check Stock, and has good and valid title to such Electronic Check Stock, free and clear of all Liens and, at Closing, shall deliver to the Purchaser good and valid title to such Electronic Check Stock, free and clear of all Liens. The Stockholders do not own, and do not have the right to acquire, directly or indirectly, any other Electronic Check Stock. The Stockholders are not parties to any option, warrant, purchase right, or other Contract or commitment that could require the Stockholders to sell, transfer, or otherwise dispose of any Electronic Check Stock (other than this Agreement). Peggy S. Winfrey owns of record and beneficially all of the outstanding Central States Stock, and has good and valid title to such Central States Stock, free and clear of all Liens and, at Closing, shall deliver to the Purchaser good and valid title to such Central States Stock, free and clear of all Liens. Peggy S. Winfrey does not own, and does not have the right to acquire, directly or indirectly, any other Central States Stock. Peggy S. Winfrey is not a party to any option, warrant, purchase right, or other Contract or commitment that could require the Peggy S. Winfrey to sell, transfer, or otherwise dispose of any Central States Stock (other than this Agreement). The Stockholders are not a party to any voting trust, proxy, or other agreement or understanding with respect to the voting of any share capital of the Companies.

4.4 Litigation. There is no action, suit, claim, litigation, investigation, arbitration, or proceeding of any nature pending, or, to the knowledge of the Stockholders, threatened, against the Stockholders that seeks to restrain or enjoin the consummation of the Transactions, nor, to the knowledge of the Stockholders, are there any presently existing facts or circumstances that would constitute a reasonable basis therefor. There are no outstanding governmental orders and no unsatisfied judgments, penalties or awards against or affecting the Stockholders, the Electronic Check Stock, or the Central States Stock.

4.5 Investment Purpose. The Stockholders are acquiring the shares of Purchaser Common Stock issued hereunder solely for their own accounts for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof. The Stockholders understand and acknowledge that the Purchaser Common Stock is not being registered with the SEC under the Securities Act but instead is being transferred under an exemption or exemptions from the registration and qualification requirements of the Securities Act and other applicable securities laws which impose certain restrictions on the Stockholders' ability to transfer the Purchaser Common Stock. The Stockholders are able to bear the economic risk of holding the Purchaser Common Stock for an indefinite period (including total loss of its investment), and has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risk of its investment.

4.6 No Solicitation. At no time were the Stockholders presented with or solicited by any publicly issued or circulated newspaper, mail, radio, television or other form of general advertising or solicitation in connection with the offer, sale and purchase of the Purchaser Common Stock by the Purchaser or its agents.

4.7 Accredited Investor. The Stockholders are accredited investors as defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

4.8 Disclosure of Information. The Stockholders have received or has had full access to all the information the Stockholders consider necessary or appropriate to make an informed investment decision with respect to the Purchaser Stock Consideration. The Stockholders further has had an opportunity to ask questions and receive answers from the Purchaser regarding the terms and conditions of the offering of the Purchaser Stock Consideration and to obtain additional information (to the extent the Purchaser possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to the Stockholders or to which the Stockholders had access.

4.9 Understanding of Risks. The Stockholders are fully aware of: (a) the highly speculative nature of the Purchaser Common Stock, (b) the financial hazards involved, (c) the liquidity of the Purchaser Common Stock, (d) the qualifications and backgrounds of the management of the Purchaser and (e) the tax consequences of acquiring the Purchaser Common Stock.

4.10 Qualifications. The Stockholders have such knowledge and experience in financial and business matters that the Stockholders are capable of evaluating the merits and risks of this prospective investment, have the capacity to protect the Stockholders' own interests in connection with this transaction, and is financially capable of bearing a total loss of the Purchaser Stock Consideration.

4.11 Rule 144. The Stockholders acknowledge that, because the Purchaser Stock Consideration has not been registered under the Securities Act, the Purchaser Stock Consideration must be held indefinitely unless subsequently registered under the Securities Act or unless an exemption from such registration is available. The Stockholders are aware of the provisions of Rule 144 promulgated under the Securities Act.

4.12 No Other Representation and Warranties. Except for the representations and warranties contained in Article III and this Article IV, neither the Stockholders nor any representative thereof has made or makes any other express or implied representation or warranty, either written or oral, on behalf of the Stockholders, or any representation or warranty arising from statute or otherwise at law with respect to the Stockholders. The Stockholders acknowledge that except for the representations and warranties contained in Article V, neither the Purchaser nor any representative thereof has made or makes any other express or implied representation or warranty, either written or oral, on behalf of the Purchaser, or any representation or warranty arising from statute or otherwise at law with respect to the Purchaser.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser hereby represents and warrants to the Seller Parties as of the date hereof and as of the Closing:

5.1 Organization; Authority and Enforceability.

(a) The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and has the requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted.

(b) The Purchaser has all requisite corporate power and authority to enter into this Agreement and to consummate the Transactions. The execution and delivery by the Purchaser of this Agreement and the consummation of the Transactions have been duly and validly authorized by all necessary corporate action on the part of the Purchaser. This Agreement has been duly and validly authorized, executed and delivered by the Purchaser and the obligations of the Purchaser hereunder are or will be, upon such execution and delivery (and assuming due authorization, execution and delivery by the other parties hereto), valid, legally binding and enforceable against the Purchaser in accordance with their respective terms.

5.2 No Conflict. The execution and delivery by the Purchaser of this Agreement to which the Purchaser is a party, and the consummation of the Electronic Check Share Purchase and the Central States Share Purchase or any other Transactions, will not conflict with or result in any violation or default under (with or without notice or lapse of time, or both), or give rise to a right of notice or termination, cancellation, modification or acceleration of any right or obligation or loss of any benefit under (a) any provision of any organizational documents of the Purchaser, (b) any Contract to which the Purchaser is a party or by which any of the Purchaser's properties or assets may be bound, or (c) Laws applicable to the Purchaser or any of its properties or assets (whether tangible or intangible).

5.3 Consents. No consent, notice, waiver, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by, or with respect to, the Purchaser in connection with the execution and delivery of this Agreement to which the Purchaser is a party or the consummation of the Electronic Check Share Purchase and the Central States Share Purchase and the other Transactions, except for such consents, notices, waivers, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable securities Laws.

5.4 Valid Issuance of Purchaser Common Stock. The shares of Purchaser Common Stock to be issued pursuant to this Agreement will, when issued, be duly authorized, validly issued, fully paid and non-assessable and issued in compliance with federal and state securities Laws.

5.5 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Transactions based upon arrangements made by or on behalf of the Purchaser.

5.6 No Other Representation and Warranties. Except for the representations and warranties contained in this Article V, neither the Purchaser nor any representative thereof has made or makes any other express or implied representation or warranty, either written or oral, on behalf of the Purchaser, or any representation or warranty arising from statute or otherwise at law with respect to the Purchaser. The Purchaser acknowledges that except for the representations and warranties contained in Article III and Article IV, none of the Companies, the Stockholders, nor representative thereof has made or makes any other express or implied representation or warranty, either written or oral, on behalf of the Companies or the Stockholders, or any representation or warranty arising from statute or otherwise at law with respect to the Companies or the Stockholders.

ARTICLE VI

COVENANTS

6.1 Public Disclosure. Except as expressly provided for herein, the Seller Parties shall not (and shall not authorize any Companies Representative to), directly or indirectly, issue or make any statement or communication to any third party (other than their respective legal, accounting and financial advisors that are bound by confidentiality restrictions) regarding the existence or subject matter of this Agreement or the Transactions (including any claim or dispute arising out of or related to this Agreement, or the interpretation, making, performance, breach or termination hereof and the reasons therefor) without the consent of the Purchaser or as expressly provided for herein.

6.2 Continuing Employees. All employees and independent contractors of the Companies (collectively, the "**Offered Employees**"), will be offered continued employment on an at-will basis by or with the Purchaser or one of its Subsidiaries (including the Companies). The Offered Employees who accept employment with the with the Purchaser or one of its Subsidiaries (including the Companies) shall be referred to herein as "**Continuing Employees**." Continuing Employees shall be eligible to participate in the health, welfare and other benefit programs of the Company. Notwithstanding the foregoing, nothing contained in this Section 6.2 shall (i) be treated as an amendment of any particular employee benefit plan, program, policy, agreement or arrangement, (ii) give any third party, including any Offered Employee, any Continuing Employee, any former employee of the Company or any beneficiary representative thereof, any right to enforce the provisions of this Section 6.2 or (iii) operate to duplicate any benefit provided to any Continuing Employee or the funding of any such benefit. Nothing contained in this Agreement (x) confers (or is intended to confer) upon any Offered Employee, any Continuing Employee or any other Person any right to continued employment after the Closing or (y) prevents (or is intended to prevent) the Purchaser or any of its Affiliates from amending, modifying or terminating any employee benefit plan, program, policy, agreement or arrangement at any time.

6.3 Release. Effective for all purposes as of the Closing, the Stockholders acknowledge and agree, on behalf of themselves and each of their Affiliates, heirs, successors, assigns and agents (each, a "**Releasor**"), that the Stockholders, on behalf of themselves and the other Releasors, hereby irrevocably and unconditionally releases the Purchaser and its Affiliates (including the Companies), and their respective Affiliates, successors and assigns, present or former directors, officers, employees, and agents, from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages or causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorneys' fees and costs incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, existing or prospective, relating to the Stockholders' investment in, ownership of any securities in, any rights to proceeds upon the sale of, any rights or assets of, or employment by, the Companies (collectively, "**Claims**"); provided, however, that the foregoing release shall not cover Claims (a) arising from rights of the Stockholders under this Agreement or (b) for accrued wages payable in the ordinary course of business in the current payroll cycle (collectively, "**Excluded Claims**"). Such released Claims include (except as otherwise excluded as an Excluded Claim), to the maximum extent permitted by applicable Laws, any and all Claims: (i) relating to or arising out of such employment, the end of such employment and/or the terms and conditions of such employment; (ii) of or for employment discrimination, harassment or retaliation under any local, state or federal law or ordinance, including without limitation Title VII or the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, as amended the Equal Pay Act of 1963, as amended, or the Americans with Disabilities Act of 1990, as amended; (iii) under the Family and Medical Leave Act of 1993, as amended, or under similar state or local law; (iv) under the federal Worker Adjustment Retraining and Notification Act or any similar state or local law; (v) under the Employee Retirement Income Security Act of 1974, as amended (excluding claims for accrued, vested benefits under any pension or welfare benefit plan, subject to the terms of the applicable plan and applicable Law); (vi) under any other federal, state or local statute, law, rule or regulation of the applicable jurisdiction; (vii) for wages (excluding accrued wages payable in the ordinary course of business in the current payroll cycle), bonuses, incentive compensation, stock, options or other equity- based incentives, severance, vacation pay or any other compensation or benefits; (viii) under or for violation of any public policy or Contract (express or implied); (ix) for any tort, or otherwise arising under common law; (x) arising under any policies, practices or procedures of the Companies; (xi) any and all Claims for wrongful or constructive discharge, breach of Contract (express or implied), infliction of emotional distress, defamation; and (xii) any and all Claims for costs, fees, or other expenses, including attorneys' fees incurred in these matters. The Stockholders represents and acknowledges that they have read this release and understands its terms and has been given an opportunity to ask questions of the Companies' representatives, and to consult with independent legal counsel of their own choosing. The Stockholders further represents that in signing this release they are not relying, and have not relied, on any representation or statement not set forth in this release made by any representative of the Purchaser or anyone else with regard to the subject matter, basis or effect of this release or otherwise. The Stockholders hereby acknowledge and agree that neither the release provided hereunder nor the furnishing of the consideration for the release given hereunder will be deemed or construed at any time to be an admission by any released party or Releasor of any improper or unlawful conduct. The Stockholders hereby irrevocably covenants to refrain from, directly or indirectly, asserting any claim, or commencing, instituting or causing to be commenced, any action, proceeding, charge, complaint, or investigation of any kind against any of the released parties, in any forum whatsoever (including any administrative agency), that is based upon any claim purported to be released hereunder. Notwithstanding the foregoing or anything to the contrary in this release, it is understood and agreed that the release given herein does not prohibit any Releasor from filing an administrative charge with the Equal Employment Opportunity Commission or similar equal employment opportunity/anti-discrimination administrative agency (federal, state or local). The Stockholders, however, waive any right to monetary or other recovery in connection with any such charge and/or in the event any such federal, state or local administrative agency pursues any claims on the Stockholders' behalf or otherwise in connection with any such charge or relating to the Stockholders' employment with the Companies or any successor or assign. This release may be pleaded by any released party as a full and complete defense regarding any matter purported to be released hereby and may be used as the basis for an injunction against any action at law or equity instituted or maintained against them regarding such matter in violation of this Agreement. In the event any claim is brought or maintained by a Releasor against any released party in violation of this Agreement, the Stockholders shall be responsible for all costs and expenses, including reasonable attorneys' fees, incurred by the released parties in defending same. The Stockholders expressly acknowledge that the release contained herein applies to all Claims, regardless of whether such Claims are known or unknown, suspected or unsuspected, existing or prospective, and include Claims which, if known by the releasing party, might materially affect its decision to enter into this Section 6.3 (other than the Excluded Claims). The Stockholders have considered and taken into account the possible existence of such Claims in determining to execute and deliver this Agreement.

6.4 Non-Competition/Non-Solicitation.

(a) The Stockholders, is their individual capacity or through any of their Affiliates shall not, directly or indirectly, for a period of four (4) years after the Closing Date, engage (whether as owner, employee, operator, manager, consultant or otherwise) anywhere in the world in any business that competes with the business of the Companies, the Purchaser or any of their respective Affiliates. Notwithstanding the foregoing, the Stockholders and their Affiliates shall not be prohibited by this Section 6.5(a) from acquiring or owning less than one percent (1%) of the outstanding voting power of any publicly traded company on a passive basis.

(b) The Stockholders and their Affiliates shall not, nor shall they permit any of their Affiliates to, directly or indirectly, for a period of four (4) years after the Closing Date, (i) other than for the benefit of the Companies or the Purchaser, solicit, call upon, divert, take away, attempt to induce, or accept or conduct any business from or with, any customer, supplier, agent or distributor of the Companies, the Purchaser or any of their respective Affiliates, or cause any such customer, supplier, agent or distributor to terminate or adversely affect or materially reduce their business relationship with the Companies, the Purchaser or any of their respective Affiliates, or (ii) contact, solicit or approach for the purpose of offering employment to, or hire (whether as an employee, consultant, agent, independent contractor or otherwise), any employee employed or full-time consultant engaged by the Purchaser or any of its Affiliates (including the Companies) during the one (1) year period preceding such contact, solicitation or approach (provided, that the foregoing clause shall not prohibit the Stockholders or their Affiliates from making a general solicitation not targeting any such employee or consultant).

(c) The Stockholders, for themselves and on behalf of their Affiliates, agree that the scope of the restrictive provisions set forth in this Section 6.4 are reasonable with respect to subject matter, time and scope and that the provisions contained in this Section 6.4 are a material inducement to the Purchaser's entering into this Agreement and but for the provisions contained in this Section 6.4, the Purchaser would not have entered into this Agreement. In the event that any court determines that the subject matter, duration or geographic scope, or all of the foregoing, is unreasonable and that such provision is to that extent unenforceable, the Purchaser and the Stockholders, for itself or themselves and on behalf of each of their or its Affiliates, agree that the provision shall remain in full force and effect for the greatest time period and for the broadest subject matter and in the greatest area, as the case may be, that would not render it unenforceable. It is specifically understood and agreed that any breach of the provisions of this Section 6.4 by the Stockholders or any of their Affiliates will result in irreparable injury to the Purchaser, that the remedy at law alone will be an inadequate remedy for such breach and that, in addition to any other remedy it may have, the Purchaser shall be entitled to enforce the specific performance of this Section 6.4 by the Stockholders and their Affiliates through both temporary and permanent injunctive relief without the necessity of proving actual damages and without posting a bond, but without limitation of the Purchaser's right to damages and any and all other remedies available to the Purchaser, it being understood that injunctive relief is in addition to, and not in lieu of, such other remedies. Should the Stockholders breach Section 6.4(a) or 6.4(b) above, the term of the restrictions set forth in Section 6.4(a) or 6.4(b), as applicable, shall be tolled by the duration of such breach. For the avoidance of doubt, the parties hereto acknowledge and agree that the restrictions set forth in this Section 6.4 are independent of and in addition to any restrictions set forth in any Contract between the Purchaser or any of its Affiliates (including the Companies), on the one hand, and the Stockholders, on the other hand (including the remainder of this Agreement). The Stockholders acknowledge and agree that they have received, or are receiving, substantial consideration in connection with the Transactions. No breach by Purchaser or any of its Affiliates of any contractual or other obligations it or they have to the Stockholders shall constitute a defense, or a limitation of, the enforcement of this Section 6.4 against the Stockholders. If the Stockholders violate this Section 6.4, in addition to all other remedies available to the Purchaser at law, in equity, and under contract, the Stockholders agree that the Stockholders shall pay the Purchaser's costs of enforcement of this Section 6.4, including reasonable attorneys' fees and expenses.

ARTICLE VII

TAX MATTERS

7.1 Tax Returns.

(a) Except as provided in Section 7.1(b), the Purchaser shall prepare and timely file, or shall cause to be prepared and timely filed, all Tax Returns of the Companies required to be filed after the Closing Date for taxable periods ending on or before the Closing Date; provided, that with respect to any Tax Return for a taxable period ending on or prior to the Closing Date, (i) such Tax Return shall be prepared in a manner consistent with past practice of the Companies unless otherwise required by applicable Law and (ii) if such Tax Return reflects a material amount of Tax for which the Seller Parties must indemnify the Purchaser, the Purchaser shall provide such Tax Return to the Stockholders for their review and comment at least thirty (30) days prior to the date on which such Tax Return is to be filed (or as soon as is reasonably practicable) and Purchaser shall consider in good faith the reasonable comments of the Stockholders with respect to such Tax Return.

(b) The Stockholders shall prepare and timely file, or shall cause to be prepared and timely filed, all Tax Returns of the Companies required to be filed after the Closing Date for taxable periods ending on or before the Closing Date and that are income Tax Returns and reflect items of income, loss, deduction or credit which the Stockholders is required to report on their income Tax Returns; provided, that with respect to any Tax Return for a taxable period ending on or prior to the Closing Date,

(a) such Tax Return shall be prepared in a manner consistent with the past practice of the Companies unless otherwise required by applicable Law and (b) the Stockholders shall provide such Tax Return to the Purchaser for its review and comment at least thirty (30) days prior to the date on which such Tax Return is to be filed (or as soon as is reasonably practicable) and Stockholders shall consider in good faith the reasonable comments of the Purchaser with respect to such Tax Return.

7.2 Tax Cooperation. The Purchaser, the Companies and the Stockholders shall cooperate fully, as and to the extent reasonably requested by the other parties hereto, in connection with the filing, preparation and review of Tax Returns, and any Tax audits, Tax proceedings or other Tax-related claims (including claims under this Agreement). Such cooperation shall include providing records and information that are reasonably relevant to any such matters and in their possession (or if not in their possession, if reasonably able to obtain), making employees available on a mutually convenient basis to provide additional information, and explaining any materials provided pursuant to this Section 7.2. The Purchaser, the Companies and the Stockholders shall not destroy or dispose of any Tax workpapers, schedules or other materials and documents in their possession or under their control supporting Tax Returns of the Company until the seventh (7th) anniversary of the Closing Date.

7.3 Transfer Taxes. All sales, use, transfer, value added, goods and services, gross receipts, excise, conveyance and documentary, stamp, recording, registration, conveyance and similar Taxes incurred in connection with the Transactions pursuant to this Agreement, including penalties and interest ("**Transfer Taxes**") shall be borne fifty percent (50%) by the Purchaser and fifty percent (50%) by the Stockholders. The Purchaser shall timely file all necessary Tax Returns and other documentation with respect to all such Transfer Taxes and the Stockholders shall join in the execution of any such Tax Returns to the extent required by applicable Law.

ARTICLE VIII

SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION

8.1 Survival of Representations and Warranties. The representations and warranties of the Company and/or the Stockholders contained in Article III and Article IV of this Agreement or the Certificates shall survive until the fifteen (15) month anniversary of the Closing Date (the "**Survival Date**"); provided, that in the event of any fraud or Willful Breach by a Seller Party with respect to the representations and warranties set forth in Article III, and the Stockholders with respect to the representations and warranties set forth in Article IV, such claim shall survive without limitation. The representations and warranties of the Purchaser contained in Article V of this Agreement or in any certificate delivered pursuant to this Agreement shall survive until the Survival Date; provided, that in the event of any fraud or Willful Breach by Purchaser with respect to the representations and warranties set forth in Article V, such claim shall survive without limitation. The covenants and indemnities (other than for breach of representation and warranties as provided for earlier in this Section 8.1) of a party hereunder shall survive until thirty (30) days following the expiration of the statute of limitations applicable to the subject matter thereof (or such longer period as specified in the applicable covenant). If an Officer's Certificate asserting a claim for indemnification hereunder, (x) in the case of representations and warranties that survive until the Survival Date, on or before the Survival Date, or (y)in the case of the covenants and indemnities (other than for breach of representation and warranties as provided for in clause (x)), before the date on which such covenant or indemnity ceases to survive, then the claims arising in connection with such Officer's Certificate shall survive for the benefit of all Indemnified Parties beyond the expiration of the applicable survival period for such representation, warranty, covenant or indemnity until such claims are fully and finally resolved. The parties further acknowledge that the time periods set forth in this Section 8.1 for the assertion of claims under this Agreement are the result of arms' length negotiation among the parties and that they intend for the time periods to be enforced as agreed by the parties.

8.2 Indemnification.

(a) Subject to the provisions of this Article VIII, from and after the Closing, the Stockholders agree to indemnify and hold harmless the Purchaser Indemnified Parties, from and against, and shall compensate and reimburse the Purchaser Indemnified Parties for, all Losses incurred or sustained by the Purchaser Indemnified Parties, or any of them, directly or indirectly, arising under, in connection with or as a result of any of the following (the "**Indemnifiable Matters**"):

(i) any breach (or an allegation that would amount to a breach in the case of a third party claim) of a representation or warranty made by the Companies and/or the Stockholders in this Agreement or any Certificate;

(ii) any failure (or an allegation that would amount to a failure in the case of a third party claim) by (A) the Companies to perform or comply with any covenant or agreement applicable to the Companies contained in this Agreement and required to be performed or complied with as of or prior to the Closing or (B) the Stockholders to perform or comply with any covenant or agreement applicable to the Stockholders contained in this Agreement;

(iii) any fraud, or any Willful Breach of any provision of this Agreement or any Certificate, to the extent committed as of or prior to the Closing, by a Seller Party or any authorized representative thereof;

(iv) any claims or threatened claims by or purportedly on behalf of any holder or former holder of any shares of the Electronic Check Stock or Central States Stock, or in respect of any rights to acquire the Electronic Check Stock and the Central States Stock, any claims or threatened claims alleging violations of fiduciary duty, or any claims or threatened claims by any Person claiming to have rights to any portion of the consideration payable hereunder;

(v) any claims or threatened claims by or purportedly on behalf of any Person with respect to any transaction or agreement between the Company and any Interested Party initiated or consummated as of or prior to the Closing (each, a "**Related Party Transaction**"), including claims or threatened claims alleging violations of fiduciary duty;

(vi) any Transaction Expenses or unpaid Indebtedness of the Company as of immediately prior to the Closing; and/or

(vii) any Taxes owed for periods prior to the Closing.

(b) Subject to the provisions of this Article VIII, from and after the Closing, the Purchaser agrees to indemnify and hold harmless the Stockholders, from and against, and shall compensate and reimburse the Stockholders for, all Losses incurred or sustained by the Stockholders, directly or indirectly, arising under, in connection with or as a result of:

(i) any breach (or an allegation that would amount to a breach in the case of a third party claim) of a representation or warranty made by the Purchaser in Article V of this Agreement or any certificate delivered by the Purchaser to the Seller Parties in connection with the Closing;

(ii) any failure (or an allegation that would amount to a failure in the case of a third party claim) by the Purchaser to perform or comply with any covenant or agreement applicable to the Purchaser contained in this Agreement; or

(iii) any fraud, or any Willful Breach of any provision of this Agreement or any such certificate, to the extent committed as of or prior to the Closing, by the Purchaser or any authorized representative thereof.

(c) For the purpose of this Article VIII only, when determining any inaccuracy or breach of, and the amount of Losses suffered by an Indemnified Party as a result of, any breach or inaccuracy of any representation or warranty set forth in this Agreement that is qualified or limited in scope as to material, material adverse effect, Material Adverse Effect, or any other materiality qualifications or limitations shall be deemed to be made or given without such qualification or limitation.

(d) The Stockholders shall not have any right of contribution, indemnification or right of advancement from the Purchaser or any of its Affiliates with respect to any Loss claimed by a Purchaser Indemnified Party.

(e) The Company and the Stockholders have agreed that the Purchaser Indemnified Parties' rights to indemnification, compensation and reimbursement contained in this Article VIII relating to the representations, warranties, covenants, indemnities and obligations of the Companies and/or the Stockholders are part of the basis of the bargain contemplated by this Agreement; and such representations, warranties, covenants, indemnities and obligations, and the rights and remedies that may be exercised by the Purchaser Indemnified Parties with respect thereto, shall not be waived, limited or otherwise affected by or as a result of (and the Purchaser Indemnified Parties shall be deemed to have relied upon such representations, warranties, covenants or obligations notwithstanding) any knowledge on the part of any of the Purchaser Indemnified Parties or any of their representatives (regardless of whether obtained through any investigation by any Purchaser Indemnified Parties or any representative of any Purchaser Indemnified Parties or through disclosure by the Companies or any other Person, and regardless of whether such knowledge was obtained before or after the execution and delivery of this Agreement) or by reason of the fact that a Purchaser Indemnified Party or any of its representatives knew or should have known that any representation or warranty is or might be inaccurate or untrue. The Purchaser has agreed that the Stockholders' right to indemnification, compensation and reimbursement contained in this Article VIII relating to the representations, warranties, covenants, indemnities and obligations of the Purchaser are part of the basis of the bargain contemplated by this Agreement.

(f) This Article VIII shall constitute the exclusive remedy after the Closing for recovery of Losses by the Indemnified Parties (x) as a result of breaches of the matters specified in Section 8.2(a), provided, that notwithstanding anything herein to the contrary, nothing in this Agreement shall limit the rights or remedies of the Purchaser or any other Purchaser Indemnified Party (i) in the case of fraud or Willful Breach (including pursuant to Section 8.2(a)(iii) or Section 8.2(b)(iii)), (ii) Transaction Expenses or Indebtedness as described in Section 8.2(a)(vi), (iii) with respect to specific performance, injunctive and other equitable relief, (iv) claims relating to Related Party Transactions, or (v) for breaches of any covenant to be performed following the Closing, or (y) as a result of breaches of the matters specified in Section 8.2(b), provided, that notwithstanding anything herein to the contrary, nothing in this Agreement shall limit the rights or remedies of the Stockholders (i) in the case of fraud or Willful Breach (including pursuant to Section 8.2(a)(iii) or Section 8.2(b)(iii)), (ii) with respect to specific performance, injunctive and other equitable relief, or (iii) for breaches of any covenant to be performed following the Closing. Without limiting the foregoing, the provisions of this Article VIII will not prevent or limit a cause of action under Section 6.6 to obtain an injunction or injunctions to prevent breaches of covenants contained in this Agreement.

8.3 Maximum Payments; Remedy.

(a) The Purchaser Indemnified Parties, on the one hand, or the Stockholders, on the other hand (each, an "**Indemnified Party**"), shall not be entitled to any recovery resulting from Section 8.2(a)(i) or Section 8.2(b)(i), respectively, until such time (if at all) as the total amount of all Losses that have been suffered or incurred by any one or more of such Indemnified Parties with respect to such matters exceeds $50,000 in the aggregate; and in such event, the Purchaser Indemnified Parties or the Stockholders, as the case may be, shall, subject to the limitations set forth in the remaining subsections of this Section 8.3, be entitled to be indemnified against and compensated and reimbursed to the extent all Losses from the first Dollar thereof; provided, that the limitations set forth in this Section 8.3(a) shall not apply to any indemnification claims relating to any breach (or an allegation that would amount to a breach in the case of a third party claim) of any representation or warranty that involves fraud or Willful Breach (including pursuant to Section 8.2(a)(iii) or Section 8.2(b)(iii)).

(b) The Purchaser Indemnified Parties' right to indemnification pursuant to this Article VIII on account of any Losses will be reduced by all insurance of the Company or other third party indemnification or contribution proceeds actually received by the Company in respect of those Losses, net of applicable costs and expenses involved in seeking such recovery (including increases in premiums relating thereto). The applicable Purchaser Indemnified Parties shall remit to the Stockholders, for the benefit of the Stockholders, any such insurance or other third party proceeds that are paid to such Purchaser Indemnified Parties with respect to such Losses for which such Purchaser Indemnified Parties have been previously indemnified pursuant to this Article VIII.

8.4 Claims for Indemnification; Resolution of Conflicts.

(a) Making a Claim for Indemnification; Officer's Certificate. The Stockholders or a Purchaser Indemnified Party may seek recovery of Losses pursuant to this Article VIII by delivering to the Purchaser or the Stockholders, as applicable, an Officer's Certificate in respect of such claim. The date of such delivery of an Officer's Certificate is referred to herein as the "**Claim Date**" of such Officer's Certificate (and the claims for indemnification contained therein). For purposes hereof, "**Officer's Certificate**" means a certificate signed by any authorized representative of an Indemnified Party (or, in the case of an Indemnified Party who is an individual, signed by such individual) stating that an Indemnified Party has paid, sustained, incurred, or accrued, or reasonably anticipates that it will have to pay, sustain, incur or accrue Losses and including, to the extent reasonably practicable, a non-binding, preliminary estimate of the amounts of such Losses; provided, that the Officer's Certificate need only specify such information to the knowledge of such officer or such Indemnified Party as of the Claim Date, shall not limit any of the rights or remedies of any Indemnified Party, and may be updated and amended from time to time by the Indemnified Party by delivering an updated or amended Officer's Certificate to the Stockholders or the Purchaser, as applicable.

(b) Objecting to a Claim for Indemnification.

(i) The Stockholders or the Purchaser, as applicable, may object, in whole or in part, to a claim for indemnification set forth in an Officer's Certificate by delivering to the Indemnified Party seeking indemnification a written statement of objection to the claim made in the Officer's Certificate (an "**Objection Notice**"); provided, that, to be effective, such Objection Notice must (A) be delivered to the Indemnified Party pursuant to Section 10.1 prior to 5:00 p.m. Memphis, Tennessee time on the thirtieth (30th) day following the Claim Date of the Officer's Certificate (such deadline, the "**Objection Deadline**" for such Officer's Certificate and the claims for indemnification contained therein) and (B) set forth in reasonable detail the nature of the objections to the claim in respect of which the objection is made.

(ii) To the extent the Stockholders or Purchaser, as applicable, does not object in writing (as provided in Section 8.4(b)(i)) to the claims contained in an Officer's Certificate prior to the Objection Deadline for such Officer's Certificate, such failure to so object shall be an irrevocable acknowledgment by the Stockholders or the Purchaser, as applicable, that the Indemnified Party is entitled to the full amount of the claims for Losses set forth in such Officer's Certificate (and such entitlement shall be conclusively and irrefutably established) with respect to the applicable Indemnifying Parties (any such claim, an "**Unobjected Claim**"). Within thirty (30) days of a claim becoming an Unobjected Claim, the Indemnifying Parties shall make the applicable payment to such Indemnified Party, subject to Sections 8.4(f) and 8.5.

(c) Resolution of Conflicts. In case the Stockholder or the Purchaser, as applicable, timely delivers an Objection Notice in accordance with Section 8.4(c) hereof, the Stockholder or the Purchaser, as applicable, and the applicable Indemnified Parties shall attempt in good faith to agree upon the rights of the respective parties with respect to each of such claims. If the Stockholder or the Purchaser, as applicable, and the Indemnified Parties reach an agreement, a memorandum setting forth such agreement shall be prepared and signed by all applicable parties (any claims covered by such an agreement, "**Settled Claims**"). Any amounts required to be paid as a result of a Settled Claim shall be paid by the Indemnifying Party to the Indemnified Parties pursuant to the Settled Claim within thirty (30) days of the applicable claim becoming a Settled Claim, subject to Sections 8.4(f) and 8.5. If the Stockholder or the Purchaser, as applicable, and the Indemnified Parties are unable to reach an agreement, the matter specified in the Objection Notice shall be resolved pursuant to Section 10.8 (any claims resolved pursuant thereto, "**Resolved Claims**").

(d) Payable and Unresolved Claims. A "**Payable Claim**" means a claim for indemnification of Losses under this Article VIII, to the extent that such claim has not yet been satisfied, that is (i) a Resolved Claim, (ii) a Settled Claim, or (iii) an Unobjected Claim. An "**Unresolved Claim**" means any claim for indemnification of Losses under this Article VIII specified in any Officer's Certificate delivered pursuant to Section 8.4(b), to the extent that such claim is not a Payable Claim and has not been satisfied.

8.5 Third Party Claims. If the Purchaser becomes aware of a third party claim (a "**Third Party Claim**") which the Purchaser reasonably believes may result in a claim for indemnification by a Purchaser Indemnified Party pursuant to this Article VIII, the Purchaser shall notify the Stockholders promptly of such claim, and the Stockholders shall be entitled, at their expense, to participate in, but not to determine or conduct, the defense of such Third Party Claim. If there is a Third Party Claim that, if adversely determined, would give rise to a right of recovery for Losses under the Agreement, then any amounts incurred by the Purchaser Indemnified Parties in defense or settlement of such Third Party Claim, regardless of the outcome of such claim, shall be deemed Losses under the Agreement. The Purchaser shall have the right in its sole discretion to conduct the defense of, and to settle, any such claim and the Stockholders shall not have a right of approval or consent with respect to any such Third Party Claim; provided, that except with the consent of the Stockholders (such consent not to be unreasonably withheld, conditioned or delayed), no settlement of any such Third Party Claim with third party claimants shall be determinative of the amount of Losses relating to such matter or otherwise admissible in any proceeding or used in any way to resolve any dispute with respect to the amount of Losses.

If the Stockholders becomes aware of a third party claim (a "**Company Third Party Claim**") which they reasonably believe may result in a claim for indemnification by the Stockholders pursuant to this Article VIII, the Stockholders shall notify the Purchaser promptly of such claim, and the Stockholders shall be entitled, at his expense, to participate in, but not to determine or conduct, the defense of such Company Third Party Claim. The Purchasers shall have the right in its sole discretion to conduct the defense of, and to settle, any such claim and the Stockholders shall not have a right of approval or consent with respect to any such Company Third Party Claim; provided, that except with the consent of the Stockholders (such consent not to be unreasonably withheld, conditioned or delayed), no settlement of any such Company Third Party Claim with third party claimants shall be determinative of the amount of Losses relating to such matter or otherwise admissible in any proceeding or used in any way to resolve any dispute with respect to the amount of Losses.

8.6 Limitation on Indemnities. The indemnities in this Article VIII shall be in full force and effect for a period of 7 years from the date hereof for Indemnifiable Matters involving tax liabilities as a result of federal, state and local taxes, for a period of 10 years from the date of execution of any written contracts entered into by the Company and for 15 months from the date hereof on all other Indemnifiable Matters.

ARTICLE IX

AMENDMENT AND WAIVER

9.1 Amendment. This Agreement may not be amended, except by an instrument in writing signed by the parties hereto.

9.2 Extension; Waiver. Any party hereto may, to the extent legally allowed, (a) extend the time for the performance of any of the obligations of any other party hereto, (b) waive any inaccuracies in the representations and warranties made to such party contained herein or in any document delivered pursuant hereto, and (c) waive compliance with any of the covenants, agreements or conditions for the benefit of such party contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. Any waiver of any term or condition shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any other term or condition of this Agreement. No delay or failure by any party to assert any of its rights or remedies shall constitute a waiver of such rights or remedies.

ARTICLE XI

GENERAL PROVISIONS

10.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed delivered, given and received (a) when delivered in person, (b) when transmitted by email or facsimile (with written confirmation of completed transmission), (c) on the third (3rd) Business Day following the mailing thereof by certified or registered mail (return receipt requested) or (d) when delivered by an express courier (with written confirmation of delivery) to the parties hereto at the following addresses (or to such other address or facsimile number as such party may have specified in a written notice given to the other parties):

(a) if to the Purchaser or, following the Closing, the Company, to:

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

with a copy (which shall not constitute notice) to:

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

(b) if to the Stockholders, to:

Mr. Dennis R. Winfrey and Ms. Peggy S. Winfrey
1943 East Nottingham
Springfield, MO 65804

with a copy (which shall not constitute notice) to:

10.2 Expenses. Except as otherwise specified in this Agreement, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the Transactions shall be borne by the party incurring such costs and expenses.

10.3 Interpretation. Unless a clear contrary intention appears: (a) the singular number shall include the plural, and 0ice versa; (b) reference to any gender includes each other gender; (c) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof; (d) "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words "without limitation"; (e) all references in this Agreement to "Schedules," "Sections," "Annexes" and "Exhibits" are intended to refer to Schedules, Sections, Annexes and Exhibits to this Agreement, except as otherwise indicated; (f) the table of contents and headings in this Agreement are for convenience of reference only, shall not be deemed to be a part of this Agreement, and shall not be referred to in connection with the construction or interpretation of this Agreement; (g) "or" is used in the inclusive sense of "and/or"; (h) with respect to the determination of any period of time, "from" means "from and including" and "to" means "to but excluding"; (i) "hereunder," "hereof," "hereto," and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Article, Section or other provision hereof; and (j) "shall" and "will" shall have the same meaning hereunder.

10.4 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party, it being understood that all parties need not sign the same counterpart. Until and unless each party has received a counterpart hereof signed by the other party hereto, this Agreement shall have no effect and no party shall have any right or obligation hereunder (whether by virtue of any other oral or written agreement or other communication). Any signature page delivered electronically or by facsimile (including transmission by Portable Document Format or other fixed image form) shall be binding to the same extent as an original signature page.

10.5 Entire Agreement; Assignment. This Agreement, the exhibits and annexes hereto, the Disclosure Schedule, the other schedules : (a) constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings both written and oral (including any letter of intent, term sheet or related discussions), among the parties with respect to the subject matter hereof, and (b) shall not be assigned by operation of law or otherwise, except that the Purchaser may assign its rights and delegate its obligations hereunder (i) after the Closing, in connection with a sale of the Purchaser or a sale of all or substantially all of its assets, (ii) to one or more of its Affiliates as long as the Purchaser remains ultimately liable for all of the Purchaser's obligations hereunder and (iii) to any lender of the Purchaser or its Affiliates as collateral security.

10.6 Severability. If any provision of this Agreement or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision to other Persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision.

10.7 Other Remedies. Except as otherwise set forth herein, any and all remedies herein expressly conferred upon a party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such party, and the exercise by a party of any one remedy will not preclude the exercise of any other remedy. Without prejudice to remedies at law, the parties shall be entitled to specific performance or other equitable relief, including injunctive relief, in the event of a breach or threatened breach of this Agreement.

10.8 Arbitration; Submission to Jurisdiction; Consent to Service of Process.

(a) all disputes, claims, or controversies arising out of or relating to the Agreement, the Ancillary Agreements (other than as expressly set forth therein) or any other agreement or document executed and delivered pursuant to the Agreement (other than as expressly set forth therein) or the negotiation, breach, validity or performance hereof and thereof or the Transactions, including claims of fraud and including as well the determination of the scope or applicability of this agreement to arbitrate, shall be resolved solely and exclusively by binding arbitration administered by JAMS in Missouri, before a single arbitrator (the "**Arbitrator**"). Except as modified in this Section, the arbitration shall be administered pursuant to JAMS's Comprehensive Rules and Procedures. The parties further agree that this arbitration shall apply equally to requests for temporary, preliminary or permanent injunctive relief, except that in the case of temporary or preliminary injunctive relief any party may proceed in court without prior arbitration for the purpose of avoiding immediate and irreparable harm or to enforce its rights under Section 6.3 or Section 6.4.

(b) The parties covenant and agree that the arbitration hearing shall commence within sixty (60) days of the date on which a written demand for arbitration is filed by any party hereto (the "**Filing Date**"). The hearing shall be no more than five (5) Business Days. In connection with the arbitration, the Arbitrator shall have the power to order the production of documents by each party and any third-party witnesses. In addition, each party may take up to three (3) depositions as of right, with each deposition limited to eight (8) hours, excluding breaks, and the Arbitrator may grant additional depositions upon good cause shown. For purposes of determining the number of depositions as of right, multiple petitioners or multiple respondents shall each respectively be deemed one party. The Arbitrator shall not have the power to order the answering of interrogatories or the response to requests for admission. The Arbitrator's award shall be made and delivered within sixty (60) days of the closing of the evidentiary hearing on the merits (the "**Hearing**") or within sixty (60) days of service of post-Hearing briefs, if the arbitrator directs service of such briefs, shall be binding and final as between the parties, and a judgment may be entered upon the award in any court having jurisdiction thereof. The Arbitrator's decision shall set forth a reasoned basis for any award of damages or finding of liability. The parties covenant and agree that the arbitration shall conclude within six (6) months of the Filing Date, and the Arbitrator shall be provided notice of such six-month limit (and agreed to abide by it) prior to his or her appointment as Arbitrator.

(c) The parties shall maintain the confidential nature of the arbitration proceeding and any award thereunder, including the Hearing, except as may be necessary to prepare for or conduct the arbitration hearing on the merits, or except as may be necessary in connection with a court application for a preliminary remedy, a judicial challenge to an award or its enforcement, or unless otherwise required by Law, judicial decision or applicable securities laws or under applicable stock exchange rules.

(d) The parties will (i) bear their own attorneys' fees, costs and expenses in connection with the arbitration, and (ii) share equally in the fees and expenses charged by the Arbitrator; provided, that the prevailing party shall be awarded its share of the Arbitrator's fees and expenses and all other costs and expenses, including attorneys', consultants' and experts' fees; provided, further, that any party unsuccessfully refusing to comply with the award or an order of the Arbitrator shall be liable for costs and expenses, including attorneys', consultants' and experts' fees, incurred by the other party in enforcing the award or order. If the Arbitrator determines a party to be the prevailing party under circumstances where the prevailing party obtained relief on some but not all of the claims and counterclaims, the Arbitrator may award the prevailing party an appropriate percentage of the costs and expenses incurred by the prevailing party.

(e) Subject in all cases to the foregoing, each of the parties hereto irrevocably consents to the exclusive jurisdiction and venue of the state or federal courts located within Missouri in connection with any matter based upon, arising out of or relating to this Agreement or the matters contemplated herein, agrees that process may be served upon them in any manner authorized by the laws of the State of Missouri for such Persons and waives and covenants not to assert or plead any objection which they might otherwise have to such jurisdiction, venue and such process. Each party agrees not to commence any legal proceedings related hereto except in such courts.

10.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Missouri, regardless of the Laws that might otherwise govern under applicable principles of conflicts of laws thereof.

10.10 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY AND ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT, OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF ANY PARTY HERETO IN NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT HEREOF.

10.11 Rules of Construction. The parties hereto agree that they have been represented by counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any Law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

10.12 No Third Party Beneficiary. Notwithstanding anything contained in this Agreement to the contrary, nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the parties hereto or their respective successors and assigns any rights, remedies, or Liabilities under or by reason of this Agreement except that (i) Article VIII shall also be for the benefit of the Indemnified Parties and (ii) Section 6.3 shall also be for the benefit of the Affiliates of the Purchaser (which shall include, from and after the Closing, the Company).

10.13 Tax Advice. Other than as expressly set forth in this Agreement, no party to this Agreement makes any representations or warranties to any other party regarding the Tax treatment of the Transactions pursuant to this Agreement or any of the Tax consequences to any other party of this Agreement or the Transactions. Each party to this Agreement acknowledges that it is relying solely on its own Tax advisors in connection with this Agreement and the Transactions.

10.14 Disclosure Schedule. The Disclosure Schedule shall be arranged in separate parts corresponding to the numbered and lettered sections and subsections contained in this Agreement, and the information disclosed in any numbered or lettered part shall be deemed to relate to and to qualify only the particular representation or warranty of any Seller Party set forth in the corresponding numbered or lettered section or subsection of this Agreement, except to the extent that (a) such information is explicitly cross-referenced in another part of the Disclosure Schedule, or (b) it is readily apparent on the face of the disclosure (without reference to any document referred to therein) that such information qualifies another representation and warranty of any Seller Party in this Agreement. Nothing in the Disclosure Schedule shall be deemed adequate to disclose an exception to a representation or warranty of any Seller Party made in this Agreement, unless the applicable part of the Disclosure Schedule identifies the exception with reasonable particularity and describes the relevant facts in reasonable detail. The mere listing of a document or other item in, or attachment of a copy thereof to, the Disclosure Schedule will not be deemed adequate to disclose an exception to a representation or warranty made in this Agreement (unless the representation or warranty pertains directly to the existence of the document or other item itself).

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Purchaser, the Companies and the Stockholders have caused this Agreement to be signed, all as of the date first written above.

SURGE HOLDINGS, INC.

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

ELECTRONIC CHECK SERVICES, INC.

By: _____
Name: Dennis R. Winfrey
Title: Chairman

CENTRAL STATES LEGAL SERVICES, INC.

By: _____
Name: Dennis R. Winfrey
Title: Chairman

_____
DENNIS R. WINFREY, individually

[Signature Page – Stock Purchase Agreement]

PEGGY S. WINFREY, individually

DERRON WINFREY, in his capacity as a control person of Suray Holdings LLC solely with regard to Sections 2.1(c) and 2.1(e)

[Signature Page – Stock Purchase Agreement]

Exhibit 10.12

SECURITIES PURCHASE AGREEMENT

This **SECURITIES PURCHASE AGREEMENT** (the "Agreement"), dated as of January 29, 2020, by and between **SURGE HOLDINGS, INC.**, a Nevada corporation, with headquarters located at 3124 Brother Blvd, Suite 104, Bartlett, TN 38133 (the "Company"), and_____ , with its address at_____, (the "Buyer").

WHEREAS:

A. The Company and the Buyer are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by the rules and regulations as promulgated by the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "1933 Act");

B. WHEREAS, subject to the terms and provisions hereinafter set forth and upon the terms and subject to the limitations and conditions set forth in the Notes (as defined below), (i) the Buyer desires to purchase, the Company desires to sell and issue to the Buyer, a promissory note in the form attached hereto as Exhibit A (the "First Note") convertible into shares of common stock, $0.001 par value per share, of the Company (the "Common Stock")(the "First Closing"), and (ii) the Buyer desires to purchase and the Company desires to sell and issue to the Buyer, one or more additional promissory notes convertible into shares of Common Stock, each in the form attached hereto as Exhibit A (the "Additional Notes" and together with the First Note, the "Notes") as may mutually be agreed in additional closings as set forth in Section 1(d) below (the "Additional Closings") (each of the First Closing and the Additional Closings are sometimes hereinafter individually referred to as a "Closing" and collectively as the "Closings" and this Agreement any and all documents or instruments executed or to be executed by in connection with this Agreement, including the Notes and the Irrevocable Transfer Agent Instructions, together with all modifications, amendments, extensions, future advances, renewals, and substitutions thereof are sometimes hereinafter individually referred to as a "Transaction Document" and collectively as the "Transaction Documents"); and

C. WHEREAS, the aggregate principal amount of Notes sold pursuant to this Agreement shall not exceed an amount to be determined by the Buyer.

NOW THEREFORE, the Company and the Buyer severally (and not jointly) hereby agree as follows:

1. PURCHASE AND SALE OF NOTE.

a. Purchase of Note. On the Closing Date (as defined below), the Company shall issue and sell to the Buyer and the Buyer agrees to purchase, at each Closing, and the Company agrees to sell and issue to the Buyer, at each Closing, a Note in the amount of the purchase price applicable to each Closing as more specifically set forth below.

b. First Closing. The First Closing of the purchase and sale of the First Note in a principal amount of United States Dollars (US$) for a purchase price of United States Dollars (US$), shall take place on the Effective Date, subject to satisfaction of the conditions to the First Closing set forth in this Agreement (the "First Closing Date"). Additional Closings of the purchase and sale of the Notes shall be at such times and for such amounts as determined in accordance with Section 1(d) below, subject to satisfaction of the conditions to the Additional Closings set forth in this Agreement (the "Additional Closing Dates", collectively, with the First Closing Date, referred to as the "Closing Dates"). The Closings shall occur on the respective Closing Dates through the use of overnight mails and subject to customary escrow instructions from the Buyer and its counsel, or in such other manner as is mutually agreed to by the Company and the Buyer.

c. Form of Payment. On each Closing Date, (i) the Buyer shall pay the purchase price set forth on the face thereof for the Note to be issued and sold to it at such Closing (the "Purchase Price") by wire transfer of immediately available funds to the Company, in accordance with the Company's written wiring instructions, against delivery of such Note in the principal amount set forth on the face thereof, and (ii) the Company shall deliver such duly executed Note on behalf of the Company, to the Buyer, against delivery of such Purchase Price.

d. Additional Closings. At any time after the First Closing but prior to the maturity date of the Note issued in the First Closing, the Buyer may demand that the Company issue an additional Note hereunder in an additional Closing under the same terms and conditions as the First Note by delivering written notice to the Company and the Company shall issue such additional Notes to the Buyer.

2. REPRESENTATIONS AND WARRANTIES OF THE BUYER. The Buyer represents and warrants to the Company that:

a. Investment Purpose. As of the date hereof, the Buyer is purchasing the Notes and the shares of Common Stock issuable upon conversion of or otherwise pursuant to the Notes (including, without limitation, such additional shares of Common Stock, if any, as are issuable (i) on account of interest on the Notes (ii) as a result of the events described in Sections 1.3 and 1.4(g) of each Note or (iii) in payment of the Standard Liquidated Damages Amount (as defined in Section 2(f) below) pursuant to this Agreement, such shares of Common Stock being collectively referred to herein as the "Conversion Shares" and, collectively with the Notes and the Inducement Shares, the "Securities") for its own account and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered or exempted from registration under the 1933 Act; provided, however, that by making the representations herein, the Buyer does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act.

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

c. Reliance on Exemptions. The Buyer understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities.

d. Information. The Buyer and its advisors, if any, have been, and for so long as any Note remains outstanding will continue to be, furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer or its advisors. The Buyer and its advisors, if any, have been, and for so long as any Note remains outstanding will continue to be, afforded the opportunity to ask questions of the Company. Notwithstanding the foregoing, the Company has not disclosed to the Buyer any material nonpublic information and will not disclose such information unless such information is disclosed to the public prior to or promptly following such disclosure to the Buyer. Neither such inquiries nor any other due diligence investigation conducted by Buyer or any of its advisors or representatives shall modify, amend or affect Buyer's right to rely on the Company's representations and warranties contained in Section 3 below. The Buyer understands that its investment in the Securities involves a significant degree of risk. The Buyer is not aware of any facts that may constitute a breach of any of the Company's representations and warranties made herein.

e. Governmental Review. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.

f. Transfer or Re-sale. The Buyer understands that (i) the sale or re-sale of the Securities has not been and is not being registered under the 1933 Act or any applicable state securities laws, and the Securities may not be transferred unless (a) the Securities are sold pursuant to an effective registration statement under the 1933 Act, (b) the Buyer shall have delivered to the Company, at the cost of the Company, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in comparable transactions to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration, which opinion shall be accepted by the Company, (c) the Securities are sold or transferred to an "affiliate" (as defined in Rule 144 promulgated under the 1933 Act (or a successor rule) ("Rule 144")) of the Buyer who agrees to sell or otherwise transfer the Securities only in accordance with this Section 2(f) and who is an Accredited Investor, (d) the Securities are sold pursuant to Rule 144, or (e) the Securities are sold pursuant to Regulation S under the 1933 Act (or a successor rule) ("Regulation S"), and the Buyer shall have delivered to the Company, at the cost of the Company, not to exceed $500 per opinion, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in corporate transactions, which opinion shall be accepted by the Company; (ii) any sale of such Securities made in reliance on Rule 144 may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any re-sale of such Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case). Notwithstanding the foregoing or anything else contained herein to the contrary, the Securities may be pledged as collateral in connection with a bona fide margin account or other lending arrangement. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, within three (3) business days of delivery of the opinion to the Company, the Company shall pay to the Buyer liquidated damages of three and one half percent (3.5%) of the outstanding amount of applicable Note per day plus accrued and unpaid interest on such Note, prorated for partial months, in cash or shares at the option of the Buyer ("Standard Liquidated Damages Amount"). If the Buyer elects to be pay the Standard Liquidated Damages Amount in shares of Common Stock, such shares shall be issued at the Conversion Price (as defined in the Note) at the time of payment.

g. Legends. The Buyer understands that each Note and, until such time as the Conversion Shares have been registered under the 1933 Act may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, the Conversion Shares may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the shares of Common Stock for such Securities):

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

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of any Security upon which it is stamped, if, unless otherwise required by applicable state securities laws, (a) such Security is registered for sale under an effective registration statement filed under the 1933 Act or otherwise may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, or (b) such holder provides the Company with an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Security may be made without registration under the 1933 Act, which opinion shall be accepted by the Company so that the sale or transfer is effected. The Buyer agrees to sell all Securities, including those represented by a certificate(s) from which the legend has been removed, in compliance with applicable prospectus delivery requirements, if any. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline (as such term is defined in Section 1.4(d) of the Note), it will be considered an Event of Default pursuant to Section 3.2 of the Note. The shares of Common Stock issued hereunder shall be issued in book entry and transferred electronically via DTC DWAC and shall only be issued in certificate form at the discretion of the Buyer.

h. Authorization; Enforcement. This Agreement has been duly and validly authorized. This Agreement has been duly executed and delivered on behalf of the Buyer, and this Agreement constitutes a valid and binding agreement of the Buyer enforceable in accordance with its terms.

i. Residency. The Buyer is organized in the jurisdiction set forth in the Preamble of this Agreement.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY . The Company represents and warrants to the Buyer, as of the date of the execution and delivery of this Agreement and as of the date of each Closing hereunder, and which shall survive the execution and delivery of this Agreement:

a. Organization and Qualification. The Company and each of its Subsidiaries (as defined below), if any, is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, with full power and authority (corporate and other) to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted. The Company and each of its Subsidiaries is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which its ownership or use of property or the nature of the business conducted by it makes such qualification necessary except where the failure to be so qualified or in good standing would not have a Material Adverse Effect. "Material Adverse Effect" means any material adverse effect on the business, operations, assets, financial condition or prospects of the Company or its Subsidiaries, if any, taken as a whole, or on the transactions contemplated hereby or by the agreements or instruments to be entered into in connection herewith. "Subsidiaries" means any corporation or other organization, whether incorporated or unincorporated, in which the Company owns, directly or indirectly, any equity or other ownership interest.

b. Authorization; Enforcement. (i) The Company has all requisite corporate power and authority to enter into and perform this Agreement, the Notes and to consummate the transactions contemplated hereby and thereby and to issue the Securities, in accordance with the terms hereof and thereof, (ii) the execution and delivery of this Agreement, the Notes by the Company and the consummation by it of the transactions contemplated hereby and thereby (including without limitation, the issuance of the Note and the issuance and reservation for issuance of the Conversion Shares issuable upon conversion or exercise thereof) have been duly authorized by the Company's Board of Directors and no further consent or authorization of the Company, its Board of Directors, or its shareholders is required, (iii) this Agreement has been duly executed and delivered by the Company by its authorized representative, and such authorized representative is the true and official representative with authority to sign this Agreement and the other documents executed in connection herewith and bind the Company accordingly, and (iv) this Agreement constitutes, and upon execution and delivery by the Company of each Note, each of such instruments will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

c. Capitalization. As of January 2, 2020, as disclosed in the SEC Documents, the authorized capital stock of the Company consists of 500,000,000 shares of Common Stock, of which 101,158,316 shares are issued and outstanding, 100,000,000 shares of Series A preferred stock, of which 13,000,000 shares are issued and outstanding, and 1,000,000 shares of Series C convertible preferred stock of which, 721,598 are issued and outstanding. Except as disclosed in the SEC Documents, no shares are reserved for issuance pursuant to the Company's stock option plans, no shares are reserved for issuance pursuant to securities (other than the Notes) exercisable for, or convertible into or exchangeable for shares of Common Stock and immediately upon the Company increasing its authorized shares of Common Stock the Company shall reserve 4,050,000 shares for issuance upon conversion of the Notes. All of such outstanding shares of capital stock are, or upon issuance will be, duly authorized, validly issued, fully paid and non-assessable. No shares of capital stock of the Company are subject to preemptive rights or any other similar rights of the shareholders of the Company or any liens or encumbrances imposed through the actions or failure to act of the Company. Except as disclosed in the SEC Documents, as of the effective date of this Agreement, (i) there are no outstanding options, warrants, scrip, rights to subscribe for, puts, calls, rights of first refusal, agreements, understandings, claims or other commitments or rights of any character whatsoever relating to, or securities or rights convertible into or exchangeable for any shares of capital stock of the Company or any of its Subsidiaries, or arrangements by which the Company or any of its Subsidiaries is or may become bound to issue additional shares of capital stock of the Company or any of its Subsidiaries, (ii) there are no agreements or arrangements under which the Company or any of its Subsidiaries is obligated to register the sale of any of its or their securities under the 1933 Act and (iii) there are no anti-dilution or price adjustment provisions contained in any security issued by the Company (or in any agreement providing rights to security holders) that will be triggered by the issuance of the Note or the Conversion Shares. The Company has filed in its SEC Documents true and correct copies of the Company's Certificate of Incorporation as in effect on the date hereof ("Certificate of Incorporation"), the Company's By-laws, as in effect on the date hereof (the "By-laws"), and the terms of all securities convertible into or exercisable for Common Stock of the Company and the material rights of the holders thereof in respect thereto. The Company shall provide the Buyer with a written update of this representation signed by the Company's Chief Executive on behalf of the Company as of each Closing Date.

d. Issuance of Shares. The issuance of each Note is duly authorized and, upon issuance in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable and free from all preemptive or similar rights, taxes, liens, charges and other encumbrances with respect to the issue thereof. The Conversion Shares are duly authorized and reserved for issuance and, upon conversion of each Note in accordance with its respective terms, will be validly issued, fully paid and non-assessable, and free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Company and will not impose personal liability upon the holder thereof.

e. Acknowledgment of Dilution. The Company understands and acknowledges the potentially dilutive effect to the Common Stock upon the issuance of the Conversion Shares upon conversion of each Note. The Company further acknowledges that its obligation to issue Conversion Shares upon conversion of each Note in accordance with this Agreement, the Note is absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interests of other shareholders of the Company.

f. No Conflicts. The execution, delivery and performance of this Agreement and the Notes by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance and reservation for issuance of the Conversion Shares) will not (i) conflict with or result in a violation of any provision of the Certificate of Incorporation or By-laws, or (ii) violate or conflict with, or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture, patent, patent license or instrument to which the Company or any of its Subsidiaries is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of any self-regulatory organizations to which the Company or its securities are subject) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect). Neither the Company nor any of its Subsidiaries is in violation of its Certificate of Incorporation, By- laws or other organizational documents and neither the Company nor any of its Subsidiaries is in default (and no event has occurred which with notice or lapse of time or both could put the Company or any of its Subsidiaries in default) under, and neither the Company nor any of its Subsidiaries has taken any action or failed to take any action that would give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its Subsidiaries is a party or by which any property or assets of the Company or any of its Subsidiaries is bound or affected, except for possible defaults as would not, individually or in the aggregate, have a Material Adverse Effect. The businesses of the Company and its Subsidiaries, if any, are not being conducted, and shall not be conducted so long as the Buyer owns any of the Securities, in violation of any law, ordinance or regulation of any governmental entity. Except as specifically contemplated by this Agreement and as required under the 1933 Act and any applicable state securities laws, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency, regulatory agency, self-regulatory organization or stock market or any third party in order for it to execute, deliver or perform any of its obligations under this Agreement, the Note in accordance with the terms hereof or thereof or to issue and sell the Note in accordance with the terms hereof and to issue the Conversion Shares upon conversion of the Note. All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof. The Company is not in violation of the listing requirements of the Over- the-Counter Bulletin Board (the "OTCBB"), the OTCQB or any similar quotation system, and does not reasonably anticipate that the Common Stock will be delisted by the OTCBB, the OTCQB or any similar quotation system, in the foreseeable future nor are the Company's securities "chilled" by DTC. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

g. SEC Documents; Financial Statements. The Company has timely filed all quarterly and annual reports required to be filed by it with the SEC pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act") (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements and schedules thereto and documents (other than exhibits to such documents) incorporated by reference therein, being hereinafter referred to herein as the "SEC Documents"). The Company has delivered to the Buyer true and complete copies of the SEC Documents, except for such exhibits and incorporated documents, and except as such Documents are available EDGAR filings on the SEC's sec.gov website. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the 1934 Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. None of the statements made in any such SEC Documents is, or has been, required to be amended or updated under applicable law (except for such statements as have been amended or updated in subsequent filings prior the date hereof). As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with United States generally accepted accounting principles, consistently applied, during the periods involved and fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except as set forth in the financial statements of the Company included in the SEC Documents, the Company has no liabilities, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to December 31, 2019, and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in such financial statements, which, individually or in the aggregate, are not material to the financial condition or operating results of the Company. The Company is subject to the reporting requirements of the 1934 Act. For the avoidance of doubt, filing of the documents required in this Section 3(g) via the SEC's Electronic Data Gathering, Analysis, and Retrieval system ("EDGAR") shall satisfy all delivery requirements of this Section 3(g).

h. Absence of Certain Changes. Since December 31, 2019, there has been no material adverse change and no material adverse development in the assets, liabilities, business, properties, operations, financial condition, results of operations, prospects or 1934 Act reporting status of the Company or any of its Subsidiaries.

i. Absence of Litigation. There is no action, suit, claim, 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 Company or any of its Subsidiaries, threatened against or affecting the Company or any of its Subsidiaries, or their officers or directors in their capacity as such, that could have a Material Adverse Effect. Schedule 3(i) contains a complete list and summary description of any pending or, to the knowledge of the Company, threatened proceeding against or affecting the Company or any of its Subsidiaries, without regard to whether it would have a Material Adverse Effect. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

j. Patents, Copyrights, etc. The Company and each of its Subsidiaries owns or possesses the requisite licenses or rights to use all patents, patent applications, patent rights, inventions, know-how, trade secrets, trademarks, trademark applications, service marks, service names, trade names and copyrights ("Intellectual Property") necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future). Except as disclosed in the SEC Documents, there is no claim or action by any person pertaining to, or proceeding pending, or to the Company's knowledge threatened, which challenges the right of the Company or of a Subsidiary with respect to any Intellectual Property necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future); to the best of the Company's knowledge, the Company's or its Subsidiaries' current and intended products, services and processes do not infringe on any Intellectual Property or other rights held by any person; and the Company is unaware of any facts or circumstances which might give rise to any of the foregoing. The Company and each of its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of their Intellectual Property.

k. No Materially Adverse Contracts, Etc. Neither the Company nor any of its Subsidiaries is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the judgment of the Company's officers has or is expected in the future to have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is a party to any contract or agreement which in the judgment of the Company's officers has or is expected to have a Material Adverse Effect.

l. Tax Status. The Company and each of its Subsidiaries has made or filed all federal, state and foreign income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject (unless and only to the extent that the Company and each of its Subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes) and has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and has set aside on its books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim. The Company has not executed a waiver with respect to the statute of limitations relating to the assessment or collection of any foreign, federal, state or local tax. None of the Company's tax returns is presently being audited by any taxing authority.

m. Certain Transactions. Except for arm's length transactions pursuant to which the Company or any of its Subsidiaries makes payments in the ordinary course of business upon terms no less favorable than the Company or any of its Subsidiaries could obtain from third parties and other than the grant of stock options disclosed on Schedule 3(c), none of the officers, directors, or employees of the Company is presently a party to any transaction with the Company or any of its Subsidiaries (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

n. Disclosure. All information relating to or concerning the Company or any of its Subsidiaries set forth in this Agreement and provided to the Buyer pursuant to Section 2(d) hereof and otherwise in connection with the transactions contemplated hereby is true and correct in all material respects and the Company has not omitted to state any material fact necessary in order to make the statements made herein or therein, in light of the circumstances under which they were made, not misleading. No event or circumstance has occurred or exists with respect to the Company or any of its Subsidiaries or its or their business, properties, prospects, operations or financial conditions, which, under applicable law, rule or regulation, requires public disclosure or announcement by the Company but which has not been so publicly announced or disclosed (assuming for this purpose that the Company's reports filed under the 1934 Act are being incorporated into an effective registration statement filed by the Company under the 1933 Act).

o. Acknowledgment Regarding Buyer' Purchase of Securities. The Company acknowledges and agrees that the Buyer is acting solely in the capacity of arm's length purchasers with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Buyer is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any statement made by the Buyer or any of its respective representatives or agents in connection with this Agreement and the transactions contemplated hereby is not advice or a recommendation and is merely incidental to the Buyer' purchase of the Securities. The Company further represents to the Buyer that the Company's decision to enter into this Agreement has been based solely on the independent evaluation of the Company and its representatives.

p. No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales in any security or solicited any offers to buy any security under circumstances that would require registration under the 1933 Act of the issuance of the Securities to the Buyer. The issuance of the Securities to the Buyer will not be integrated with any other issuance of the Company's securities (past, current or future) for purposes of any shareholder approval provisions applicable to the Company or its securities.

q. No Brokers. The Company has taken no action which would give rise to any claim by any person for brokerage commissions, transaction fees or similar payments relating to this Agreement or the transactions contemplated hereby.

r. Permits; Compliance. The Company and each of its Subsidiaries is in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exemptions, consents, certificates, approvals and orders necessary to own, lease and operate its properties and to carry on its business as it is now being conducted (collectively, the "Company Permits"), and there is no action pending or, to the knowledge of the Company, threatened regarding suspension or cancellation of any of the Company Permits. Neither the Company nor any of its Subsidiaries is in conflict with, or in default or violation of, any of the Company Permits, except for any such conflicts, defaults or violations which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. Since December 31, 2019, neither the Company nor any of its Subsidiaries has received any notification with respect to possible conflicts, defaults or violations of applicable laws, except for notices relating to possible conflicts, defaults or violations, which conflicts, defaults or violations would not have a Material Adverse Effect.

s. Environmental Matters.

(i) There are, to the Company's knowledge, with respect to the Company or any of its Subsidiaries or any predecessor of the Company, no past or present violations of Environmental Laws (as defined below), releases of any material into the environment, actions, activities, circumstances, conditions, events, incidents, or contractual obligations which may give rise to any common law environmental liability or any liability under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 or similar federal, state, local or foreign laws and neither the Company nor any of its Subsidiaries has received any notice with respect to any of the foregoing, nor is any action pending or, to the Company's knowledge, threatened in connection with any of the foregoing. The term "Environmental Laws" means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

(ii) Other than those that are or were stored, used or disposed of in compliance with applicable law, no Hazardous Materials are contained on or about any real property currently owned, leased or used by the Company or any of its Subsidiaries, and no Hazardous Materials were released on or about any real property previously owned, leased or used by the Company or any of its Subsidiaries during the period the property was owned, leased or used by the Company or any of its Subsidiaries, except in the normal course of the Company's or any of its Subsidiaries' business.

(iii) There are no underground storage tanks on or under any real property owned, leased or used by the Company or any of its Subsidiaries that are not in compliance with applicable law.

t. Title to Property. Except as disclosed in the SEC Documents the Company and its Subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its Subsidiaries, in each case free and clear of all liens, encumbrances and defects or such as would not have a Material Adverse Effect. Any real property and facilities held under lease by the Company and its Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not have a Material Adverse Effect.

u. Internal Accounting Controls. Except as disclosed in the SEC Documents the Company and each of its Subsidiaries maintain a system of internal accounting controls sufficient, in the judgment of the Company's board of directors, to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

v. Foreign Corrupt Practices. Neither the Company, nor any of its Subsidiaries, nor any director, officer, agent, employee or other person acting on behalf of the Company or any Subsidiary has, in the course of his actions for, or on behalf of, the Company, used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

w. Solvency. The Company (after giving effect to the transactions contemplated by this Agreement) is solvent (i.e., its assets have a fair market value in excess of the amount required to pay its probable liabilities on its existing debts as they become absolute and matured) and currently the Company has no information that would lead it to reasonably conclude that the Company would not, after giving effect to the transaction contemplated by this Agreement, have the ability to, nor does it intend to take any action that would impair its ability to, pay its debts from time to time incurred in connection therewith as such debts mature. The Company did not receive a qualified opinion from its auditors with respect to its most recent fiscal year end and, after giving effect to the transactions contemplated by this Agreement, does not anticipate or know of any basis upon which its auditors might issue a qualified opinion in respect of its current fiscal year. For the avoidance of doubt any disclosure of the Company's ability to continue as a "going concern" shall not, by itself, be a violation of this Section 3(w).

x. No Investment Company. The Company is not, and upon the issuance and sale of the Securities as contemplated by this Agreement will not be an "investment company" required to be registered under the Investment Company Act of 1940 (an "Investment Company"). The Company is not controlled by an Investment Company.

y. Insurance. The Company and each of its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company and its Subsidiaries are engaged. Neither the Company nor any such Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect. Upon written request the Company will provide to the Buyer true and correct copies of all policies relating to directors' and officers' liability coverage, errors and omissions coverage, and commercial general liability coverage.

z. Bad Actor. No officer or director of the Company would be disqualified under Rule 506(d) of the Securities Act as amended on the basis of being a "bad actor" as that term is established in the September 19, 2013 Small Entity Compliance Guide published by the SEC.

aa. Shell Status. The Company represents that it is not a "shell" issuer and has never been a "shell" issuer, or that if it previously has been a "shell" issuer, that at least twelve (12) months have passed since the Company has reported Form 10 type information indicating that it is no longer a "shell" issuer. Further, the Company will instruct its counsel to either (i) write a 144- 3(a)(9) opinion to allow for salability of the Conversion Shares or (ii) accept such opinion from the Buyer's counsel.

bb. No-Off Balance Sheet Arrangements. There is no transaction, arrangement, or other relationship between the Company or any of its Subsidiaries and an unconsolidated or other off-balance sheet entity that is required to be disclosed by the Company in its 1934 Act filings and is not so disclosed or that otherwise could be reasonably likely to have a Material Adverse Effect.

cc. Manipulation of Price. The Company has not, and to its knowledge no one acting on its behalf has: (i) taken, directly or indirectly, any action designed to cause or to result, or that could reasonably be expected to cause or result, in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any person any compensation for soliciting another to purchase any other securities of the Company.

dd. Sarbanes-Oxley Act. The Company and each Subsidiary is in material compliance with all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and all applicable rules and regulations promulgated by the SEC thereunder that are effective as of the date hereof.

ee. Employee Relations. Neither the Company nor any of its Subsidiaries is a party to any collective bargaining agreement or employs any member of a union. The Company believes that its and its Subsidiaries' relations with their respective employees are good. No executive officer (as defined in Rule 501(f) promulgated under the 1933 Act) or other key employee of the Company or any of its Subsidiaries has notified the Company or any such Subsidiary that such officer intends to leave the Company or any such Subsidiary or otherwise terminate such officer's employment with the Company or any such Subsidiary. To the knowledge of the Company, no executive officer or other key employee of the Company or any of its Subsidiaries is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement, non-competition agreement, or any other contract or agreement or any restrictive covenant, and the continued employment of each such executive officer or other key employee (as the case may be) does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all federal, state, local and foreign laws and regulations respecting labor, employment and employment practices and benefits, terms and conditions of employment and wages and hours, except where failure to be in compliance would not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

ff. Breach of Representations and Warranties by the Company. The Company agrees that if the Company breaches any of the representations or warranties set forth in this Section 3, and in addition to any other remedies available to the Buyer pursuant to this Agreement and it being considered an Event of Default under Section 3.5 of the Note, the Company shall pay to the Buyer the Standard Liquidated Damages Amount in cash or in shares of Common Stock at the option of the Company, until such breach is cured. If the Company elects to pay the Standard Liquidated Damages Amounts in shares of Common Stock, such shares shall be issued at the Conversion Price at the time of payment.

4. COVENANTS.

a. Best Efforts. The parties shall use their commercially reasonable best efforts to satisfy timely each of the conditions described in Section 5 and 6 of this Agreement.

b. Form D; Blue Sky Laws. The Company agrees to file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof to the Buyer promptly after such filing. The Company shall, on or before each Closing Date, take such action as the Company shall reasonably determine is necessary to qualify the Securities for sale to the Buyer at the applicable closing pursuant to this Agreement under applicable securities or "blue sky" laws of the states of the United States (or to obtain an exemption from such qualification), and shall provide evidence of any such action so taken to the Buyer on or prior to such Closing Date.

c. Use of Proceeds. The Company shall use the proceeds from the sale of the Notes for working capital and other general corporate purposes and shall not, directly or indirectly, use such proceeds for any loan to or investment in any other corporation, partnership, enterprise or other person (except in connection with its currently existing direct or indirect Subsidiaries) or to repay any indebtedness owing under any securities of the Company issued after October 7, 2019.

d. Financial Information. The Company agrees to send or make available the following reports to the Buyer until the Buyer transfers, assigns, or sells all of the Securities: (i) within ten (10) days after the filing with the SEC, a copy of its Annual Report on Form 10-K its Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K; (ii) within one (1) day after release, copies of all press releases issued by the Company or any of its Subsidiaries; and (iii) contemporaneously with the making available or giving to the shareholders of the Company, copies of any notices or other information the Company makes available or gives to such shareholders. For the avoidance of doubt, filing the documents required in (i) above via EDGAR or releasing any documents set forth in (ii) above via a recognized wire service shall satisfy the delivery requirements of this Section 4(e).

e. Listing; Uplisting. The Company shall promptly secure the listing of the Conversion Shares upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance) and, so long as the Buyer owns any of the Securities, shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Conversion Shares from time to time issuable upon conversion of the Note. The Company will obtain and, so long as the Buyer owns any of the Securities, maintain the listing and trading of its Common Stock on the OTCBB, OTCQB, OTC Pink or any equivalent replacement exchange, the Nasdaq National Market ("Nasdaq"), the Nasdaq SmallCap Market ("Nasdaq SmallCap"), the New York Stock Exchange ("NYSE"), or the NYSE MKT and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Financial Industry Regulatory Authority ("FINRA") and such exchanges, as applicable. The Company shall promptly provide to the Buyer copies of any material notices it receives from the OTCBB, OTCQB and any other exchanges or quotation systems on which the Common Stock is then listed regarding the continued eligibility of the Common Stock for listing on such exchanges and quotation systems. Within six months of the Effective Date, the Company shall will obtain the listing and trading of its Common Stock on an exchange senior to the exchange on which the Common Stock is listed and traded as of the Effective Date. The Company shall pay any and all fees and expenses in connection with satisfying its obligation under this Section 4(f).

f. Corporate Existence. So long as the Buyer beneficially owns any Note, the Company shall maintain its corporate existence and shall not sell all or substantially all of the Company's assets, except in the event of a merger or consolidation or sale of all or substantially all of the Company's assets, where the surviving or successor entity in such transaction (i) assumes the Company's obligations hereunder and under the agreements and instruments entered into in connection herewith and (ii) is a publicly traded corporation whose Common Stock is listed for trading on the OTCBB, OTCQB, OTC Pink, Nasdaq, NasdaqSmallCap, NYSE or AMEX.

g. No Integration. The Company shall not make any offers or sales of any security (other than the Securities) under circumstances that would require registration of the Securities being offered or sold hereunder under the 1933 Act or cause the offering of the Securities to be integrated with any other offering of securities by the Company for the purpose of any stockholder approval provision applicable to the Company or its securities.

h. Failure to Comply with the 1934 Act. So long as the Buyer beneficially owns any Note, the Company shall comply with the quarterly and annual reporting requirements of the 1934 Act; and the Company shall continue to be subject to the reporting requirements of the 1934 Act.

i. Trading Activities. Neither the Buyer nor its affiliates has an open short position (or other hedging or similar transactions) in the Common Stock of the Company and the Buyer agree that it shall not, and that it will cause its affiliates not to, engage in any short sales of or hedging transactions with respect to the Common Stock of the Company.

j. Restriction on Activities. Commencing as of the date first above written, and until the sooner of the six month anniversary of the date first written above or payment of the Note in full, or full conversion of the Note, the Company shall not, directly or indirectly, without the Buyer's prior written consent, which consent shall not be unreasonably withheld: (a) change the nature of its business; or (b) sell, divest, acquire, change the structure of any material assets other than in the ordinary course of business.

k. Par Value. If the closing bid price at any time a Note is outstanding falls below $0.001 for five (5) consecutive days, the Company shall cause the par value of its Common Stock to be reduced to $0.0001 or less.

l. Breach of Covenants. The Company agrees that if the Company breaches any of the covenants set forth in this Section 4, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an Event of Default under Section 3.4 of the Notes, the Company shall pay to the Buyer the Standard Liquidated Damages Amount in cash or in shares of Common Stock at the option of the Buyer, until such breach is cured, or with respect to Section 4(d) above, the Company shall pay to the Buyer the Standard Liquidated Damages Amount in cash or shares of Common Stock, at the option of the Buyer, upon each violation of such provision. If the Company elects to pay the Standard Liquidated Damages Amounts in shares of Common Stock, such shares shall be issued at the Conversion Price at the time of payment.

m. Transfer Agent Instructions. The Company shall issue irrevocable instructions to its transfer agent to issue certificates, registered in the name of the Buyer or its nominee, for the Conversion Shares in such amounts as specified from time to time by the Buyer to the Company upon conversion of the Notes in accordance with the terms thereof (the "Irrevocable Transfer Agent Instructions"). In the event that the Company proposes to replace its transfer agent, the Company shall provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Purchase Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Company and the Company. Prior to registration of the Conversion Shares under the 1933 Act or the date on which the Conversion Shares may be sold pursuant to Rule 144 without any restriction as to the number of Securities as of a particular date that can then be immediately sold, all such certificates shall bear the restrictive legend specified in Section 2(g) of this Agreement. The Company warrants that: (i) no instruction other than the Irrevocable Transfer Agent Instructions referred to in this Section, and stop transfer instructions to give effect to Section 2(f) hereof (in the case of the Conversion Shares, prior to registration of the Conversion Shares under the 1933 Act or the date on which the Conversion Shares may be sold pursuant to Rule 144 without any restriction as to the number of Securities as of a particular date that can then be immediately sold), will be given by the Company to its transfer agent and that the Securities shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the Note; (ii) it will not direct its transfer agent not to transfer or delay, impair, and/or hinder its transfer agent in transferring (or issuing) (electronically or in certificated form) any certificate for Conversion Shares to be issued to the Buyer upon conversion of or otherwise pursuant to the Notes as and when required by the Notes and this Agreement; and (iii) it will not fail to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any Conversion Shares issued to the Buyer upon conversion of or otherwise pursuant to the Notes as and when required by the Note and this Agreement. Nothing in this Section shall affect in any way the Buyer's obligations and agreement set forth in Section 2 (g) hereof to comply with all applicable prospectus delivery requirements, if any, upon re-sale of the Securities. If the Buyer provides the Company, at the cost of the Company not to exceed $500, with (i) an opinion of counsel in form, substance and scope customary for opinions in comparable transactions, to the effect that a public sale or transfer of such Securities may be made without registration under the 1933 Act and such sale or transfer is effected or (ii) the Buyer provides reasonable assurances that the Securities can be sold pursuant to Rule 144, the Company shall permit the transfer, and, in the case of the Conversion Shares, promptly instruct its transfer agent to issue one or more certificates, free from restrictive legend, in such name and in such denominations as specified by the Buyer. Additionally, upon request by the Buyer to the Transfer Agent with notice to the Company, the Transfer Agent shall deliver to the Buyer reports reflecting issued and outstanding shares of the Company, and the lowest cost basis for share issuances of the Company. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer, by vitiating the intent and purpose of the transactions contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section may be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Section, that the Buyer shall be entitled, in addition to all other available remedies, to an injunction restraining any breach and requiring immediate transfer, without the necessity of showing economic loss and without any bond or other security being required. Upon

n. Transaction Expense Amount and Original Issue Discount. Upon the First Closing, the Company shall pay US$2,500.00 to the Buyer's legal counsel for preparation of the Transaction Documents (the "Transaction Expense Amount"). The Transaction Expense Amount shall be offset against the proceeds of the First Note and shall be paid to the Buyer's legal counsel upon the execution hereof. Additionally, the Company shall pay US$13,333.34 to the Buyer as an original issue discount (the "OID").") in respect of the First Note. The OID shall be added to the Principal Amount of the Note and accordingly the Principal Amount of the First Note is US$180,000.00.

o. Issuance of Shares of Common Stock; True-Up Shares.

(i) As additional consideration for the Buyer loaning the Purchase Price to the Company, the Company shall issue to the Buyer, or designees of the Buyer, 250,000 shares of Common Stock of the Company (the "Initial Share Issuance"). The Initial Share Issuance shall be issued and delivered to the Buyer on the Closing Date.

(ii) Commencing on the date that is six (6) months plus one (1) day from the Issue Date (the "True-Up Exercise Date"), in the event the Common Stock was on the preceding ten (10) Trading Day period less than $0.35 per share, Buyer shall have the right to deliver a notice to the Company in the form of Exhibit B hereto (the "True-Up Notice"), notifying the Company of its obligation to deliver the True-Up Amount (as defined below) to the Buyer. On the True-Up Exercise Date the Buyer shall deliver the True-Up Notice to the Company and the Company shall within two (2) business days of the Buyer's delivery of the True Up Notice, issue to the Buyer additional shares of Common Stock equal to the True-Up Amount (as defined below). The "True-Up Amount" shall mean an amount equal to (a) $0.35 minus (b) 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 True-Up Exercise Date (the "True-Up Exercise Price") multiplied by (c) 250,000 divided by (d) the True-Up Exercise Price. The shares of Common Stock comprising the True-Up Amount shall be referred to herein as the "True-Up Shares". The Initial Share Issuance and the True-Up Shares shall collectively, in the aggregate, be referred to herein as the "Inducement Shares". Accordingly, the True-Up Shares, if required to be issued pursuant to this Agreement, shall be issued in accordance with such beneficial ownership limitations, and in successive tranches if required to comply with such beneficial ownership limitations (each an "Additional Tranche"). The Company shall issue each Additional Tranche within two (2) business days of the request by Buyer. Additionally, in the event of a reverse stock split by the Company any fractional shares held by the Buyer shall be rounded up to the nearest whole share.

5. CONDITIONS PRECEDENT TO THE COMPANY'S OBLIGATIONS TO SELL. The obligation of the Company hereunder to issue and sell a Note to the Buyer at a Closing is subject to the satisfaction, at or before each Closing Date of each of the following conditions thereto, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion:

a. The Buyer shall have executed this Agreement and delivered the same to the Company.

b. The Buyer shall have delivered the Purchase Price in accordance with Section 1(b) above.

c. The representations and warranties of the Buyer shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date), and the Buyer shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Buyer at or prior to the Closing Date.

d. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self- regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

6. CONDITIONS PRECEDENT TO THE BUYER'S OBLIGATION TO PURCHASE.

a. The obligation of the Buyer hereunder to purchase the First Note at the First Closing is subject to the satisfaction, at or before the First Closing Date of each of the following conditions, provided that these conditions are for the Buyer's sole benefit and may be waived by the Buyer at any time in its sole discretion:

(i) The Company shall have executed this Agreement, effectuated the Issuance, and delivered the Agreement and Issuance to the Buyer.

(ii) The Board of Directors of the Company shall have approved by Unanimous Written Consent (the "Consent") the Issuance and transactions contemplated by this Agreement and the First Note and the Company shall have delivered a copy of such fully executed Consent to the Buyer.

(iii) The Company shall have delivered to the Buyer the duly executed First Note (in such denominations as the Buyer shall request) and in accordance with Section 1(b) above.

(iv) The Irrevocable Transfer Agent Instructions, in form and substance satisfactory to the Buyer, shall have been delivered to and acknowledged in writing by the Company's Transfer Agent and such fully executed Irrevocable Transfer Agent Instructions shall have been delivered to the Buyer.

(v) The representations and warranties of the Company shall be true and correct in all material respects as of the date when made and as of the First Closing Date as though made at such time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the First Closing Date. The Buyer shall have received a certificate or certificates, executed by the chief executive officer of the Company, dated as of the First Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by the Buyer including, but not limited to certificates with respect to the Company's Certificate of Incorporation, By-laws and Board of Directors' resolutions relating to the transactions contemplated hereby.

(vi) No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

(vii) No event shall have occurred which could reasonably be expected to have a Material Adverse Effect on the Company including but not limited to a change in the 1934 Act reporting status of the Company or the failure of the Company to be timely in its 1934 Act reporting obligations.

(viii) The Conversion Shares shall have been authorized for quotation on the OTCBB, OTCQB, OTC Pink or any similar quotation system and trading in the Common Stock on the OTCBB, OTCQB or any similar quotation system shall not have been suspended by the SEC or the OTCBB, OTCQB, OTC Pink or any similar quotation system.

(ix) The Buyer shall have received the Initial Inducement Shares and an officer's certificate described in Section 3(c) above, dated as of the First Closing Date.

b. The obligation of the Buyer hereunder to purchase Additional Notes at any Additional Closing is subject to the satisfaction, at or before applicable Additional Closing Date of each of the following conditions, provided that these conditions are for the Buyer's sole benefit and may be waived by the Buyer at any time in its sole discretion:

(i) The Company shall have executed the Transaction Documents applicable to the Additional Closing and delivered copies of the same to the Buyer.

(ii) The representations and warranties of the Company shall be true and correct in all material respects (except to the extent that any of such representations and warranties are already qualified as to materiality in Section 2 above, in which case, such representations and warranties shall be true and correct in all respects without further qualification) as of the date when made and as of the Additional Closing Date as though made at that time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Additional Closing Date.

(iii) No event shall have occurred which could reasonably be expected to have a Material Adverse Effect.

(iv) No default or Event of Default shall have occurred and be continuing under this Agreement or any other Transaction Documents, and no event shall have occurred that, with the passage of time, the giving of notice, or both, would constitute a default or an Event of Default under this Agreement or any other Transaction Documents.

(v) The Company shall have executed such other agreements, certificates, confirmations or resolutions as the Buyer may require to consummate the transactions contemplated by this Agreement and the Transaction Documents.

7. GOVERNING LAW; MISCELLANEOUS.

a. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement, the Notes or any other agreement, certificate, instrument or document contemplated hereby shall be brought only in the state courts of New York or in the federal courts in the State of New York. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR UNDER ANY OTHER TRANSACTION DOCUMENT OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY**. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

b. Counterparts; Signatures by Facsimile. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

c. Construction; Headings. This Agreement shall be deemed to be jointly drafted by the Company and the Buyer and shall not be construed against any person as the drafter hereof. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

e. Entire Agreement; Amendments. This Agreement, the Notes and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the Buyer.

f. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, email, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by email or facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company, to:

Surge Holdings, Inc.
3124 Brother Blvd
Suite 104
Bartlett, Tennessee 38133

If to the Buyer, to:

Each party shall provide notice to the other party of any change in address.

g. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. Neither the Company nor the Buyer shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other. Notwithstanding the foregoing, subject to Section 2(f), the Buyer may assign its rights hereunder to any person that purchases Securities in a private transaction from the Buyer or to any of its "affiliates," as that term is defined under the 1934 Act, without the consent of the Company.

h. Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

i. Survival. The representations and warranties of the Company and the agreements and covenants set forth in this Agreement shall survive the closing hereunder not withstanding any due diligence investigation conducted by or on behalf of the Buyer. The Company agrees to indemnify and hold harmless the Buyer and all their officers, directors, employees and agents for loss or damage arising as a result of or related to any breach or alleged breach by the Company of any of its representations, warranties and covenants set forth in this Agreement or any of its covenants and obligations under this Agreement, including advancement of expenses as they are incurred.

j. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

k. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

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

m. Indemnification. In consideration of the Buyer's execution and delivery of this Agreement and acquiring the Securities hereunder, and in addition to all of the Company's other obligations under this Agreement or the Notes, the Company shall defend, protect, indemnify and hold harmless the Buyer and its stockholders, partners, members, officers, directors, employees and direct or indirect investors and any of the foregoing persons' agents or other representatives (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Indemnitees") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (the "Indemnified Liabilities"), incurred by any Indemnitee as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Company in this Agreement or the Notes or any other agreement, certificate, instrument or document contemplated hereby or thereby, (b) any breach of any covenant, agreement or obligation of the Company contained in this Agreement or the Notes or any other agreement, certificate, instrument or document contemplated hereby or thereby or (c) any cause of action, suit or claim brought or made against such Indemnitee by a third party (including for these purposes a derivative action brought on behalf of the Company) and arising out of or resulting from (i) the execution, delivery, performance or enforcement of this Agreement or the Notes or any other agreement, certificate, instrument or document contemplated hereby or thereby, (ii) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of the issuance of the Securities, or (iii) the status of the Buyer or holder of the Securities as an investor in the Company pursuant to the transactions contemplated by this Agreement. To the extent that the foregoing undertaking by the Company may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities that is permissible under applicable law.

n. Leak-Out. So long as no Event of Default has occurred, the Buyer agrees that the aggregate number of shares of Conversion Share and/or Inducement Shares that may be sold or otherwise transferred by the Buyer (taking into account sales and other transfers: (a) directly from the Buyer, (b) the Buyer's affiliates, and (c) any holder of such shares previously sold or otherwise transferred to such holder by the Buyer after the Closing Date) shall not exceed the greater of (i) five percent (5%) of the average daily trading volume for the previous thirty (30) Trading Days of the Common Stock as reported by the OTC Markets Group if the Common Stock is quoted over-the-counter, or by Bloomberg L.P. if the Common Stock is traded on an exchange, and (ii) in any calendar month, an amount equal to $50,000.00 of share sales at a per share price equal to the closing price of the Common Stock on the date hereof.

[signature page follows]

IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Agreement to be duly executed as of the date first above written.

SURGE HOLDINGS, INC.

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

By: _____
Name:
Title:

AGGREGATE SUBSCRIPTION AMOUNT:

Principal Amount of the First Note: US$_____

Purchase Price of the First Note: US$_____

Exhibit A

Note

See attached

Exhibit B

Form of True-Up Notice

TRUE-UP NOTICE

Reference is made to that certain Securities Purchase Agreement (the "Purchase Agreement"), dated as of January 29, 2020 by and between Surge Holdings, Inc., a Nevada corporation (the "Borrower") and_____ (the "Buyer"). Pursuant to Section 4(o)(ii) of the Purchase Agreement, the undersigned hereby directs you to issue that number of shares of Common Stock constituting the "True-Up Amount" as set forth below, of the Borrower, within two (2) days of the date hereof or the next succeeding business day. No fee will be charged to the Buyer for any such issuance, except for transfer taxes, if any.

Box Checked as to applicable instructions:

[ ] The Borrower shall electronically transmit the Common Stock issuable pursuant to this True Notice to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("DWAC Transfer").

Name of DTC Prime Broker:
Account Number:

[ ] The undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

True-Up Amount (number of shares of common stock to be issued)_____

By: _____
Name:
Title:
Date:

Exhibit 10.13

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

Principal Amount: **Issue Date: January 29, 2020**
Purchase Price:

PROMISSORY NOTE

FOR VALUE RECEIVED, **SURGE HOLDINGS, INC.**, a Nevada corporation (hereinafter called the "Borrower"), hereby promises to pay to the order of_____, or registered assigns (the "Holder") the sum of _____together with any interest as set forth herein by no later than February 5, 2021 (the "Maturity Date"), and to pay interest on the unpaid principal balance hereof at the rate of fourteen percent (14%)(the "Interest Rate") per annum from the date hereof (the "Issue Date") until the same becomes due and payable in accordance with the payment schedule attached as Schedule A hereto. This Note may not be prepaid in whole or in part except as otherwise explicitly set forth herein. Any amount of principal or interest on this Note which is not paid when due shall bear interest at the rate of eighteen percent (18%) per annum from the due date thereof until the same is paid or converted in accordance with the terms hereof ("Default Interest"). Interest shall be computed on the basis of a 365 day year and the actual number of days elapsed. Interest shall commence accruing on the Issue Date. All payments of interest and principal due hereunder, subject to the terms hereof, shall be paid in accordance with the attached payment schedule set forth under Schedule A hereto. All payments due hereunder (to the extent not converted into common stock, $0.001 par value per share (the "Common Stock") in accordance with the terms hereof) shall be made in lawful money of the United States of America. All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note. Each capitalized term used herein, and not otherwise defined, shall have the meaning ascribed thereto in that certain Securities Purchase Agreement dated the date hereof, pursuant to which this Note was originally issued (the "Purchase Agreement").

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

The following terms shall apply to this Note:

ARTICLE I. CONVERSION RIGHTS UPON EVENT OF DEFAULT

1.1 Conversion Right. The Holder shall have the right upon any Event of Default, to convert all or any part of the outstanding and unpaid amount of this Note into fully paid and non-assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price (the "Conversion Price") determined as provided herein (a "Conversion"); provided, however, that in no event shall the Holder be entitled to convert any portion of this Note in excess of that portion of this Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Notes or the unexercised or unconverted portion of any other security of 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 Holder 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. The beneficial ownership limitations on conversion as set forth in the section may NOT be waived by the Holder. The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the "Notice of Conversion"), delivered to the Borrower by the Holder in accordance with Section 1.4 below; provided that the Notice of Conversion is submitted by facsimile or e-mail (or by other means resulting in, or reasonably expected to result in, notice) to the Borrower before 6:00 p.m., New York, New York time on such conversion date (the "Conversion Date"); however, if the Notice of Conversion is sent after 6:00pm, New York, New York time the Conversion Date shall be the next business day. The term "Conversion Amount" means, with respect to any conversion of this Note, the sum of (1) the principal amount of this Note to be converted in such conversion plus (2) at the Holder's option, accrued and unpaid interest, if any, on such principal amount at the interest rates provided in this Note to the Conversion Date, plus (3) at the Holder's option, Default Interest, if any, on the amounts referred to in the immediately preceding clauses (1) and/or (2) plus (4) at the Holder's option, any amounts owed to the Holder pursuant to Sections 1.4 hereof.

1.2 Conversion Price. Subject to the adjustments described herein, the conversion price (the "Conversion Price") shall equal the Variable Conversion Price (as defined herein) (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 "Variable Conversion Price" shall mean 65% multiplied by the Market Price (as defined herein) (representing a discount rate of 35%). "Market Price" means the lesser of (i) 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 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. To the extent the Conversion Price of the Borrower's Common Stock closes below the par value per share, the Borrower will take all steps necessary to solicit the consent of the stockholders to reduce the par value to the lowest value possible under law. The Borrower agrees to honor all conversions submitted pending this adjustment. Furthermore, the Conversion Price may be adjusted downward if, within three (3) business days of the transmittal of the Notice of Conversion to the Borrower, the Common Stock has a closing bid which is 5% or lower than that set forth in the Notice of Conversion. If the shares of the Borrower's Common Stock have not been delivered within three (3) business days to the Borrower, the Notice of Conversion may be rescinded. At any time after the Closing Date, if in the case that the Borrower's Common Stock is not deliverable by DWAC (including if the Borrower's transfer agent has a policy prohibiting or limiting delivery of shares of the Borrower's Common Stock specified in a Notice of Conversion), an additional 10% discount will apply for all future conversions under all Notes. If in the case that the Borrower's Common Stock is "chilled" for deposit into the DTC system and only eligible for clearing deposit, an additional 15% discount shall apply for all future conversions under all Notes while the "chill" is in effect. If in the case of both of the above, an additional cumulative 25% discount shall apply. Additionally, if the Borrower ceases to be a reporting company pursuant to the 1934 Act or if the Note cannot be converted into free trading shares after one hundred eighty-one (181) days from the Issue Date, an additional 15% discount will be attributed to the Conversion Price. If the Market Price cannot be calculated for such security on such date in the manner provided above, the Market Price shall be the lesser of (i) the lowest closing price of the Common Stock, or (ii) the fair market value as mutually determined by the Borrower and the holders of a majority in interest of the Notes being converted for which the calculation of the Trading Price is required in order to determine the Conversion Price of such Notes. "Trading Day" shall mean any day on which the Common Stock is tradable for any period on the OTC Pink, OTCQB or on the principal securities exchange or other securities market on which the Common Stock is then being traded. The Borrower shall be responsible for the fees of its transfer agent and all DTC fees associated with any such issuance. Holder shall be entitled to deduct $1,000.00 from the conversion amount in each Notice of Conversion to cover Holder's deposit fees associated with each Notice of Conversion. "VWAP" shall mean for the security during any Trading Day the volume weighted average price for the Common Stock.

1.3 Authorized Shares. The Borrower covenants that during the period the conversion right exists, the Borrower will reserve from its authorized and unissued Common Stock a sufficient number of shares, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of this Note issued pursuant to the Purchase Agreement. The Borrower is required at all times to have authorized and reserved four (4) times the number of shares that would be issuable upon full conversion of the Note (assuming that the 4.99% limitation set forth in Section 1.1 is not in effect)(based on the respective Conversion Price of the Note (as defined in Section 1.2) in effect from time to time, initially 4,050,000)(the "Reserved Amount"). The Reserved Amount shall be increased (or decreased with the written consent of the Holder) from time to time in accordance with the Borrower's obligations hereunder. The Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non-assessable. In addition, if the Borrower shall issue any securities or make any change to its capital structure which would change the number of shares of Common Stock into which the Notes shall be convertible at the then current Conversion Price, the Borrower shall at the same time make proper provision so that thereafter there shall be a sufficient number of shares of Common Stock authorized and reserved, free from preemptive rights, for conversion of the outstanding Note. The Borrower (i) acknowledges that it has irrevocably instructed its transfer agent to issue shares of Common Stock issuable upon conversion of this Note, and (ii) agrees that its issuance of this Note shall constitute full authority to its officers and agents who are charged with the duty of executing the issuance of Common Stock to execute and issue the necessary documents for shares of Common Stock in accordance with the terms and conditions of this Note.

If, at any time the Borrower does not maintain the Reserved Amount it will be considered an Event of Default under Section 3.2 of the Note.

1.4 Method of Conversion.

(a) Mechanics of Conversion. As set forth in Section 1.1 hereof, from time to time, and at any time during the period beginning on the date which is one hundred eighty (180) days following the date of this Note this Note may be converted by the Holder in whole or in part at any time from time to time after the Issue Date, by (A) submitting to the Borrower a Notice of Conversion (by facsimile, e-mail or other reasonable means of communication dispatched on the Conversion Date prior to 6:00 p.m., New York, New York time) and (B) subject to Section 1.4(b), surrendering this Note at the principal office of the Borrower (upon payment in full of any amounts owed hereunder).

(b) Surrender of Note Upon Conversion. Notwithstanding anything to the contrary set forth herein, upon conversion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Borrower unless the entire unpaid principal amount of this Note is so converted. The Holder and the Borrower shall maintain records showing the principal amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Borrower, so as not to require physical surrender of this Note upon each such conversion.

(c) Delivery of Common Stock Upon Conversion. Upon receipt by the Borrower from the Holder of a facsimile transmission or e-mail (or other reasonable means of communication) of a Notice of Conversion meeting the requirements for conversion as provided in this Section 1.4, the Borrower shall issue and deliver or cause to be issued and delivered to or upon the order of the Holder cause its transfer agent to electronically transmit the Common Stock issuable upon such conversion to the Holder by crediting the account of Holder's Prime Broker with DTC through its Deposit and Withdrawal at Custodian ("DWAC") system within two (2) business days after such receipt (the "Deadline") (and, solely in the case of conversion of the entire unpaid principal amount hereof, surrender of this Note) in accordance with the terms hereof and the Purchase Agreement. Upon receipt by the Borrower of a Notice of Conversion, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, the outstanding principal amount and the amount of accrued and unpaid interest on this Note shall be reduced to reflect such conversion, and, unless the Borrower defaults on its obligations hereunder, all rights with respect to the portion of this Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as herein provided, on such conversion. If the Holder shall have given a Notice of Conversion as provided herein, the Borrower's obligation to issue and deliver the Common Stock shall be absolute and unconditional, irrespective of the absence of any action by the Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of the Borrower to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder of any obligation to the Borrower, and irrespective of any other circumstance which might otherwise limit such obligation of the Borrower to the Holder in connection with such conversion.

(d) RESERVED.

(e) Failure to Deliver Common Stock Prior to Deadline. Without in any way limiting the Holder's right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion of this Note is not delivered by the Deadline due to action and/or inaction of the Borrower, the Borrower shall pay to the Holder $2,000 per day in cash, for each day beyond the Deadline that the Borrower fails to deliver such Common Stock (the "Fail to Deliver Fee"); provided; however that the Fail to Deliver Fee shall not be due if the failure is a result of a third party (i.e., transfer agent; and not the result of any failure to pay such transfer agent) despite the best efforts of the Borrower to effect delivery of such Common Stock. Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of the Holder (by written notice to the Borrower by the first day of the month following the month in which it has accrued), shall be added to the principal amount of this Note, in which event interest shall accrue thereon in accordance with the terms of this Note and such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Note. The Borrower agrees that the right to convert is a valuable right to the Holder. The damages resulting from a failure, attempt to frustrate, interference with such conversion right are difficult if not impossible to qualify. Accordingly, the parties acknowledge that the liquidated damages provision contained in this Section 1.4
(e) are justified.

1.5 Concerning the Shares. The shares of Common Stock issuable upon conversion of this Note may not be sold or transferred unless: (i) such shares are sold pursuant to an effective registration statement under the Act or (ii) the Borrower's transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration (such as Rule 144 or a successor rule) ("Rule 144"); or (iii) such shares are transferred to an "affiliate" (as defined in Rule 144) of the Borrower who agrees to sell or otherwise transfer the shares only in accordance with this Section 1.5 and who is an Accredited Investor (as defined in the Purchase Agreement).

Any restrictive legend representing shares of Common Stock issuable upon conversion of this Note shall be removed and the Borrower shall issue to the Holder Common Stock free of any transfer legend if the Borrower or its transfer agent shall have received an opinion of counsel from Holder's counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that (i) a public sale or transfer of such Common Stock may be made without registration under the Act, which opinion shall be accepted by the Company so that the sale or transfer is effected; or (ii) in the case of the Common Stock issuable upon conversion of this Note, such security is registered for sale by the Holder under an effective registration statement filed under the Act; or otherwise may be sold pursuant to an exemption from registration. In the event that the Company does not reasonably accept the opinion of counsel provided by the Holder with respect to the transfer of Securities pursuant to an exemption from registration (such as Rule 144), at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.

1.6 Effect of Certain Events.

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

(b) Adjustment Due to Merger, Consolidation. If, at any time when this Note is issued and outstanding and prior to conversion of all of the Note, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock of the Borrower shall be changed into the same or a different number of shares of another class or classes of stock or securities of the Borrower or another entity, or in case of any sale or conveyance of all or substantially all of the assets of the Borrower other than in connection with a plan of complete liquidation of the Borrower, then the Holder of this Note shall thereafter have the right to receive upon conversion of this Note, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion, such stock, securities or assets which the Holder would have been entitled to receive in such transaction had this Note been converted in full immediately prior to such transaction (without regard to any limitations on conversion set forth herein), and in any such case appropriate provisions shall be made with respect to the rights and interests of the Holder of this Note to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Conversion Price and of the number of shares issuable upon conversion of the Note) shall thereafter be applicable, as nearly as may be practicable in relation to any securities or assets thereafter deliverable upon the conversion hereof. The Borrower shall not affect any transaction described in this Section 1.6(b) unless (a) it first gives, to the extent practicable, ten (10) days prior written notice (but in any event at least five (5) days prior written notice) of the record date of the special meeting of shareholders to approve, or if there is no such record date, the consummation of, such merger, consolidation, exchange of shares, recapitalization, reorganization or other similar event or sale of assets (during which time the Holder shall be entitled to convert this Note) and (b) the resulting successor or acquiring entity (if not the Borrower) assumes by written instrument the obligations of this Note. The above provisions shall similarly apply to successive consolidations, mergers, sales, transfers or share exchanges.

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

(d) Adjustment Due to Dilutive Issuance. If, at any time when any Note is issued and outstanding, the Borrower issues or sells, or in accordance with this Section 1.6(d) hereof is deemed to have issued or sold, except for shares of Common Stock issued directly to vendors or suppliers of the Borrower in satisfaction of amounts owed to such vendors or suppliers (provided, however, that such vendors or suppliers shall not have an arrangement to transfer, sell or assign such shares of Common Stock prior to the issuance of such shares), any shares of Common Stock for no consideration or for a consideration per share (before deduction of reasonable expenses or commissions or underwriting discounts or allowances in connection therewith) less than the Conversion Price in effect on the date of such issuance (or deemed issuance) of such shares of Common Stock (a "Dilutive Issuance"), then immediately upon the Dilutive Issuance, the Conversion Price will be reduced to the amount of the consideration per share received by the Borrower in such Dilutive Issuance.

The Borrower shall be deemed to have issued or sold shares of Common Stock if the Borrower in any manner issues or grants any warrants, rights or options (not including employee stock option plans), whether or not immediately exercisable, to subscribe for or to purchase Common Stock or other securities convertible into or exchangeable for Common Stock ("Convertible Securities") (such warrants, rights and options to purchase Common Stock or Convertible Securities are hereinafter referred to as "Options") and the price per share for which Common Stock is issuable upon the exercise of such Options is less than the Conversion Price then in effect, then the Conversion Price shall be equal to such price per share. For purposes of the preceding sentence, the "price per share for which Common Stock is issuable upon the exercise of such Options" is determined by dividing (i) the total amount, if any, received or receivable by the Borrower as consideration for the issuance or granting of all such Options, plus the minimum aggregate amount of additional consideration, if any, payable to the Borrower upon the exercise of all such Options, plus, in the case of Convertible Securities issuable upon the exercise of such Options, the minimum aggregate amount of additional consideration payable upon the conversion or exchange thereof at the time such Convertible Securities first become convertible or exchangeable, by (ii) the maximum total number of shares of Common Stock issuable upon the exercise of all such Options (assuming full conversion of Convertible Securities, if applicable). No further adjustment to the Conversion Price will be made upon the actual issuance of such Common Stock upon the exercise of such Options or upon the conversion or exchange of Convertible Securities issuable upon exercise of such Options.

Additionally, the Borrower shall be deemed to have issued or sold shares of Common Stock if the Borrower in any manner issues or sells any Convertible Securities, whether or not immediately convertible (other than where the same are issuable upon the exercise of Options), and the price per share for which Common Stock is issuable upon such conversion or exchange is less than the Conversion Price then in effect, then the Conversion Price shall be equal to such price per share. For the purposes of the preceding sentence, the "price per share for which Common Stock is issuable upon such conversion or exchange" is determined by dividing (i) the total amount, if any, received or receivable by the Borrower as consideration for the issuance or sale of all such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Borrower upon the conversion or exchange thereof at the time such Convertible Securities first become convertible or exchangeable, by (ii) the maximum total number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities. No further adjustment to the Conversion Price will be made upon the actual issuance of such Common Stock upon conversion or exchange of such Convertible Securities.

(e) DTC Eligibility and Conversion Price Threshold. If the Borrower fails to maintain its status as "DTC Eligible" for any reason, or, if the Conversion Price is less than $0.20 at any time while this Note is outstanding and in Default, the principal amount of the Note shall increase by 15% (under Holder's and Borrower's expectation that any principal amount increase will tack back to the Issue Date). In addition, an additional 15% discount shall be applied to the Variable Conversion Price.

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

1.7 Prepayment. The outstanding balance due hereunder may be prepaid by the Company at the sole discretion of the Holder. Such prepayment amount delievered by the Company to the Holder shall be authorized and consented to in writing by the Holder.

ARTICLE II. CERTAIN COVENANTS

2.1 Sale of Assets. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, sell, lease or otherwise dispose of any significant portion of its assets outside the ordinary course of business. Any consent to the disposition of any assets may be conditioned on a specified use of the proceeds of disposition.

2.2 Section 3(a)(9) or 3(a)(10) Transaction. So long as this Note is outstanding, the Borrower shall not enter into any transaction or arrangement structured in accordance with, based upon, or related or pursuant to, in whole or in part, either Section 3(a)(9) of the Securities Act (a "3(a)(9) Transaction") or Section 3(a)(l0) of the Securities Act (a "3(a)(l0) Transaction"). In the event that the Borrower does enter into, or makes any issuance of Common Stock related to a 3(a)(9) Transaction or a 3(a)(l0) Transaction while this Note is outstanding, a liquidated damages charge of 25% of the outstanding principal balance of this Note, but not less than Fifteen Thousand Dollars $15,000, will be assessed and will become immediately due and payable to the Holder at its election in the form of cash payment or addition to the balance of this Note.

2.3 Filing of Current Report on Form 8-K. No later than four (4) business days after funding of the Purchase Price, the Company shall file a Current Report on Form 8-K disclosing the material terms of the transaction contemplated herein in accordance with The Securities Exchange Act of 1934.

ARTICLE III. EVENTS OF DEFAULT

If any of the following events of default (each, an "Event of Default") shall occur:

3.1 Failure to Pay Principal and Interest. The Borrower fails to pay the principal hereof or interest thereon when due on this Note in accordance with Schedule A attached hereto with a five (5) calendar day cure period.

3.2 Conversion and the Shares. The Borrower fails to issue shares of Common Stock to the Holder (or announces or threatens in writing that it will not honor its obligation to do so) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note, fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form at the option of the Holder) shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, the Borrower directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form at the option of the Holder) shares of Common Stock to be issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, or fails to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph) and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for two (2) business days after the Holder shall have delivered a Notice of Conversion. It is an obligation of the Borrower to remain current in its obligations to its transfer agent. It shall be an event of default of this Note, if a conversion of this Note is delayed, hindered or frustrated due to a balance owed by the Borrower to its transfer agent. If at the option of the Holder, the Holder advances any funds to the Borrower's transfer agent in order to process a conversion, such advanced funds shall be paid by the Borrower to the Holder within forty-eight (48) hours of a demand from the Holder.

3.3 Breach of Covenants. The Borrower breaches any material covenant or other material term or condition contained in this Note and any collateral documents including but not limited to the Purchase Agreement.

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

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

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

3.7 Delisting of Common Stock. The Borrower shall fail to maintain the listing of the Common Stock on at least one of the OTC (which specifically includes the quotation platforms maintained by the OTC Markets Group) or an equivalent replacement exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, the New York Stock Exchange, or the American Stock Exchange.

3.8 Failure to Comply with the Exchange Act. The Borrower shall fail to comply with the reporting requirements of the Exchange Act, or if the Company files a 12b-25 Notice of Late filing for any periodic report; and/or the Borrower shall cease to be subject to the reporting requirements of the Exchange Act.

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

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

3.11 Financial Statement Restatement. The restatement of any financial statements filed by the Borrower with the SEC at any time after 180 days after the Issuance Date for any date or period until this Note is no longer outstanding, if the result of such restatement would, by comparison to the un-restated financial statement, have constituted a material adverse effect on the rights of the Holder with respect to this Note or the Purchase Agreement.

3.12 Replacement of Transfer Agent. In the event that the Borrower proposes to replace its transfer agent, the Borrower fails to provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Purchase Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower.

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

3.14 DTC Chill, DWAC Eligibility. At any time after the Issue Date, (i) if the Borrower's Common Stock is not deliverable by DWAC (including if the Borrower's transfer agent has a policy prohibiting or limiting delivery of shares of the Borrower's Common Stock specified in a Notice of Conversion), or (ii) if in the case that the Borrower's Common Stock is "chilled" for deposit into the DTC system and only eligible for clearing deposit.

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

3.16 Cessation of Trading. Any cessation of trading of the Common Stock on at least one of the OTCBB, OTCQB, OTC Pink or an equivalent replacement exchange, the Nasdaq National Market, the Nasdaq Small Cap Market, the New York Stock Exchange, or the NYSE MKT, and such cessation of trading shall continue for a period of five consecutive (5) Trading Days.

3.17 OTC Markets Designation. OTC Markets changes the Borrower's designation to 'No Information' (Stop Sign), 'Caveat Emptor' (Skull and Crossbones), OTC Pink, or 'OTC', 'Other OTC' or 'Grey Market' (Exclamation Mark Sign).

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

3.19 Unavailability of Rule 144. If, at any time on or after the date which is six (6) months after the Issue Date, the Holder is unable to (i) obtain a standard "144 legal opinion letter" from an attorney reasonably acceptable to the Holder, the Holder's brokerage firm (and respective clearing firm), and the Borrower's transfer agent in order to facilitate the Holder's conversion of any portion of the Note into free trading shares of the Borrower's Common Stock pursuant to Rule 144, and (ii) thereupon deposit such shares into the Holder's brokerage account.

3.20 Section 3a9 or 3(a)(10) Transaction. The Borrower shall enter into a 3(a)(9) Transaction or a 3(a)(l0) Transaction.

Upon the occurrence and during the continuation of any Event of Default specified in Section 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due at the Maturity Date), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the Default Amount (as defined herein). UPON THE OCCURRENCE AND DURING THE CONTINUATION OF ANY EVENT OF DEFAULT SPECIFIED IN SECTION 3.2, OR SECTION 3.19, THE NOTE SHALL BECOME IMMEDIATELY DUE AND PAYABLE AND THE BORROWER SHALL PAY TO THE HOLDER, IN FULL SATISFACTION OF ITS OBLIGATIONS HEREUNDER, AN AMOUNT EQUAL TO: (Y) THE DEFAULT AMOUNT (AS DEFINED HEREIN); MULTIPLIED BY (Z)

TWO (2). Upon the occurrence and during the continuation of any Event of Default specified in Sections 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due on this Note in accordance with Schedule A attached hereto), 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, 3.16, 3.17, and/or 3.18, exercisable through the delivery of written notice to the Borrower by such Holders (the "Default Notice"), and upon the occurrence of an Event of Default specified the remaining sections of Articles III (other than failure to pay the principal hereof or interest thereon at the Maturity Date specified in Section 3,1 hereof), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the greater of (i) 150% times the sum of (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the date of conversion (the "Conversion Date") plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and/or (x) plus (z) any amounts owed to the Holder pursuant to Section 1.4(e) hereof (the then outstanding principal amount of this Note to the date of payment plus the amounts referred to in clauses (x), (y) and (z) shall collectively be known as the "Default Amount") and all other amounts payable hereunder shall immediately become convertible, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

If the Borrower fails to pay the Default Amount within five (5) business days of written notice that such amount is due and payable, then the Holder shall have the right at any time, so long as the Borrower remains in default (and so long and to the extent that there are sufficient authorized shares), to require the Borrower, upon written notice, to immediately issue, in lieu of the Default Amount, the number of shares of Common Stock of the Borrower equal to the Default Amount divided by the Conversion Price then in effect.

ARTICLE IV. MISCELLANEOUS

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

4.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by e-mail, hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Borrower, to:

Surge Holdings, Inc.
3124 Brother Blvd
Suite 104
Bartlett, TN 38133
Attn:

If to the Holder:

4.3 Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term "Note" and all reference thereto, as used throughout this instrument, shall mean this instrument (and the other Notes issued pursuant to the Purchase Agreement) as originally executed, or if later amended or supplemented, then as so amended or supplemented.

4.4 Most Favored Nation. During the period where any monies are owed to the Holder pursuant to this Note, if the Borrower engages in any future financing transactions with a third party investor, the Borrower will provide the Holder with written notice (the "MFN Notice") thereof promptly but in no event less than 10 days prior to closing any financing transactions. Included with the MFN Notice shall be a copy of all documentation relating to such financing transaction and shall include, upon written request of the Holder, any additional information related to such subsequent investment as may be reasonably requested by the Holder. In the event the Holder determines that the terms of the subsequent investment are preferable to the terms of the securities of the Borrower issued to the Holder pursuant to the terms of the Purchase Agreement, the Holder will notify the Borrower in writing. Promptly after receipt of such written notice from the Holder, the Borrower agrees to amend and restate the Securities (which may include the conversion terms of this Note), to be identical to the instruments evidencing the subsequent investment. Notwithstanding the foregoing, this Section 4.4 shall not apply in respect of (i) an Exempt Issuance, or (ii) an underwritten public offering of Common Stock. **"Exempt Issuance**" means the issuance of: (a) shares of Common Stock or options to officers, or directors of the Borrower pursuant to any stock or option plan duly adopted for such purpose by a majority of the members of the Board of Directors or a majority of the members of a committee of directors established for such purpose, (b) securities upon the exercise or exchange of or conversion of this Note and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date hereof, and (c) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Borrower, provided that any such issuance shall only be to a Person which is, itself or through its subsidiaries, an operating company in a business synergistic with the business of the Borrower and in which the Borrower receives benefits in addition to the investment of funds, but shall not include a transaction in which the Borrower is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities.

4.5 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. Each transferee of this Note must be an "accredited investor" (as defined in Rule 501(a) of the Securities and Exchange Commission). Notwithstanding anything in this Note to the contrary, this Note may be pledged as collateral in connection with a bona fide margin account or other lending arrangement; and may be assigned by the Holder without the consent of the Borrower.

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

4.7 Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Note shall be brought only in the state courts of New York or in the federal courts located in the Eastern District of New York. The parties to this Note hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. The Borrower and Holder waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Note or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Note, any agreement or any other document delivered in connection with this Note by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Note and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

4.8 Purchase Agreement. By its acceptance of this Note, each party agrees to be bound by the applicable terms of the Purchase Agreement.

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

4.10 Piggyback Registration Rights. The Borrower shall include on the next registration statement the Borrower files with SEC (or on the subsequent registration statement if such registration statement is withdrawn, and excluding the current registration statement that the Borrower has on file with the SEC) all shares issuable upon conversion of this Note, unless such shares are at that time eligible for sale under Rule 144 under the Securities Act. The Borrower agrees that this is a material term of the Note and any breach of this Section 4.10 will result in an Event of Default under Section 3.4 of this Note.

4.11 Variable Security Blocker. The Borrower shall not enter into a similar type financing transaction (e.g. variable priced security) with, or issue a Variable Security (as defined herein) to, any party other than the Holder for a period of twenty five (25) calendar days following the funding date of the Note without written approval from the Holder, except for a Variable Security in an amount up to $500,000.00 and not less than $180,000.00. A Variable Security shall mean any security issued by the Borrower that (i) has or may have conversion rights of any kind, contingent, conditional or otherwise in which the number of shares that may be issued pursuant to such conversion right varies with the market price of the common stock; (ii) is or may become convertible into common stock (including without limitation convertible debt, warrants or convertible preferred stock), with a conversion or exercise price that varies with the market price of the common stock, even if such security only becomes convertible or exercisable following an event of default, the passage of time, or another trigger event or condition; or (iii) was issued or may be issued in the future in exchange for or in connection with any contract, security, or instrument, whether convertible or not, where the number of shares of common stock issued or to be issued is based upon or related in any way to the market price of the common stock, including, but not limited to, common stock issued in connection with a Section 3(a)(9) exchange, a Section 3(a)(10) settlement, or any other similar settlement or exchange. The Borrower agrees that this is a material term of the Note and any breach of this Section 4.11 will result in an Event of Default under Section 3.4 of this Note.

4.12 Severability. In the event that any provision of this Note is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

4.13 Dispute Resolution. In the case of a dispute as to the determination of the Conversion Price, Conversion Amount, amount owed under an Event of Default, Closing or Maturity Date, the closing bid price, or fair market value (as the case may be) or the arithmetic calculation of the Conversion Price (as the case may be), the Borrower or the Holder shall submit the disputed determinations or arithmetic calculations via facsimile (i) within two (2) Business Days after receipt of the applicable notice giving rise to such dispute to the Borrower or the Holder or (ii) if no notice gave rise to such dispute, at any time after the Holder learned of the circumstances giving rise to such dispute. If the Holder and the Borrower are unable to agree upon such determination or calculation within two (2) Business Days of such disputed determination or arithmetic calculation (as the case may be) being submitted to the Borrower or the Holder, then the Borrower shall, within two (2) Business Days, submit via facsimile (a) the disputed determination of the Conversion Price, the closing bid price, the or fair market value (as the case may be) to an independent, reputable investment bank selected by the Borrower and approved by the Holder or (b) the disputed arithmetic calculation of the Conversion Price, Conversion Amount, or amount owed under an Event of Default to an independent, outside accountant selected by the Holder that is reasonably acceptable to the Borrower. The Borrower shall cause at its expense the investment bank or the accountant to perform the determinations or calculations and notify the Borrower and the Holder of the results no later than four (4) Business Days from the time it receives such disputed determinations or calculations. Such investment bank's or accountant's determination or calculation shall be binding upon all parties absent demonstrable error.

[- Signature Page Follows -]

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its duly authorized officer this on January 29, 2020.

SURGE HOLDINGS, INC.
By: _____

Name: Kevin Brian Cox
Title: Chief Executive Officer

EXHIBIT A — NOTICE OF CONVERSION

The undersigned hereby elects to convert $ principal amount of the Note (defined below) into that number of shares of Common Stock to be issued pursuant to the conversion of the Note ("Common Stock") as set forth below, of Surge Holdings, Inc., a Nevada corporation (the "Borrower") according to the conditions of the convertible note of the Borrower dated as of January , 2020 (the "Note"), as of the date written below. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any.

Box Checked as to applicable instructions:

[ ] The Borrower shall electronically transmit the Common Stock issuable pursuant to this Notice of Conversion to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("DWAC Transfer").

Name of DTC Prime Broker:
Account Number:

[ ] The undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

Date of conversion: _____
Applicable Conversion Price: $_____
Number of shares of common stock to be issued pursuant to conversion of the Notes: _____
Amount of Principal Balance due remaining under the Note after this conversion: _____

BHP CAPITAL NY INC.

By: _____
Name:
Title:
Date:

SCHEDULE A – PAYMENT SCHEDULE

Date Monthly	Payment Amount
March 5, 2020	No Payment
April 5, 2020	No Payment
May 5, 2020	No Payment
June 5, 2020	No Payment
July 5, 2020	No Payment
August 5, 2020	$28,499.01
September 5, 2020	$28,499.01
October 5, 2020	$28,499.01
November 5, 2020	$28,499.01
December 5, 2020	$28,499.01
January 5, 2021	$28,499.01
February 5, 2021	$28,499.01
Total	$199,493.07

Exhibit 10.14

SECURITIES PURCHASE AGREEMENT

This **SECURITIES PURCHASE AGREEMENT** (the "Agreement"), dated as of February 3, 2020, by and between **SURGE HOLDINGS, INC.**, a Nevada corporation, with headquarters located at 3124 Brother Blvd, Suite 104, Bartlett, TN 38133 (the "Company"), and _____, with its address at _____(the "Buyer").

WHEREAS:

A. The Company and the Buyer are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by the rules and regulations as promulgated by the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "1933 Act");

B. WHEREAS, subject to the terms and provisions hereinafter set forth and upon the terms and subject to the limitations and conditions set forth in the Notes (as defined below), (i) the Buyer desires to purchase, the Company desires to sell and issue to the Buyer, a promissory note in the form attached hereto as Exhibit A (the "First Note") convertible into shares of common stock, $0.001 par value per share, of the Company (the "Common Stock")(the "First Closing"), and (ii) the Buyer desires to purchase and the Company desires to sell and issue to the Buyer, one or more additional promissory notes convertible into shares of Common Stock, each in the form attached hereto as Exhibit A (the "Additional Notes" and together with the First Note, the "Notes") as may mutually be agreed in additional closings as set forth in Section 1(d) below (the "Additional Closings") (each of the First Closing and the Additional Closings are sometimes hereinafter individually referred to as a "Closing" and collectively as the "Closings" and this Agreement any and all documents or instruments executed or to be executed by in connection with this Agreement, including the Notes and the Irrevocable Transfer Agent Instructions, together with all modifications, amendments, extensions, future advances, renewals, and substitutions thereof are sometimes hereinafter individually referred to as a "Transaction Document" and collectively as the "Transaction Documents"); and

C. WHEREAS, the aggregate principal amount of Notes sold pursuant to this Agreement shall not exceed an amount to be determined by the Buyer.

NOW THEREFORE, the Company and the Buyer severally (and not jointly) hereby agree as follows:

1. PURCHASE AND SALE OF NOTE.

a. Purchase of Note. On the Closing Date (as defined below), the Company shall issue and sell to the Buyer and the Buyer agrees to purchase, at each Closing, and the Company agrees to sell and issue to the Buyer, at each Closing, a Note in the amount of the purchase price applicable to each Closing as more specifically set forth below.

b. First Closing. The First Closing of the purchase and sale of the First Note in a principal amount of Two Hundred Sixteen Thousand and No/100 United States Dollars (US$216,000) for a purchase price of Two Hundred Thousand and 00/100 United States Dollars (US$200,000), shall take place on the Effective Date, subject to satisfaction of the conditions to the First Closing set forth in this Agreement (the "First Closing Date"). Additional Closings of the purchase and sale of the Notes shall be at such times and for such amounts as determined in accordance with Section 1(d) below, subject to satisfaction of the conditions to the Additional Closings set forth in this Agreement (the "Additional Closing Dates", collectively, with the First Closing Date, referred to as the "Closing Dates"). The Closings shall occur on the respective Closing Dates through the use of overnight mails and subject to customary escrow instructions from the Buyer and its counsel, or in such other manner as is mutually agreed to by the Company and the Buyer.

c. Form of Payment. On each Closing Date, (i) the Buyer shall pay the purchase price set forth on the face thereof for the Note to be issued and sold to it at such Closing (the "Purchase Price") by wire transfer of immediately available funds to the Company, in accordance with the Company's written wiring instructions, against delivery of such Note in the principal amount set forth on the face thereof, and (ii) the Company shall deliver such duly executed Note on behalf of the Company, to the Buyer, against delivery of such Purchase Price.

d. Additional Closings. At any time after the First Closing but prior to the maturity date of the Note issued in the First Closing, the Buyer may demand that the Company issue an additional Note hereunder in an additional Closing under the same terms and conditions as the First Note by delivering written notice to the Company and the Company shall issue such additional Notes to the Buyer.

2. REPRESENTATIONS AND WARRANTIES OF THE BUYER. The Buyer represents and warrants to the Company that:

a. Investment Purpose. As of the date hereof, the Buyer is purchasing the Notes and the shares of Common Stock issuable upon conversion of or otherwise pursuant to the Notes (including, without limitation, such additional shares of Common Stock, if any, as are issuable (i) on account of interest on the Notes (ii) as a result of the events described in Sections 1.3 and 1.4(g) of each Note, such shares of Common Stock being collectively referred to herein as the "Conversion Shares" and, collectively with the Notes and the Inducement Shares, the "Securities") for its own account and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered or exempted from registration under the 1933 Act; provided, however, that by making the representations herein, the Buyer does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act.

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

c. Reliance on Exemptions. The Buyer understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities.

d. Information. The Buyer and its advisors, if any, have been, and for so long as any Note remains outstanding will continue to be, furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer or its advisors. The Buyer and its advisors, if any, have been, and for so long as any Note remains outstanding will continue to be, afforded the opportunity to ask questions of the Company. Notwithstanding the foregoing, the Company has not disclosed to the Buyer any material nonpublic information and will not disclose such information unless such information is disclosed to the public prior to or promptly following such disclosure to the Buyer. Neither such inquiries nor any other due diligence investigation conducted by Buyer or any of its advisors or representatives shall modify, amend or affect Buyer's right to rely on the Company's representations and warranties contained in Section 3 below. The Buyer understands that its investment in the Securities involves a significant degree of risk. The Buyer is not aware of any facts that may constitute a breach of any of the Company's representations and warranties made herein.

e. Governmental Review. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.

f. Transfer or Re-sale. The Buyer understands that (i) the sale or re-sale of the Securities has not been and is not being registered under the 1933 Act or any applicable state securities laws, and the Securities may not be transferred unless (a) the Securities are sold pursuant to an effective registration statement under the 1933 Act, (b) the Buyer shall have delivered to the Company, at the cost of the Company, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in comparable transactions to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration, which opinion shall be accepted by the Company, (c) the Securities are sold or transferred to an "affiliate" (as defined in Rule 144 promulgated under the 1933 Act (or a successor rule) ("Rule 144")) of the Buyer who agrees to sell or otherwise transfer the Securities only in accordance with this Section 2(f) and who is an Accredited Investor, (d) the Securities are sold pursuant to Rule 144, or (e) the Securities are sold pursuant to Regulation S under the 1933 Act (or a successor rule) ("Regulation S"), and the Buyer shall have delivered to the Company, at the cost of the Company, not to exceed $500 per opinion, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in corporate transactions, which opinion shall be accepted by the Company; (ii) any sale of such Securities made in reliance on Rule 144 may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any re-sale of such Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case). Notwithstanding the foregoing or anything else contained herein to the contrary, the Securities may be pledged as collateral in connection with a bona fide margin account or other lending arrangement. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, within three (3) business days of delivery of the opinion to the Company, the Company shall pay one thousand dollars ($1,000) per day plus accrued and unpaid interest on such Note, prorated for partial months, in cash or shares at the option of the Buyer ("Standard Liquidated Damages Amount"). If the Buyer elects to be pay the Standard Liquidated Damages Amount in shares of Common Stock, such shares shall be issued at the Conversion Price (as defined in the Note) at the time of payment.

g. Legends. The Buyer understands that each Note and, until such time as the Conversion Shares have been registered under the 1933 Act may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, the Conversion Shares may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the shares of Common Stock for such Securities):

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

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of any Security upon which it is stamped, if, unless otherwise required by applicable state securities laws, (a) such Security is registered for sale under an effective registration statement filed under the 1933 Act or otherwise may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, or (b) such holder provides the Company with an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Security may be made without registration under the 1933 Act, which opinion shall be accepted by the Company so that the sale or transfer is effected. The Buyer agrees to sell all Securities, including those represented by a certificate(s) from which the legend has been removed, in compliance with applicable prospectus delivery requirements, if any. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline (as such term is defined in Section 1.4(d) of the Note), it will be considered an Event of Default pursuant to Section 3.2 of the Note. The shares of Common Stock issued hereunder shall be issued in book entry and transferred electronically via DTC DWAC and shall only be issued in certificate form at the discretion of the Buyer.

h. Authorization; Enforcement. This Agreement has been duly and validly authorized. This Agreement has been duly executed and delivered on behalf of the Buyer, and this Agreement constitutes a valid and binding agreement of the Buyer enforceable in accordance with its terms.

i. Residency. The Buyer is organized in the jurisdiction set forth in the Preamble of this Agreement.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY . The Company represents and warrants to the Buyer, as of the date of the execution and delivery of this Agreement and as of the date of each Closing hereunder, and which shall survive the execution and delivery of this Agreement:

a. Organization and Qualification. The Company and each of its Subsidiaries (as defined below), if any, is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, with full power and authority (corporate and other) to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted. The Company and each of its Subsidiaries is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which its ownership or use of property or the nature of the business conducted by it makes such qualification necessary except where the failure to be so qualified or in good standing would not have a Material Adverse Effect. "Material Adverse Effect" means any material adverse effect on the business, operations, assets, financial condition or prospects of the Company or its Subsidiaries, if any, taken as a whole, or on the transactions contemplated hereby or by the agreements or instruments to be entered into in connection herewith. "Subsidiaries" means any corporation or other organization, whether incorporated or unincorporated, in which the Company owns, directly or indirectly, any equity or other ownership interest.

b. Authorization; Enforcement. (i) The Company has all requisite corporate power and authority to enter into and perform this Agreement, the Notes and to consummate the transactions contemplated hereby and thereby and to issue the Securities, in accordance with the terms hereof and thereof, (ii) the execution and delivery of this Agreement, the Notes by the Company and the consummation by it of the transactions contemplated hereby and thereby (including without limitation, the issuance of the Note and the issuance and reservation for issuance of the Conversion Shares issuable upon conversion or exercise thereof) have been duly authorized by the Company's Board of Directors and no further consent or authorization of the Company, its Board of Directors, or its shareholders is required, (iii) this Agreement has been duly executed and delivered by the Company by its authorized representative, and such authorized representative is the true and official representative with authority to sign this Agreement and the other documents executed in connection herewith and bind the Company accordingly, and (iv) this Agreement constitutes, and upon execution and delivery by the Company of each Note, each of such instruments will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

c. Capitalization. As of January 2, 2020, as disclosed in the SEC Documents, the authorized capital stock of the Company consists of 500,000,000 shares of Common Stock, of which 101,158,316 shares are issued and outstanding, 100,000,000 shares of Series A preferred stock, of which 13,000,000 shares are issued and outstanding, and 1,000,000 shares of Series C convertible preferred stock of which, 721,598 are issued and outstanding. Except as disclosed in the SEC Documents, no shares are reserved for issuance pursuant to the Company's stock option plans, no shares are reserved for issuance pursuant to securities (other than the Notes) exercisable for, or convertible into or exchangeable for shares of Common Stock and immediately upon the Company increasing its authorized shares of Common Stock the Company shall reserve 4,800,000 shares for issuance upon conversion of the Notes. All of such outstanding shares of capital stock are, or upon issuance will be, duly authorized, validly issued, fully paid and non-assessable. No shares of capital stock of the Company are subject to preemptive rights or any other similar rights of the shareholders of the Company or any liens or encumbrances imposed through the actions or failure to act of the Company. Except as disclosed in the SEC Documents, as of the effective date of this Agreement, (i) there are no outstanding options, warrants, scrip, rights to subscribe for, puts, calls, rights of first refusal, agreements, understandings, claims or other commitments or rights of any character whatsoever relating to, or securities or rights convertible into or exchangeable for any shares of capital stock of the Company or any of its Subsidiaries, or arrangements by which the Company or any of its Subsidiaries is or may become bound to issue additional shares of capital stock of the Company or any of its Subsidiaries, (ii) there are no agreements or arrangements under which the Company or any of its Subsidiaries is obligated to register the sale of any of its or their securities under the 1933 Act and (iii) there are no anti-dilution or price adjustment provisions contained in any security issued by the Company (or in any agreement providing rights to security holders) that will be triggered by the issuance of the Note or the Conversion Shares. The Company has filed in its SEC Documents true and correct copies of the Company's Certificate of Incorporation as in effect on the date hereof ("Certificate of Incorporation"), the Company's By-laws, as in effect on the date hereof (the "By-laws"), and the terms of all securities convertible into or exercisable for Common Stock of the Company and the material rights of the holders thereof in respect thereto. The Company shall provide the Buyer with a written update of this representation signed by the Company's Chief Executive on behalf of the Company as of each Closing Date.

d. Issuance of Shares. The issuance of each Note is duly authorized and, upon issuance in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable and free from all preemptive or similar rights, taxes, liens, charges and other encumbrances with respect to the issue thereof. The Conversion Shares are duly authorized and reserved for issuance and, upon conversion of each Note in accordance with its respective terms, will be validly issued, fully paid and non-assessable, and free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Company and will not impose personal liability upon the holder thereof.

e. Acknowledgment of Dilution. The Company understands and acknowledges the potentially dilutive effect to the Common Stock upon the issuance of the Conversion Shares upon conversion of each Note. The Company further acknowledges that its obligation to issue Conversion Shares upon conversion of each Note in accordance with this Agreement, the Note is absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interests of other shareholders of the Company.

f. No Conflicts. The execution, delivery and performance of this Agreement and the Notes by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance and reservation for issuance of the Conversion Shares) will not (i) conflict with or result in a violation of any provision of the Certificate of Incorporation or By-laws, or (ii) violate or conflict with, or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture, patent, patent license or instrument to which the Company or any of its Subsidiaries is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of any self-regulatory organizations to which the Company or its securities are subject) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect). Neither the Company nor any of its Subsidiaries is in violation of its Certificate of Incorporation, By- laws or other organizational documents and neither the Company nor any of its Subsidiaries is in default (and no event has occurred which with notice or lapse of time or both could put the Company or any of its Subsidiaries in default) under, and neither the Company nor any of its Subsidiaries has taken any action or failed to take any action that would give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its Subsidiaries is a party or by which any property or assets of the Company or any of its Subsidiaries is bound or affected, except for possible defaults as would not, individually or in the aggregate, have a Material Adverse Effect. The businesses of the Company and its Subsidiaries, if any, are not being conducted, and shall not be conducted so long as the Buyer owns any of the Securities, in violation of any law, ordinance or regulation of any governmental entity. Except as specifically contemplated by this Agreement and as required under the 1933 Act and any applicable state securities laws, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency, regulatory agency, self-regulatory organization or stock market or any third party in order for it to execute, deliver or perform any of its obligations under this Agreement, the Note in accordance with the terms hereof or thereof or to issue and sell the Note in accordance with the terms hereof and to issue the Conversion Shares upon conversion of the Note. All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof. The Company is not in violation of the listing requirements of the Over- the-Counter Bulletin Board (the "OTCBB"), the OTCQB or any similar quotation system, and does not reasonably anticipate that the Common Stock will be delisted by the OTCBB, the OTCQB or any similar quotation system, in the foreseeable future nor are the Company's securities "chilled" by DTC. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

g. SEC Documents; Financial Statements. The Company has timely filed all quarterly and annual reports required to be filed by it with the SEC pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act") (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements and schedules thereto and documents (other than exhibits to such documents) incorporated by reference therein, being hereinafter referred to herein as the "SEC Documents"). The Company has delivered to the Buyer true and complete copies of the SEC Documents, except for such exhibits and incorporated documents, and except as such Documents are available EDGAR filings on the SEC's sec.gov website. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the 1934 Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. None of the statements made in any such SEC Documents is, or has been, required to be amended or updated under applicable law (except for such statements as have been amended or updated in subsequent filings prior the date hereof). As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with United States generally accepted accounting principles, consistently applied, during the periods involved and fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except as set forth in the financial statements of the Company included in the SEC Documents, the Company has no liabilities, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to December 31, 2019, and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in such financial statements, which, individually or in the aggregate, are not material to the financial condition or operating results of the Company. The Company is subject to the reporting requirements of the 1934 Act. For the avoidance of doubt, filing of the documents required in this Section 3(g) via the SEC's Electronic Data Gathering, Analysis, and Retrieval system ("EDGAR") shall satisfy all delivery requirements of this Section 3(g).

h. Absence of Certain Changes. Since December 31, 2019, there has been no material adverse change and no material adverse development in the assets, liabilities, business, properties, operations, financial condition, results of operations, prospects or 1934 Act reporting status of the Company or any of its Subsidiaries.

i. Absence of Litigation. There is no action, suit, claim, 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 Company or any of its Subsidiaries, threatened against or affecting the Company or any of its Subsidiaries, or their officers or directors in their capacity as such, that could have a Material Adverse Effect. Schedule 3(i) contains a complete list and summary description of any pending or, to the knowledge of the Company, threatened proceeding against or affecting the Company or any of its Subsidiaries, without regard to whether it would have a Material Adverse Effect. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

j. Patents, Copyrights, etc. The Company and each of its Subsidiaries owns or possesses the requisite licenses or rights to use all patents, patent applications, patent rights, inventions, know-how, trade secrets, trademarks, trademark applications, service marks, service names, trade names and copyrights ("Intellectual Property") necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future). Except as disclosed in the SEC Documents, there is no claim or action by any person pertaining to, or proceeding pending, or to the Company's knowledge threatened, which challenges the right of the Company or of a Subsidiary with respect to any Intellectual Property necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future); to the best of the Company's knowledge, the Company's or its Subsidiaries' current and intended products, services and processes do not infringe on any Intellectual Property or other rights held by any person; and the Company is unaware of any facts or circumstances which might give rise to any of the foregoing. The Company and each of its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of their Intellectual Property.

k. No Materially Adverse Contracts, Etc. Neither the Company nor any of its Subsidiaries is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the judgment of the Company's officers has or is expected in the future to have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is a party to any contract or agreement which in the judgment of the Company's officers has or is expected to have a Material Adverse Effect.

l. Tax Status. The Company and each of its Subsidiaries has made or filed all federal, state and foreign income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject (unless and only to the extent that the Company and each of its Subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes) and has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and has set aside on its books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim. The Company has not executed a waiver with respect to the statute of limitations relating to the assessment or collection of any foreign, federal, state or local tax. None of the Company's tax returns is presently being audited by any taxing authority.

m. Certain Transactions. Except for arm's length transactions pursuant to which the Company or any of its Subsidiaries makes payments in the ordinary course of business upon terms no less favorable than the Company or any of its Subsidiaries could obtain from third parties and other than the grant of stock options disclosed on Schedule 3(c), none of the officers, directors, or employees of the Company is presently a party to any transaction with the Company or any of its Subsidiaries (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

n. Disclosure. All information relating to or concerning the Company or any of its Subsidiaries set forth in this Agreement and provided to the Buyer pursuant to Section 2(d) hereof and otherwise in connection with the transactions contemplated hereby is true and correct in all material respects and the Company has not omitted to state any material fact necessary in order to make the statements made herein or therein, in light of the circumstances under which they were made, not misleading. No event or circumstance has occurred or exists with respect to the Company or any of its Subsidiaries or its or their business, properties, prospects, operations or financial conditions, which, under applicable law, rule or regulation, requires public disclosure or announcement by the Company but which has not been so publicly announced or disclosed (assuming for this purpose that the Company's reports filed under the 1934 Act are being incorporated into an effective registration statement filed by the Company under the 1933 Act).

o. Acknowledgment Regarding Buyer' Purchase of Securities. The Company acknowledges and agrees that the Buyer is acting solely in the capacity of arm's length purchasers with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Buyer is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any statement made by the Buyer or any of its respective representatives or agents in connection with this Agreement and the transactions contemplated hereby is not advice or a recommendation and is merely incidental to the Buyer' purchase of the Securities. The Company further represents to the Buyer that the Company's decision to enter into this Agreement has been based solely on the independent evaluation of the Company and its representatives.

p. No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales in any security or solicited any offers to buy any security under circumstances that would require registration under the 1933 Act of the issuance of the Securities to the Buyer. The issuance of the Securities to the Buyer will not be integrated with any other issuance of the Company's securities (past, current or future) for purposes of any shareholder approval provisions applicable to the Company or its securities.

q. No Brokers. The Company has taken no action which would give rise to any claim by any person for brokerage commissions, transaction fees or similar payments relating to this Agreement or the transactions contemplated hereby.

r. Permits; Compliance. The Company and each of its Subsidiaries is in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exemptions, consents, certificates, approvals and orders necessary to own, lease and operate its properties and to carry on its business as it is now being conducted (collectively, the "Company Permits"), and there is no action pending or, to the knowledge of the Company, threatened regarding suspension or cancellation of any of the Company Permits. Neither the Company nor any of its Subsidiaries is in conflict with, or in default or violation of, any of the Company Permits, except for any such conflicts, defaults or violations which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. Since December 31, 2019, neither the Company nor any of its Subsidiaries has received any notification with respect to possible conflicts, defaults or violations of applicable laws, except for notices relating to possible conflicts, defaults or violations, which conflicts, defaults or violations would not have a Material Adverse Effect.

s. Environmental Matters.

(i) There are, to the Company's knowledge, with respect to the Company or any of its Subsidiaries or any predecessor of the Company, no past or present violations of Environmental Laws (as defined below), releases of any material into the environment, actions, activities, circumstances, conditions, events, incidents, or contractual obligations which may give rise to any common law environmental liability or any liability under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 or similar federal, state, local or foreign laws and neither the Company nor any of its Subsidiaries has received any notice with respect to any of the foregoing, nor is any action pending or, to the Company's knowledge, threatened in connection with any of the foregoing. The term "Environmental Laws" means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

(ii) Other than those that are or were stored, used or disposed of in compliance with applicable law, no Hazardous Materials are contained on or about any real property currently owned, leased or used by the Company or any of its Subsidiaries, and no Hazardous Materials were released on or about any real property previously owned, leased or used by the Company or any of its Subsidiaries during the period the property was owned, leased or used by the Company or any of its Subsidiaries, except in the normal course of the Company's or any of its Subsidiaries' business.

(iii) There are no underground storage tanks on or under any real property owned, leased or used by the Company or any of its Subsidiaries that are not in compliance with applicable law.

t. Title to Property. Except as disclosed in the SEC Documents the Company and its Subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its Subsidiaries, in each case free and clear of all liens, encumbrances and defects or such as would not have a Material Adverse Effect. Any real property and facilities held under lease by the Company and its Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not have a Material Adverse Effect.

u. Internal Accounting Controls. Except as disclosed in the SEC Documents the Company and each of its Subsidiaries maintain a system of internal accounting controls sufficient, in the judgment of the Company's board of directors, to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

v. Foreign Corrupt Practices. Neither the Company, nor any of its Subsidiaries, nor any director, officer, agent, employee or other person acting on behalf of the Company or any Subsidiary has, in the course of his actions for, or on behalf of, the Company, used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

w. Solvency. The Company (after giving effect to the transactions contemplated by this Agreement) is solvent (i.e., its assets have a fair market value in excess of the amount required to pay its probable liabilities on its existing debts as they become absolute and matured) and currently the Company has no information that would lead it to reasonably conclude that the Company would not, after giving effect to the transaction contemplated by this Agreement, have the ability to, nor does it intend to take any action that would impair its ability to, pay its debts from time to time incurred in connection therewith as such debts mature. The Company did not receive a qualified opinion from its auditors with respect to its most recent fiscal year end and, after giving effect to the transactions contemplated by this Agreement, does not anticipate or know of any basis upon which its auditors might issue a qualified opinion in respect of its current fiscal year. For the avoidance of doubt any disclosure of the Company's ability to continue as a "going concern" shall not, by itself, be a violation of this Section 3(w).

x. No Investment Company. The Company is not, and upon the issuance and sale of the Securities as contemplated by this Agreement will not be an "investment company" required to be registered under the Investment Company Act of 1940 (an "Investment Company"). The Company is not controlled by an Investment Company.

y. Insurance. The Company and each of its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company and its Subsidiaries are engaged. Neither the Company nor any such Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect. Upon written request the Company will provide to the Buyer true and correct copies of all policies relating to directors' and officers' liability coverage, errors and omissions coverage, and commercial general liability coverage.

z. Bad Actor. No officer or director of the Company would be disqualified under Rule 506(d) of the Securities Act as amended on the basis of being a "bad actor" as that term is established in the September 19, 2013 Small Entity Compliance Guide published by the SEC.

aa. Shell Status. The Company represents that it is not a "shell" issuer and has never been a "shell" issuer, or that if it previously has been a "shell" issuer, that at least twelve (12) months have passed since the Company has reported Form 10 type information indicating that it is no longer a "shell" issuer. Further, the Company will instruct its counsel to either (i) write a 144- 3(a)(9) opinion to allow for salability of the Conversion Shares or (ii) accept such opinion from the Buyer's counsel.

bb. No-Off Balance Sheet Arrangements. There is no transaction, arrangement, or other relationship between the Company or any of its Subsidiaries and an unconsolidated or other off-balance sheet entity that is required to be disclosed by the Company in its 1934 Act filings and is not so disclosed or that otherwise could be reasonably likely to have a Material Adverse Effect.

cc. Manipulation of Price. The Company has not, and to its knowledge no one acting on its behalf has: (i) taken, directly or indirectly, any action designed to cause or to result, or that could reasonably be expected to cause or result, in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any person any compensation for soliciting another to purchase any other securities of the Company.

dd. Sarbanes-Oxley Act. The Company and each Subsidiary is in material compliance with all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and all applicable rules and regulations promulgated by the SEC thereunder that are effective as of the date hereof.

ee. Employee Relations. Neither the Company nor any of its Subsidiaries is a party to any collective bargaining agreement or employs any member of a union. The Company believes that its and its Subsidiaries' relations with their respective employees are good. No executive officer (as defined in Rule 501(f) promulgated under the 1933 Act) or other key employee of the Company or any of its Subsidiaries has notified the Company or any such Subsidiary that such officer intends to leave the Company or any such Subsidiary or otherwise terminate such officer's employment with the Company or any such Subsidiary. To the knowledge of the Company, no executive officer or other key employee of the Company or any of its Subsidiaries is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement, non-competition agreement, or any other contract or agreement or any restrictive covenant, and the continued employment of each such executive officer or other key employee (as the case may be) does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all federal, state, local and foreign laws and regulations respecting labor, employment and employment practices and benefits, terms and conditions of employment and wages and hours, except where failure to be in compliance would not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

4. COVENANTS.

a. Best Efforts. The parties shall use their commercially reasonable best efforts to satisfy timely each of the conditions described in Section 5 and 6 of this Agreement.

b. Form D; Blue Sky Laws. The Company agrees to file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof to the Buyer promptly after such filing. The Company shall, on or before each Closing Date, take such action as the Company shall reasonably determine is necessary to qualify the Securities for sale to the Buyer at the applicable closing pursuant to this Agreement under applicable securities or "blue sky" laws of the states of the United States (or to obtain an exemption from such qualification), and shall provide evidence of any such action so taken to the Buyer on or prior to such Closing Date.

c. Use of Proceeds. The Company shall use the proceeds from the sale of the Notes for working capital and other general corporate purposes and shall not, directly or indirectly, use such proceeds for any loan to or investment in any other corporation, partnership, enterprise or other person (except in connection with its currently existing direct or indirect Subsidiaries) or to repay any indebtedness owing under any securities of the Company issued after October 7, 2019.

d. Financial Information. The Company agrees to send or make available the following reports to the Buyer until the Buyer transfers, assigns, or sells all of the Securities: (i) within ten (10) days after the filing with the SEC, a copy of its Annual Report on Form 10-K its Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K; (ii) within one
(1) day after release, copies of all press releases issued by the Company or any of its Subsidiaries; and (iii) contemporaneously with the making available or giving to the shareholders of the Company, copies of any notices or other information the Company makes available or gives to such shareholders. For the avoidance of doubt, filing the documents required in (i) above via EDGAR or releasing any documents set forth in (ii) above via a recognized wire service shall satisfy the delivery requirements of this Section 4(e).

e. Listing; Uplisting. The Company shall promptly secure the listing of the Conversion Shares upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance) and, so long as the Buyer owns any of the Securities, shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Conversion Shares from time to time issuable upon conversion of the Note. The Company will obtain and, so long as the Buyer owns any of the Securities, maintain the listing and trading of its Common Stock on the OTCBB, OTCQB, OTC Pink or any equivalent replacement exchange, the Nasdaq National Market ("Nasdaq"), the Nasdaq SmallCap Market ("Nasdaq SmallCap"), the New York Stock Exchange ("NYSE"), or the NYSE MKT and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Financial Industry Regulatory Authority ("FINRA") and such exchanges, as applicable. The Company shall promptly provide to the Buyer copies of any material notices it receives from the OTCBB, OTCQB and any other exchanges or quotation systems on which the Common Stock is then listed regarding the continued eligibility of the Common Stock for listing on such exchanges and quotation systems. Within six months of the Effective Date, the Company shall will obtain the listing and trading of its Common Stock on an exchange senior to the exchange on which the Common Stock is listed and traded as of the Effective Date. The Company shall pay any and all fees and expenses in connection with satisfying its obligation under this Section 4(f).

f. Corporate Existence. So long as the Buyer beneficially owns any Note, the Company shall maintain its corporate existence and shall not sell all or substantially all of the Company's assets, except in the event of a merger or consolidation or sale of all or substantially all of the Company's assets, where the surviving or successor entity in such transaction (i) assumes the Company's obligations hereunder and under the agreements and instruments entered into in connection herewith and (ii) is a publicly traded corporation whose Common Stock is listed for trading on the OTCBB, OTCQB, OTC Pink, Nasdaq, NasdaqSmallCap, NYSE or AMEX.

g. No Integration. The Company shall not make any offers or sales of any security (other than the Securities) under circumstances that would require registration of the Securities being offered or sold hereunder under the 1933 Act or cause the offering of the Securities to be integrated with any other offering of securities by the Company for the purpose of any stockholder approval provision applicable to the Company or its securities.

h. Failure to Comply with the 1934 Act. So long as the Buyer beneficially owns any Note, the Company shall comply with the quarterly and annual reporting requirements of the 1934 Act; and the Company shall continue to be subject to the reporting requirements of the 1934 Act.

i. Trading Activities. Neither the Buyer nor its affiliates has an open short position (or other hedging or similar transactions) in the Common Stock of the Company and the Buyer agree that it shall not, and that it will cause its affiliates not to, engage in any short sales of or hedging transactions with respect to the Common Stock of the Company.

j. Restriction on Activities. Commencing as of the date first above written, and until the sooner of the six month anniversary of the date first written above or payment of the Note in full, or full conversion of the Note, the Company shall not, directly or indirectly, without the Buyer's prior written consent, which consent shall not be unreasonably withheld: (a) change the nature of its business; or (b) sell, divest, acquire, change the structure of any material assets other than in the ordinary course of business.

k. Par Value. If the closing bid price at any time a Note is outstanding falls below $0.001 for five (5) consecutive days, the Company shall cause the par value of its Common Stock to be reduced to $0.0001 or less.

l. Breach of Covenants. The Company agrees that if the Company breaches any of the covenants set forth in this Section 4, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an Event of Default under Section 3.4 of the Notes.

m. Transfer Agent Instructions. The Company shall issue irrevocable instructions to its transfer agent to issue certificates, registered in the name of the Buyer or its nominee, for the Conversion Shares in such amounts as specified from time to time by the Buyer to the Company upon conversion of the Notes in accordance with the terms thereof (the "Irrevocable Transfer Agent Instructions"). In the event that the Company proposes to replace its transfer agent, the Company shall provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Purchase Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Company and the Company. Prior to registration of the Conversion Shares under the 1933 Act or the date on which the Conversion Shares may be sold pursuant to Rule 144 without any restriction as to the number of Securities as of a particular date that can then be immediately sold, all such certificates shall bear the restrictive legend specified in Section 2(g) of this Agreement. The Company warrants that: (i) no instruction other than the Irrevocable Transfer Agent Instructions referred to in this Section, and stop transfer instructions to give effect to Section 2(f) hereof (in the case of the Conversion Shares, prior to registration of the Conversion Shares under the 1933 Act or the date on which the Conversion Shares may be sold pursuant to Rule 144 without any restriction as to the number of Securities as of a particular date that can then be immediately sold), will be given by the Company to its transfer agent and that the Securities shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the Note; (ii) it will not direct its transfer agent not to transfer or delay, impair, and/or hinder its transfer agent in transferring (or issuing) (electronically or in certificated form) any certificate for Conversion Shares to be issued to the Buyer upon conversion of or otherwise pursuant to the Notes as and when required by the Notes and this Agreement; and (iii) it will not fail to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any Conversion Shares issued to the Buyer upon conversion of or otherwise pursuant to the Notes as and when required by the Note and this Agreement. Nothing in this Section shall affect in any way the Buyer's obligations and agreement set forth in Section 2 (g) hereof to comply with all applicable prospectus delivery requirements, if any, upon re-sale of the Securities. If the Buyer provides the Company, at the cost of the Company not to exceed $500, with (i) an opinion of counsel in form, substance and scope customary for opinions in comparable transactions, to the effect that a public sale or transfer of such Securities may be made without registration under the 1933 Act and such sale or transfer is effected or (ii) the Buyer provides reasonable assurances that the Securities can be sold pursuant to Rule 144, the Company shall permit the transfer, and, in the case of the Conversion Shares, promptly instruct its transfer agent to issue one or more certificates, free from restrictive legend, in such name and in such denominations as specified by the Buyer. Additionally, upon request by the Buyer to the Transfer Agent with notice to the Company, the Transfer Agent shall deliver to the Buyer reports reflecting issued and outstanding shares of the Company, and the lowest cost basis for share issuances of the Company. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer, by vitiating the intent and purpose of the transactions contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section may be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Section, that the Buyer shall be entitled, in addition to all other available remedies, to an injunction restraining any breach and requiring immediate transfer, without the necessity of showing economic loss and without any bond or other security being required. Upon

n. Transaction Expense Amount and Original Issue Discount. Upon the First Closing, the Company shall pay US$2,500.00 to the Buyer's legal counsel for preparation of the Transaction Documents (the "Transaction Expense Amount"). The Transaction Expense Amount shall be offset against the proceeds of the First Note and shall be paid to the Buyer's legal counsel upon the execution hereof. Additionally, the Company shall pay US$16,000.00 to the Buyer as an original issue discount (the "OID").") in respect of the First Note. The OID shall be added to the Principal Amount of the Note and accordingly the Principal Amount of the First Note is US$216,000.

o. Issuance of Shares of Common Stock; True-Up Shares.

(i) As additional consideration for the Buyer loaning the Purchase Price to the Company, the Company shall issue to the Buyer, or designees of the Buyer, 300,000 shares of Common Stock of the Company (the "Initial Share Issuance"). The Initial Share Issuance shall be issued and delivered to the Buyer on the Closing Date.

(ii) Commencing on the date that is six (6) months plus one (1) day from the Issue Date (the "True-Up Exercise Date"), in the event the Common Stock was on the preceding ten (10) Trading Day period less than
$0.35 per share, Buyer shall have the right to deliver a notice to the Company in the form of Exhibit B hereto (the "True-Up Notice"), notifying the Company of its obligation to deliver the True-Up Amount (as defined below) to the Buyer. On the True-Up Exercise Date the Buyer shall deliver the True-Up Notice to the Company and the Company shall within two (2) business days of the Buyer's delivery of the True Up Notice, issue to the Buyer additional shares of Common Stock equal to the True-Up Amount (as defined below). The "True-Up Amount" shall mean an amount equal to (a) $0.35 minus (b) 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 True-Up Exercise Date (the "True-Up Exercise Price") multiplied by (c) 300,000 divided by (d) the True-Up Exercise Price. The shares of Common Stock comprising the True-Up Amount shall be referred to herein as the "True-Up Shares". The Initial Share Issuance and the True-Up Shares shall collectively, in the aggregate, be referred to herein as the "Inducement Shares". Accordingly, the True-Up Shares, if required to be issued pursuant to this Agreement, shall be issued in accordance with such beneficial ownership limitations, and in successive tranches if required to comply with such beneficial ownership limitations (each an "Additional Tranche"). The Company shall issue each Additional Tranche within two (2) business days of the request by Buyer. Additionally, in the event of a reverse stock split by the Company any fractional shares held by the Buyer shall be rounded up to the nearest whole share.

5. CONDITIONS PRECEDENT TO THE COMPANY'S OBLIGATIONS TO SELL. The obligation of the Company hereunder to issue and sell a Note to the Buyer at a Closing is subject to the satisfaction, at or before each Closing Date of each of the following conditions thereto, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion:

a. The Buyer shall have executed this Agreement and delivered the same to the Company.

b. The Buyer shall have delivered the Purchase Price in accordance with Section 1(b) above.

c. The representations and warranties of the Buyer shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date), and the Buyer shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Buyer at or prior to the Closing Date.

d. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self- regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

6. CONDITIONS PRECEDENT TO THE BUYER'S OBLIGATION TO PURCHASE.

a. The obligation of the Buyer hereunder to purchase the First Note at the First Closing is subject to the satisfaction, at or before the First Closing Date of each of the following conditions, provided that these conditions are for the Buyer's sole benefit and may be waived by the Buyer at any time in its sole discretion:

(i) The Company shall have executed this Agreement, effectuated the Issuance, and delivered the Agreement and Issuance to the Buyer.

(ii) The Board of Directors of the Company shall have approved by Unanimous Written Consent (the "Consent") the Issuance and transactions contemplated by this Agreement and the First Note and the Company shall have delivered a copy of such fully executed Consent to the Buyer.

(iii) The Company shall have delivered to the Buyer the duly executed First Note (in such denominations as the Buyer shall request) and in accordance with Section 1(b) above.

(iv) The Irrevocable Transfer Agent Instructions, in form and substance satisfactory to the Buyer, shall have been delivered to and acknowledged in writing by the Company's Transfer Agent and such fully executed Irrevocable Transfer Agent Instructions shall have been delivered to the Buyer.

(v) The representations and warranties of the Company shall be true and correct in all material respects as of the date when made and as of the First Closing Date as though made at such time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the First Closing Date. The Buyer shall have received a certificate or certificates, executed by the chief executive officer of the Company, dated as of the First Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by the Buyer including, but not limited to certificates with respect to the Company's Certificate of Incorporation, By-laws and Board of Directors' resolutions relating to the transactions contemplated hereby.

(vi) No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

(vii) No event shall have occurred which could reasonably be expected to have a Material Adverse Effect on the Company including but not limited to a change in the 1934 Act reporting status of the Company or the failure of the Company to be timely in its 1934 Act reporting obligations.

(viii) The Conversion Shares shall have been authorized for quotation on the OTCBB, OTCQB, OTC Pink or any similar quotation system and trading in the Common Stock on the OTCBB, OTCQB or any similar quotation system shall not have been suspended by the SEC or the OTCBB, OTCQB, OTC Pink or any similar quotation system.

(ix) The Buyer shall have received the Initial Inducement Shares and an officer's certificate described in Section 3(c) above, dated as of the First Closing Date.

b. The obligation of the Buyer hereunder to purchase Additional Notes at any Additional Closing is subject to the satisfaction, at or before applicable Additional Closing Date of each of the following conditions, provided that these conditions are for the Buyer's sole benefit and may be waived by the Buyer at any time in its sole discretion:

(i) The Company shall have executed the Transaction Documents applicable to the Additional Closing and delivered copies of the same to the Buyer.

(ii) The representations and warranties of the Company shall be true and correct in all material respects (except to the extent that any of such representations and warranties are already qualified as to materiality in Section 2 above, in which case, such representations and warranties shall be true and correct in all respects without further qualification) as of the date when made and as of the Additional Closing Date as though made at that time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Additional Closing Date.

(iii) No event shall have occurred which could reasonably be expected to have a Material Adverse Effect.

(iv) No default or Event of Default shall have occurred and be continuing under this Agreement or any other Transaction Documents, and no event shall have occurred that, with the passage of time, the giving of notice, or both, would constitute a default or an Event of Default under this Agreement or any other Transaction Documents.

(v) The Company shall have executed such other agreements, certificates, confirmations or resolutions as the Buyer may require to consummate the transactions contemplated by this Agreement and the Transaction Documents.

7. GOVERNING LAW; MISCELLANEOUS.

a. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement, the Notes or any other agreement, certificate, instrument or document contemplated hereby shall be brought only in the state courts of New York or in the federal courts in the State of New York. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR UNDER ANY OTHER TRANSACTION DOCUMENT OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY**. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

b. Counterparts; Signatures by Facsimile. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

c. Construction; Headings. This Agreement shall be deemed to be jointly drafted by the Company and the Buyer and shall not be construed against any person as the drafter hereof. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

e. Entire Agreement; Amendments. This Agreement, the Notes and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the Buyer.

f. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, email, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by email or facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company, to:

Surge Holdings, Inc.
3124 Brother Blvd
Suite 104
Bartlett, Tennessee 38133

If to the Buyer, to:

Each party shall provide notice to the other party of any change in address.

g. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. Neither the Company nor the Buyer shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other. Notwithstanding the foregoing, subject to Section 2(f), the Buyer may assign its rights hereunder to any person that purchases Securities in a private transaction from the Buyer or to any of its "affiliates," as that term is defined under the 1934 Act, without the consent of the Company.

h. Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

i. Survival. The representations and warranties of the Company and the agreements and covenants set forth in this Agreement shall survive the closing hereunder not withstanding any due diligence investigation conducted by or on behalf of the Buyer. The Company agrees to indemnify and hold harmless the Buyer and all their officers, directors, employees and agents for loss or damage arising as a result of or related to any breach or alleged breach by the Company of any of its representations, warranties and covenants set forth in this Agreement or any of its covenants and obligations under this Agreement, including advancement of expenses as they are incurred.

j. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

k. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

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

m. Indemnification. In consideration of the Buyer's execution and delivery of this Agreement and acquiring the Securities hereunder, and in addition to all of the Company's other obligations under this Agreement or the Notes, the Company shall defend, protect, indemnify and hold harmless the Buyer and its stockholders, partners, members, officers, directors, employees and direct or indirect investors and any of the foregoing persons' agents or other representatives (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Indemnitees") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (the "Indemnified Liabilities"), incurred by any Indemnitee as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Company in this Agreement or the Notes or any other agreement, certificate, instrument or document contemplated hereby or thereby, (b) any breach of any covenant, agreement or obligation of the Company contained in this Agreement or the Notes or any other agreement, certificate, instrument or document contemplated hereby or thereby or (c) any cause of action, suit or claim brought or made against such Indemnitee by a third party (including for these purposes a derivative action brought on behalf of the Company) and arising out of or resulting from (i) the execution, delivery, performance or enforcement of this Agreement or the Notes or any other agreement, certificate, instrument or document contemplated hereby or thereby, (ii) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of the issuance of the Securities, or (iii) the status of the Buyer or holder of the Securities as an investor in the Company pursuant to the transactions contemplated by this Agreement. To the extent that the foregoing undertaking by the Company may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities that is permissible under applicable law.

n. Leak-Out. So long as no Event of Default has occurred, the Buyer agrees that the aggregate number of shares of Conversion Share and/or Inducement Shares that may be sold or otherwise transferred by the Buyer (taking into account sales and other transfers: (a) directly from the Buyer, (b) the Buyer's affiliates, and (c) any holder of such shares previously sold or otherwise transferred to such holder by the Buyer after the Closing Date) shall not exceed the greater of (i) five percent (5%) of the average daily trading volume for the previous thirty (30) Trading Days of the Common Stock as reported by the OTC Markets Group if the Common Stock is quoted over-the-counter, or by Bloomberg L.P. if the Common Stock is traded on an exchange, and (ii) in any calendar month, an amount equal to $50,000.00 of share sales at a per share price equal to the closing price of the Common Stock on the date hereof.

[signature page follows]

IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Agreement to be duly executed as of the date first above written.

SURGE HOLDINGS, INC.

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

By: _____
Name:
Title:

AGGREGATE SUBSCRIPTION AMOUNT:

Principal Amount of the First Note: US$ _____

Purchase Price of the First Note: US$ _____

Exhibit A

Note

See attached

Exhibit B

Form of True-Up Notice

TRUE-UP NOTICE

Reference is made to that certain Securities Purchase Agreement (the "Purchase Agreement"), dated as of February 3, 2020 by and between Surge Holdings, Inc., a Nevada corporation (the "Borrower") and _____(the "Buyer"). Pursuant to Section 4(o)(ii) of the Purchase Agreement, the undersigned hereby directs you to issue that number of shares of Common Stock constituting the "True-Up Amount" as set forth below, of the Borrower, within two (2) days of the date hereof or the next succeeding business day. No fee will be charged to the Buyer for any such issuance, except for transfer taxes, if any.

Box Checked as to applicable instructions:

[ ] The Borrower shall electronically transmit the Common Stock issuable pursuant to this True Notice to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("DWAC Transfer").

Name of DTC Prime Broker:
Account Number:

[ ] The undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

True-Up Amount (number of shares of common stock to be issued) _____

By: _____
Name:
Title:
Date:

Exhibit 10.15

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

Principal Amount: $216,000 **Issue Date: February 3, 2020**
Purchase Price: $200,000

PROMISSORY NOTE

FOR VALUE RECEIVED, **SURGE HOLDINGS, INC.**, a Nevada corporation (hereinafter called the "Borrower"), hereby promises to pay to the order of_____, or registered assigns (the "Holder") the sum of $216,000.00 together with any interest as set forth herein by no later than February 3, 2021 (the "Maturity Date"), and to pay interest on the unpaid principal balance hereof at the rate of fourteen percent (14%)(the "Interest Rate") per annum from the date hereof (the "Issue Date") until the same becomes due and payable in accordance with the payment schedule attached as Schedule A hereto. This Note may not be prepaid in whole or in part except as otherwise explicitly set forth herein. Any amount of principal or interest on this Note which is not paid when due shall bear interest at the rate of eighteen percent (18%) per annum from the due date thereof until the same is paid or converted in accordance with the terms hereof ("Default Interest"). Interest shall be computed on the basis of a 365 day year and the actual number of days elapsed. Interest shall commence accruing on the Issue Date. All payments of interest and principal due hereunder, subject to the terms hereof, shall be paid in accordance with the attached payment schedule set forth under Schedule A hereto. All payments due hereunder (to the extent not converted into common stock, $0.001 par value per share (the "Common Stock") in accordance with the terms hereof) shall be made in lawful money of the United States of America. All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note. Each capitalized term used herein, and not otherwise defined, shall have the meaning ascribed thereto in that certain Securities Purchase Agreement dated the date hereof, pursuant to which this Note was originally issued (the "Purchase Agreement").

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

The following terms shall apply to this Note:

ARTICLE I. CONVERSION RIGHTS UPON EVENT OF DEFAULT

1.1 Conversion Right. The Holder shall have the right upon any Event of Default, to convert all or any part of the outstanding and unpaid amount of this Note into fully paid and non-assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price (the "Conversion Price") determined as provided herein (a "Conversion"); provided, however, that in no event shall the Holder be entitled to convert any portion of this Note in excess of that portion of this Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Notes or the unexercised or unconverted portion of any other security of 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 Holder 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. The beneficial ownership limitations on conversion as set forth in the section may NOT be waived by the Holder. The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the "Notice of Conversion"), delivered to the Borrower by the Holder in accordance with Section 1.4 below; provided that the Notice of Conversion is submitted by facsimile or e-mail (or by other means resulting in, or reasonably expected to result in, notice) to the Borrower before 6:00 p.m., New York, New York time on such conversion date (the "Conversion Date"); however, if the Notice of Conversion is sent after 6:00pm, New York, New York time the Conversion Date shall be the next business day. The term "Conversion Amount" means, with respect to any conversion of this Note, the sum of (1) the principal amount of this Note to be converted in such conversion plus (2) at the Holder's option, accrued and unpaid interest, if any, on such principal amount at the interest rates provided in this Note to the Conversion Date, plus (3) at the Holder's option, Default Interest, if any, on the amounts referred to in the immediately preceding clauses (1) and/or (2) plus (4) at the Holder's option, any amounts owed to the Holder pursuant to Sections 1.4 hereof.

1.2 Conversion Price. Subject to the adjustments described herein, the conversion price (the "Conversion Price") shall equal the Variable Conversion Price (as defined herein) (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 "Variable Conversion Price" shall mean 65% multiplied by the Market Price (as defined herein) (representing a discount rate of 35%). "Market Price" means the lesser of (i) 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 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. To the extent the Conversion Price of the Borrower's Common Stock closes below the par value per share, the Borrower will take all steps necessary to solicit the consent of the stockholders to reduce the par value to the lowest value possible under law. The Borrower agrees to honor all conversions submitted pending this adjustment. Furthermore, the Conversion Price may be adjusted downward if, within three (3) business days of the transmittal of the Notice of Conversion to the Borrower, the Common Stock has a closing bid which is 5% or lower than that set forth in the Notice of Conversion. If the shares of the Borrower's Common Stock have not been delivered within three (3) business days to the Borrower, the Notice of Conversion may be rescinded. At any time after the Closing Date, if in the case that the Borrower's Common Stock is not deliverable by DWAC (including if the Borrower's transfer agent has a policy prohibiting or limiting delivery of shares of the Borrower's Common Stock specified in a Notice of Conversion), an additional 10% discount will apply for all future conversions under all Notes. If in the case that the Borrower's Common Stock is "chilled" for deposit into the DTC system and only eligible for clearing deposit, an additional 15% discount shall apply for all future conversions under all Notes while the "chill" is in effect. If in the case of both of the above, an additional cumulative 25% discount shall apply. Additionally, if the Borrower ceases to be a reporting company pursuant to the 1934 Act or if the Note cannot be converted into free trading shares after one hundred eighty-one (181) days from the Issue Date, an additional 15% discount will be attributed to the Conversion Price. If the Market Price cannot be calculated for such security on such date in the manner provided above, the Market Price shall be the lesser of (i) the lowest closing price of the Common Stock, or (ii) the fair market value as mutually determined by the Borrower and the holders of a majority in interest of the Notes being converted for which the calculation of the Trading Price is required in order to determine the Conversion Price of such Notes. "Trading Day" shall mean any day on which the Common Stock is tradable for any period on the OTC Pink, OTCQB or on the principal securities exchange or other securities market on which the Common Stock is then being traded. The Borrower shall be responsible for the fees of its transfer agent and all DTC fees associated with any such issuance. Holder shall be entitled to deduct $1,000.00 from the conversion amount in each Notice of Conversion to cover Holder's deposit fees associated with each Notice of Conversion. "VWAP" shall mean for the security during any Trading Day the volume weighted average price for the Common Stock.

1.3 Authorized Shares. The Borrower covenants that during the period the conversion right exists, the Borrower will reserve from its authorized and unissued Common Stock a sufficient number of shares, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of this Note issued pursuant to the Purchase Agreement. The Borrower is required at all times to have authorized and reserved four (4) times the number of shares that would be issuable upon full conversion of the Note (assuming that the 4.99% limitation set forth in Section 1.1 is not in effect)(based on the respective Conversion Price of the Note (as defined in Section 1.2) in effect from time to time, initially 4,800,000)(the "Reserved Amount"). The Reserved Amount shall be increased (or decreased with the written consent of the Holder) from time to time in accordance with the Borrower's obligations hereunder. The Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non-assessable. In addition, if the Borrower shall issue any securities or make any change to its capital structure which would change the number of shares of Common Stock into which the Notes shall be convertible at the then current Conversion Price, the Borrower shall at the same time make proper provision so that thereafter there shall be a sufficient number of shares of Common Stock authorized and reserved, free from preemptive rights, for conversion of the outstanding Note. The Borrower (i) acknowledges that it has irrevocably instructed its transfer agent to issue shares of Common Stock issuable upon conversion of this Note, and (ii) agrees that its issuance of this Note shall constitute full authority to its officers and agents who are charged with the duty of executing the issuance of Common Stock to execute and issue the necessary documents for shares of Common Stock in accordance with the terms and conditions of this Note.

If, at any time the Borrower does not maintain the Reserved Amount it will be considered an Event of Default under Section 3.2 of the Note.

1.4 Method of Conversion.

(a) Mechanics of Conversion. As set forth in Section 1.1 hereof, from time to time, and at any time during the period beginning on the date which is one hundred eighty (180) days following the date of this Note this Note may be converted by the Holder in whole or in part at any time from time to time after the Issue Date, by (A) submitting to the Borrower a Notice of Conversion (by facsimile, e-mail or other reasonable means of communication dispatched on the Conversion Date prior to 6:00 p.m., New York, New York time) and (B) subject to Section 1.4(b), surrendering this Note at the principal office of the Borrower (upon payment in full of any amounts owed hereunder).

(b) Surrender of Note Upon Conversion. Notwithstanding anything to the contrary set forth herein, upon conversion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Borrower unless the entire unpaid principal amount of this Note is so converted. The Holder and the Borrower shall maintain records showing the principal amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Borrower, so as not to require physical surrender of this Note upon each such conversion.

(c) Delivery of Common Stock Upon Conversion. Upon receipt by the Borrower from the Holder of a facsimile transmission or e-mail (or other reasonable means of communication) of a Notice of Conversion meeting the requirements for conversion as provided in this Section 1.4, the Borrower shall issue and deliver or cause to be issued and delivered to or upon the order of the Holder cause its transfer agent to electronically transmit the Common Stock issuable upon such conversion to the Holder by crediting the account of Holder's Prime Broker with DTC through its Deposit and Withdrawal at Custodian ("DWAC") system within two (2) business days after such receipt (the "Deadline") (and, solely in the case of conversion of the entire unpaid principal amount hereof, surrender of this Note) in accordance with the terms hereof and the Purchase Agreement. Upon receipt by the Borrower of a Notice of Conversion, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, the outstanding principal amount and the amount of accrued and unpaid interest on this Note shall be reduced to reflect such conversion, and, unless the Borrower defaults on its obligations hereunder, all rights with respect to the portion of this Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as herein provided, on such conversion. If the Holder shall have given a Notice of Conversion as provided herein, the Borrower's obligation to issue and deliver the Common Stock shall be absolute and unconditional, irrespective of the absence of any action by the Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of the Borrower to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder of any obligation to the Borrower, and irrespective of any other circumstance which might otherwise limit such obligation of the Borrower to the Holder in connection with such conversion.

(d) RESERVED.

(e) Failure to Deliver Common Stock Prior to Deadline. Without in any way limiting the Holder's right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion of this Note is not delivered by the Deadline due to action and/or inaction of the Borrower, the Borrower shall pay to the Holder $2,000 per day in cash, for each day beyond the Deadline that the Borrower fails to deliver such Common Stock (the "Fail to Deliver Fee"); provided; however that the Fail to Deliver Fee shall not be due if the failure is a result of a third party (i.e., transfer agent; and not the result of any failure to pay such transfer agent) despite the best efforts of the Borrower to effect delivery of such Common Stock. Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of the Holder (by written notice to the Borrower by the first day of the month following the month in which it has accrued), shall be added to the principal amount of this Note, in which event interest shall accrue thereon in accordance with the terms of this Note and such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Note. The Borrower agrees that the right to convert is a valuable right to the Holder. The damages resulting from a failure, attempt to frustrate, interference with such conversion right are difficult if not impossible to qualify. Accordingly, the parties acknowledge that the liquidated damages provision contained in this Section 1.4
(e) are justified.

1.5 Concerning the Shares. The shares of Common Stock issuable upon conversion of this Note may not be sold or transferred unless: (i) such shares are sold pursuant to an effective registration statement under the Act or (ii) the Borrower's transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration (such as Rule 144 or a successor rule) ("Rule 144"); or (iii) such shares are transferred to an "affiliate" (as defined in Rule 144) of the Borrower who agrees to sell or otherwise transfer the shares only in accordance with this Section 1.5 and who is an Accredited Investor (as defined in the Purchase Agreement).

Any restrictive legend representing shares of Common Stock issuable upon conversion of this Note shall be removed and the Borrower shall issue to the Holder Common Stock free of any transfer legend if the Borrower or its transfer agent shall have received an opinion of counsel from Holder's counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that (i) a public sale or transfer of such Common Stock may be made without registration under the Act, which opinion shall be accepted by the Company so that the sale or transfer is effected; or (ii) in the case of the Common Stock issuable upon conversion of this Note, such security is registered for sale by the Holder under an effective registration statement filed under the Act; or otherwise may be sold pursuant to an exemption from registration. In the event that the Company does not reasonably accept the opinion of counsel provided by the Holder with respect to the transfer of Securities pursuant to an exemption from registration (such as Rule 144), at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.

1.6 Effect of Certain Events.

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

(b) Adjustment Due to Merger, Consolidation. If, at any time when this Note is issued and outstanding and prior to conversion of all of the Note, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock of the Borrower shall be changed into the same or a different number of shares of another class or classes of stock or securities of the Borrower or another entity, or in case of any sale or conveyance of all or substantially all of the assets of the Borrower other than in connection with a plan of complete liquidation of the Borrower, then the Holder of this Note shall thereafter have the right to receive upon conversion of this Note, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion, such stock, securities or assets which the Holder would have been entitled to receive in such transaction had this Note been converted in full immediately prior to such transaction (without regard to any limitations on conversion set forth herein), and in any such case appropriate provisions shall be made with respect to the rights and interests of the Holder of this Note to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Conversion Price and of the number of shares issuable upon conversion of the Note) shall thereafter be applicable, as nearly as may be practicable in relation to any securities or assets thereafter deliverable upon the conversion hereof. The Borrower shall not affect any transaction described in this Section 1.6(b) unless (a) it first gives, to the extent practicable, ten (10) days prior written notice (but in any event at least five (5) days prior written notice) of the record date of the special meeting of shareholders to approve, or if there is no such record date, the consummation of, such merger, consolidation, exchange of shares, recapitalization, reorganization or other similar event or sale of assets (during which time the Holder shall be entitled to convert this Note) and (b) the resulting successor or acquiring entity (if not the Borrower) assumes by written instrument the obligations of this Note. The above provisions shall similarly apply to successive consolidations, mergers, sales, transfers or share exchanges.

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

(d) DTC Eligibility. If the Borrower fails to maintain its status as "DTC Eligible" for any reason, , the principal amount of the Note shall increase by 15% (under Holder's and Borrower's expectation that any principal amount increase will tack back to the Issue Date). In addition, an additional 15% discount shall be applied to the Variable Conversion Price.

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

1.7 Prepayment. The outstanding balance due hereunder may be prepaid by the Company at the sole discretion of the Holder. Such prepayment amount delievered by the Company to the Holder shall be authorized and consented to in writing by the Holder.

ARTICLE II. CERTAIN COVENANTS

2.1 Sale of Assets. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, sell, lease or otherwise dispose of any significant portion of its assets outside the ordinary course of business. Any consent to the disposition of any assets may be conditioned on a specified use of the proceeds of disposition.

2.2 Section 3(a)(9) or 3(a)(10) Transaction. So long as this Note is outstanding, the Borrower shall not enter into any transaction or arrangement structured in accordance with, based upon, or related or pursuant to, in whole or in part, either Section 3(a)(9) of the Securities Act (a "3(a)(9) Transaction") or Section 3(a)(l0) of the Securities Act (a "3(a)(l0) Transaction"). In the event that the Borrower does enter into, or makes any issuance of Common Stock related to a 3(a)(9) Transaction or a 3(a)(l0) Transaction while this Note is outstanding, a liquidated damages charge of 25% of the outstanding principal balance of this Note, but not less than Fifteen Thousand Dollars $15,000, will be assessed and will become immediately due and payable to the Holder at its election in the form of cash payment or addition to the balance of this Note.

ARTICLE III. EVENTS OF DEFAULT

If any of the following events of default (each, an "Event of Default") shall occur:

3.1 Failure to Pay Principal and Interest. The Borrower fails to pay the principal hereof or interest thereon when due on this Note in accordance with Schedule A attached hereto with a five (5) calendar day cure period.

3.2 Conversion and the Shares. The Borrower fails to issue shares of Common Stock to the Holder (or announces or threatens in writing that it will not honor its obligation to do so) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note, fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form at the option of the Holder) shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, the Borrower directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form at the option of the Holder) shares of Common Stock to be issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, or fails to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph) and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for two (2) business days after the Holder shall have delivered a Notice of Conversion. It is an obligation of the Borrower to remain current in its obligations to its transfer agent. It shall be an event of default of this Note, if a conversion of this Note is delayed, hindered or frustrated due to a balance owed by the Borrower to its transfer agent. If at the option of the Holder, the Holder advances any funds to the Borrower's transfer agent in order to process a conversion, such advanced funds shall be paid by the Borrower to the Holder within forty-eight (48) hours of a demand from the Holder.

3.3 Breach of Covenants. The Borrower breaches any material covenant or other material term or condition contained in this Note and any collateral documents including but not limited to the Purchase Agreement..

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

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

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

3.7 Delisting of Common Stock. The Borrower shall fail to maintain the listing of the Common Stock on at least one of the OTC (which specifically includes the quotation platforms maintained by the OTC Markets Group) or an equivalent replacement exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, the New York Stock Exchange, or the American Stock Exchange.

3.8 Failure to Comply with the Exchange Act. The Borrower shall fail to comply with the reporting requirements of the Exchange Act, or if the Company files a 12b-25 Notice of Late filing for any periodic report; and/or the Borrower shall cease to be subject to the reporting requirements of the Exchange Act.

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

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

3.11 Financial Statement Restatement. The restatement of any financial statements filed by the Borrower with the SEC at any time after 180 days after the Issuance Date for any date or period until this Note is no longer outstanding, if the result of such restatement would, by comparison to the un-restated financial statement, have constituted a material adverse effect on the rights of the Holder with respect to this Note or the Purchase Agreement.

3.12 Replacement of Transfer Agent. In the event that the Borrower proposes to replace its transfer agent, the Borrower fails to provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Purchase Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower.

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

3.14 DTC Chill, DWAC Eligibility. At any time after the Issue Date, (i) if the Borrower's Common Stock is not deliverable by DWAC (including if the Borrower's transfer agent has a policy prohibiting or limiting delivery of shares of the Borrower's Common Stock specified in a Notice of Conversion), or (ii) if in the case that the Borrower's Common Stock is "chilled" for deposit into the DTC system and only eligible for clearing deposit.

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

3.16 Cessation of Trading. Any cessation of trading of the Common Stock on at least one of the OTCBB, OTCQB, OTC Pink or an equivalent replacement exchange, the Nasdaq National Market, the Nasdaq Small Cap Market, the New York Stock Exchange, or the NYSE MKT, and such cessation of trading shall continue for a period of five consecutive (5) Trading Days.

3.17 OTC Markets Designation. OTC Markets changes the Borrower's designation to 'No Information' (Stop Sign), 'Caveat Emptor' (Skull and Crossbones), OTC Pink, or 'OTC', 'Other OTC' or 'Grey Market' (Exclamation Mark Sign).

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

3.19 Unavailability of Rule 144. If, at any time on or after the date which is six (6) months after the Issue Date, the Holder is unable to (i) obtain a standard "144 legal opinion letter" from an attorney reasonably acceptable to the Holder, the Holder's brokerage firm (and respective clearing firm), and the Borrower's transfer agent in order to facilitate the Holder's conversion of any portion of the Note into free trading shares of the Borrower's Common Stock pursuant to Rule 144, and (ii) thereupon deposit such shares into the Holder's brokerage account.

3.20 Section 3a9 or 3(a)(10) Transaction. The Borrower shall enter into a 3(a)(9) Transaction or a 3(a)(l0) Transaction.

Upon the occurrence and during the continuation of any Event of Default specified in Section 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due at the Maturity Date), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the Default Amount (as defined herein). UPON THE OCCURRENCE AND DURING THE CONTINUATION OF ANY EVENT OF DEFAULT SPECIFIED IN SECTION 3.2, OR SECTION 3.19, THE NOTE SHALL BECOME IMMEDIATELY DUE AND PAYABLE AND THE BORROWER SHALL PAY TO THE HOLDER, IN FULL SATISFACTION OF ITS OBLIGATIONS HEREUNDER, AN AMOUNT EQUAL TO: (Y) THE DEFAULT AMOUNT (AS DEFINED HEREIN); MULTIPLIED BY (Z) ONE AND A HALF (1.5). Upon the occurrence and during the continuation of any Event of Default specified in Sections 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due on this Note in accordance with Schedule A attached hereto), 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, 3.16, 3.17, and/or 3.18, exercisable through the delivery of written notice to the Borrower by such Holders (the "Default Notice"), and upon the occurrence of an Event of Default specified the remaining sections of Articles III (other than failure to pay the principal hereof or interest thereon at the Maturity Date specified in Section 3,1 hereof), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the greater of (i) 150% times the sum of (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the date of conversion (the "Conversion Date") plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and/or (x) plus (z) any amounts owed to the Holder pursuant to Section 1.4(e) hereof (the then outstanding principal amount of this Note to the date of payment plus the amounts referred to in clauses (x), (y) and (z) shall collectively be known as the "Default Amount") and all other amounts payable hereunder shall immediately become convertible, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

If the Borrower fails to pay the Default Amount within five (5) business days of written notice that such amount is due and payable, then the Holder shall have the right at any time, so long as the Borrower remains in default (and so long and to the extent that there are sufficient authorized shares), to require the Borrower, upon written notice, to immediately issue, in lieu of the Default Amount, the number of shares of Common Stock of the Borrower equal to the Default Amount divided by the Conversion Price then in effect.

ARTICLE IV. MISCELLANEOUS

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

4.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by e-mail, hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Borrower, to:

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

If to the Holder:

4.3 Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term "Note" and all reference thereto, as used throughout this instrument, shall mean this instrument (and the other Notes issued pursuant to the Purchase Agreement) as originally executed, or if later amended or supplemented, then as so amended or supplemented.

4.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. Each transferee of this Note must be an "accredited investor" (as defined in Rule 501(a) of the Securities and Exchange Commission). Notwithstanding anything in this Note to the contrary, this Note may be pledged as collateral in connection with a bona fide margin account or other lending arrangement; and may be assigned by the Holder without the consent of the Borrower.

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

4.6 Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Note shall be brought only in the state courts of New York or in the federal courts located in the Eastern District of New York. The parties to this Note hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. The Borrower and Holder waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Note or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Note, any agreement or any other document delivered in connection with this Note by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Note and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

4.7 Purchase Agreement. By its acceptance of this Note, each party agrees to be bound by the applicable terms of the Purchase Agreement.

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

4.9 Piggyback Registration Rights. The Borrower shall include on the next registration statement the Borrower files with SEC (or on the subsequent registration statement if such registration statement is withdrawn, and excluding the current registration statement that the Borrower has on file with the SEC) all shares issuable upon conversion of this Note, unless such shares are at that time eligible for sale under Rule 144 under the Securities Act. The Borrower agrees that this is a material term of the Note and any breach of this Section 4.10 will result in an Event of Default under Section 3.4 of this Note.

4.10 Severability. In the event that any provision of this Note is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

4.11 Dispute Resolution. In the case of a dispute as to the determination of the Conversion Price, Conversion Amount, amount owed under an Event of Default, Closing or Maturity Date, the closing bid price, or fair market value (as the case may be) or the arithmetic calculation of the Conversion Price (as the case may be), the Borrower or the Holder shall submit the disputed determinations or arithmetic calculations via facsimile (i) within two (2) Business Days after receipt of the applicable notice giving rise to such dispute to the Borrower or the Holder or (ii) if no notice gave rise to such dispute, at any time after the Holder learned of the circumstances giving rise to such dispute. If the Holder and the Borrower are unable to agree upon such determination or calculation within two (2) Business Days of such disputed determination or arithmetic calculation (as the case may be) being submitted to the Borrower or the Holder, then the Borrower shall, within two (2) Business Days, submit via facsimile (a) the disputed determination of the Conversion Price, the closing bid price, the or fair market value (as the case may be) to an independent, reputable investment bank selected by the Borrower and approved by the Holder or (b) the disputed arithmetic calculation of the Conversion Price, Conversion Amount, or amount owed under an Event of Default to an independent, outside accountant selected by the Holder that is reasonably acceptable to the Borrower. The Borrower shall cause at its expense the investment bank or the accountant to perform the determinations or calculations and notify the Borrower and the Holder of the results no later than four (4) Business Days from the time it receives such disputed determinations or calculations. Such investment bank's or accountant's determination or calculation shall be binding upon all parties absent demonstrable error.

[- Signature Page Follows -]

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its duly authorized officer this on February 3, 2020.

SURGE HOLDINGS, INC.

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

EXHIBIT A — NOTICE OF CONVERSION

The undersigned hereby elects to convert $_____principal amount of the Note (defined below) into that number of shares of Common Stock to be issued pursuant to the conversion of the Note ("Common Stock") as set forth below, of Surge Holdings, Inc., a Nevada corporation (the "Borrower") according to the conditions of the convertible note of the Borrower dated as of February 3, 2020 (the "Note"), as of the date written below. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any.

Box Checked as to applicable instructions:

[ ] The Borrower shall electronically transmit the Common Stock issuable pursuant to this Notice of Conversion to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("DWAC Transfer").

Name of DTC Prime Broker:
Account Number:

[ ] The undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

Date of conversion: _____
Applicable Conversion Price: $_____
Number of shares of common stock to be issued pursuant to conversion of the Notes: _____
Amount of Principal Balance due remaining under the Note after this conversion: _____

By: _____
Name:
Title:
Date:

SCHEDULE A – PAYMENT SCHEDULE

Date	Monthly Payment Amount
March 5, 2020	No Payment
April 5, 2020	No Payment
May 5, 2020	No Payment
June 5, 2020	No Payment
July 5, 2020	No Payment
August 5, 2020	$34,198.82
September 5, 2020	$34,198.82
October 5, 2020	$34,198.82
November 5, 2020	$34,191.82
December 5, 2020	$34,198.82
January 5, 2021	$34,198.82
February 3, 2021	$34,198.82
Total	$239,391.73

Exhibit 10.16

SECURITIES PURCHASE AGREEMENT

This **SECURITIES PURCHASE AGREEMENT** (the "Agreement"), dated as of March 5, 2020, by and between **SURGE HOLDINGS, INC.**, a Nevada corporation, with headquarters located at 3124 Brother Blvd, Suite 104, Bartlett, TN 38133 (the "Company"), and _____, with its address at _____ (the "Buyer").

WHEREAS:

A. The Company and the Buyer are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by the rules and regulations as promulgated by the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "1933 Act");

B. WHEREAS, subject to the terms and provisions hereinafter set forth and upon the terms and subject to the limitations and conditions set forth in the Notes (as defined below), (i) the Buyer desires to purchase, the Company desires to sell and issue to the Buyer, a promissory note in the form attached hereto as Exhibit A (the "First Note") convertible into shares of common stock, $0.001 par value per share, of the Company (the "Common Stock")(the "First Closing"), and (ii) the Buyer desires to purchase and the Company desires to sell and issue to the Buyer, one or more additional promissory notes convertible into shares of Common Stock, each in the form attached hereto as Exhibit A (the "Additional Notes" and together with the First Note, the "Notes") as may mutually be agreed in additional closings as set forth in Section 1(d) below (the "Additional Closings") (each of the First Closing and the Additional Closings are sometimes hereinafter individually referred to as a "Closing" and collectively as the "Closings" and this Agreement any and all documents or instruments executed or to be executed by in connection with this Agreement, including the Notes and the Irrevocable Transfer Agent Instructions, together with all modifications, amendments, extensions, future advances, renewals, and substitutions thereof are sometimes hereinafter individually referred to as a "Transaction Document" and collectively as the "Transaction Documents"); and

C. WHEREAS, the aggregate principal amount of Notes sold pursuant to this Agreement shall not exceed an amount to be determined by the Buyer.

NOW THEREFORE, the Company and the Buyer severally (and not jointly) hereby agree as follows:

1. PURCHASE AND SALE OF NOTE.

a. Purchase of Note. On the Closing Date (as defined below), the Company shall issue and sell to the Buyer and the Buyer agrees to purchase, at each Closing, and the Company agrees to sell and issue to the Buyer, at each Closing, a Note in the amount of the purchase price applicable to each Closing as more specifically set forth below.

b. First Closing. The First Closing of the purchase and sale of the First Note in a principal amount of Three Hundred and Seventy Eight Thousand and No/100 United States Dollars (US$378,000,000) for a purchase price of Three Hundred and Fifty Thousand and 00/100 United States Dollars (US$350,000), shall take place on the Effective Date, subject to satisfaction of the conditions to the First Closing set forth in this Agreement (the "First Closing Date"). Additional Closings of the purchase and sale of the Notes shall be at such times and for such amounts as determined in accordance with Section 1(d) below, subject to satisfaction of the conditions to the Additional Closings set forth in this Agreement (the "Additional Closing Dates", collectively, with the First Closing Date, referred to as the "Closing Dates"). The Closings shall occur on the respective Closing Dates through the use of overnight mails and subject to customary escrow instructions from the Buyer and its counsel, or in such other manner as is mutually agreed to by the Company and the Buyer.

c. Form of Payment. On each Closing Date, (i) the Buyer shall pay the purchase price set forth on the face thereof for the Note to be issued and sold to it at such Closing (the "Purchase Price") by wire transfer of immediately available funds to the Company, in accordance with the Company's written wiring instructions, against delivery of such Note in the principal amount set forth on the face thereof, and (ii) the Company shall deliver such duly executed Note on behalf of the Company, to the Buyer, against delivery of such Purchase Price.

d. Additional Closings. At any time after the First Closing but prior to the maturity date of the Note issued in the First Closing, the Buyer may demand that the Company issue an additional Note hereunder in an additional Closing under the same terms and conditions as the First Note by delivering written notice to the Company and the Company shall issue such additional Notes to the Buyer.

2. REPRESENTATIONS AND WARRANTIES OF THE BUYER. The Buyer represents and warrants to the Company that:

a. Investment Purpose. As of the date hereof, the Buyer is purchasing the Notes and the shares of Common Stock issuable upon conversion of or otherwise pursuant to the Notes (including, without limitation, such additional shares of Common Stock, if any, as are issuable (i) on account of interest on the Notes (ii) as a result of the events described in Sections 1.3 and 1.4(g) of each Note, such shares of Common Stock being collectively referred to herein as the "Conversion Shares" and, collectively with the Notes and the Inducement Shares, the "Securities") for its own account and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered or exempted from registration under the 1933 Act; provided, however, that by making the representations herein, the Buyer does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act.

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

c. Reliance on Exemptions. The Buyer understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities.

d. Information. The Buyer and its advisors, if any, have been, and for so long as any Note remains outstanding will continue to be, furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer or its advisors. The Buyer and its advisors, if any, have been, and for so long as any Note remains outstanding will continue to be, afforded the opportunity to ask questions of the Company. Notwithstanding the foregoing, the Company has not disclosed to the Buyer any material nonpublic information and will not disclose such information unless such information is disclosed to the public prior to or promptly following such disclosure to the Buyer. Neither such inquiries nor any other due diligence investigation conducted by Buyer or any of its advisors or representatives shall modify, amend or affect Buyer's right to rely on the Company's representations and warranties contained in Section 3 below. The Buyer understands that its investment in the Securities involves a significant degree of risk. The Buyer is not aware of any facts that may constitute a breach of any of the Company's representations and warranties made herein.

e. Governmental Review. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.

f. Transfer or Re-sale. The Buyer understands that (i) the sale or re-sale of the Securities has not been and is not being registered under the 1933 Act or any applicable state securities laws, and the Securities may not be transferred unless (a) the Securities are sold pursuant to an effective registration statement under the 1933 Act, (b) the Buyer shall have delivered to the Company, at the cost of the Company, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in comparable transactions to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration, which opinion shall be accepted by the Company, (c) the Securities are sold or transferred to an "affiliate" (as defined in Rule 144 promulgated under the 1933 Act (or a successor rule) ("Rule 144")) of the Buyer who agrees to sell or otherwise transfer the Securities only in accordance with this Section 2(f) and who is an Accredited Investor, (d) the Securities are sold pursuant to Rule 144, or (e) the Securities are sold pursuant to Regulation S under the 1933 Act (or a successor rule) ("Regulation S"), and the Buyer shall have delivered to the Company, at the cost of the Company, not to exceed $500 per opinion, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in corporate transactions, which opinion shall be accepted by the Company; (ii) any sale of such Securities made in reliance on Rule 144 may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any re-sale of such Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case). Notwithstanding the foregoing or anything else contained herein to the contrary, the Securities may be pledged as collateral in connection with a bona fide margin account or other lending arrangement. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, within three (3) business days of delivery of the opinion to the Company, the Company shall pay one thousand dollars ($1,000) per day plus accrued and unpaid interest on such Note, prorated for partial months, in cash or shares at the option of the Buyer ("Standard Liquidated Damages Amount"). If the Buyer elects to be pay the Standard Liquidated Damages Amount in shares of Common Stock, such shares shall be issued at the Conversion Price (as defined in the Note) at the time of payment.

g. Legends. The Buyer understands that each Note and, until such time as the Conversion Shares have been registered under the 1933 Act may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, the Conversion Shares may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the shares of Common Stock for such Securities):

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

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of any Security upon which it is stamped, if, unless otherwise required by applicable state securities laws, (a) such Security is registered for sale under an effective registration statement filed under the 1933 Act or otherwise may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, or (b) such holder provides the Company with an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Security may be made without registration under the 1933 Act, which opinion shall be accepted by the Company so that the sale or transfer is effected. The Buyer agrees to sell all Securities, including those represented by a certificate(s) from which the legend has been removed, in compliance with applicable prospectus delivery requirements, if any. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline (as such term is defined in Section 1.4(d) of the Note), it will be considered an Event of Default pursuant to Section 3.2 of the Note. The shares of Common Stock issued hereunder shall be issued in book entry and transferred electronically via DTC DWAC and shall only be issued in certificate form at the discretion of the Buyer.

h. Authorization; Enforcement. This Agreement has been duly and validly authorized. This Agreement has been duly executed and delivered on behalf of the Buyer, and this Agreement constitutes a valid and binding agreement of the Buyer enforceable in accordance with its terms.

i. Residency. The Buyer is organized in the jurisdiction set forth in the Preamble of this Agreement.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY . The Company represents and warrants to the Buyer, as of the date of the execution and delivery of this Agreement and as of the date of each Closing hereunder, and which shall survive the execution and delivery of this Agreement:

a. Organization and Qualification. The Company and each of its Subsidiaries (as defined below), if any, is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, with full power and authority (corporate and other) to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted. The Company and each of its Subsidiaries is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which its ownership or use of property or the nature of the business conducted by it makes such qualification necessary except where the failure to be so qualified or in good standing would not have a Material Adverse Effect. "Material Adverse Effect" means any material adverse effect on the business, operations, assets, financial condition or prospects of the Company or its Subsidiaries, if any, taken as a whole, or on the transactions contemplated hereby or by the agreements or instruments to be entered into in connection herewith. "Subsidiaries" means any corporation or other organization, whether incorporated or unincorporated, in which the Company owns, directly or indirectly, any equity or other ownership interest.

b. Authorization; Enforcement. (i) The Company has all requisite corporate power and authority to enter into and perform this Agreement, the Notes and to consummate the transactions contemplated hereby and thereby and to issue the Securities, in accordance with the terms hereof and thereof, (ii) the execution and delivery of this Agreement, the Notes by the Company and the consummation by it of the transactions contemplated hereby and thereby (including without limitation, the issuance of the Note and the issuance and reservation for issuance of the Conversion Shares issuable upon conversion or exercise thereof) have been duly authorized by the Company's Board of Directors and no further consent or authorization of the Company, its Board of Directors, or its shareholders is required, (iii) this Agreement has been duly executed and delivered by the Company by its authorized representative, and such authorized representative is the true and official representative with authority to sign this Agreement and the other documents executed in connection herewith and bind the Company accordingly, and (iv) this Agreement constitutes, and upon execution and delivery by the Company of each Note, each of such instruments will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

c. Capitalization. As of January 2, 2020, as disclosed in the SEC Documents, the authorized capital stock of the Company consists of 500,000,000 shares of Common Stock, of which 103,319,030 shares are issued and outstanding, 100,000,000 shares of Series A preferred stock, of which 13,000,000 shares are issued and outstanding, and 1,000,000 shares of Series C convertible preferred stock of which, 721,598 are issued and outstanding. Except as disclosed in the SEC Documents, no shares are reserved for issuance pursuant to the Company's stock option plans, no shares are reserved for issuance pursuant to securities (other than the Notes) exercisable for, or convertible into or exchangeable for shares of Common Stock and immediately upon the Company increasing its authorized shares of Common Stock the Company shall reserve 6,850,000 shares for issuance upon conversion of the Notes. All of such outstanding shares of capital stock are, or upon issuance will be, duly authorized, validly issued, fully paid and non-assessable. No shares of capital stock of the Company are subject to preemptive rights or any other similar rights of the shareholders of the Company or any liens or encumbrances imposed through the actions or failure to act of the Company. Except as disclosed in the SEC Documents, as of the effective date of this Agreement, (i) there are no outstanding options, warrants, scrip, rights to subscribe for, puts, calls, rights of first refusal, agreements, understandings, claims or other commitments or rights of any character whatsoever relating to, or securities or rights convertible into or exchangeable for any shares of capital stock of the Company or any of its Subsidiaries, or arrangements by which the Company or any of its Subsidiaries is or may become bound to issue additional shares of capital stock of the Company or any of its Subsidiaries, (ii) there are no agreements or arrangements under which the Company or any of its Subsidiaries is obligated to register the sale of any of its or their securities under the 1933 Act and (iii) there are no anti-dilution or price adjustment provisions contained in any security issued by the Company (or in any agreement providing rights to security holders) that will be triggered by the issuance of the Note or the Conversion Shares. The Company has filed in its SEC Documents true and correct copies of the Company's Certificate of Incorporation as in effect on the date hereof ("Certificate of Incorporation"), the Company's By-laws, as in effect on the date hereof (the "By-laws"), and the terms of all securities convertible into or exercisable for Common Stock of the Company and the material rights of the holders thereof in respect thereto. The Company shall provide the Buyer with a written update of this representation signed by the Company's Chief Executive on behalf of the Company as of each Closing Date.

d. Issuance of Shares. The issuance of each Note is duly authorized and, upon issuance in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable and free from all preemptive or similar rights, taxes, liens, charges and other encumbrances with respect to the issue thereof. The Conversion Shares are duly authorized and reserved for issuance and, upon conversion of each Note in accordance with its respective terms, will be validly issued, fully paid and non-assessable, and free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Company and will not impose personal liability upon the holder thereof.

e. Acknowledgment of Dilution. The Company understands and acknowledges the potentially dilutive effect to the Common Stock upon the issuance of the Conversion Shares upon conversion of each Note. The Company further acknowledges that its obligation to issue Conversion Shares upon conversion of each Note in accordance with this Agreement, the Note is absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interests of other shareholders of the Company.

f. No Conflicts. The execution, delivery and performance of this Agreement and the Notes by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance and reservation for issuance of the Conversion Shares) will not (i) conflict with or result in a violation of any provision of the Certificate of Incorporation or By-laws, or (ii) violate or conflict with, or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture, patent, patent license or instrument to which the Company or any of its Subsidiaries is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of any self-regulatory organizations to which the Company or its securities are subject) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect). Neither the Company nor any of its Subsidiaries is in violation of its Certificate of Incorporation, By-laws or other organizational documents and neither the Company nor any of its Subsidiaries is in default (and no event has occurred which with notice or lapse of time or both could put the Company or any of its Subsidiaries in default) under, and neither the Company nor any of its Subsidiaries has taken any action or failed to take any action that would give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its Subsidiaries is a party or by which any property or assets of the Company or any of its Subsidiaries is bound or affected, except for possible defaults as would not, individually or in the aggregate, have a Material Adverse Effect. The businesses of the Company and its Subsidiaries, if any, are not being conducted, and shall not be conducted so long as the Buyer owns any of the Securities, in violation of any law, ordinance or regulation of any governmental entity. Except as specifically contemplated by this Agreement and as required under the 1933 Act and any applicable state securities laws, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency, regulatory agency, self-regulatory organization or stock market or any third party in order for it to execute, deliver or perform any of its obligations under this Agreement, the Note in accordance with the terms hereof or thereof or to issue and sell the Note in accordance with the terms hereof and to issue the Conversion Shares upon conversion of the Note. All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof. The Company is not in violation of the listing requirements of the Over-the-Counter Bulletin Board (the "OTCBB"), the OTCQB or any similar quotation system, and does not reasonably anticipate that the Common Stock will be delisted by the OTCBB, the OTCQB or any similar quotation system, in the foreseeable future nor are the Company's securities "chilled" by DTC. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

g. SEC Documents; Financial Statements. The Company has timely filed all quarterly and annual reports required to be filed by it with the SEC pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act") (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements and schedules thereto and documents (other than exhibits to such documents) incorporated by reference therein, being hereinafter referred to herein as the "SEC Documents"). The Company has delivered to the Buyer true and complete copies of the SEC Documents, except for such exhibits and incorporated documents, and except as such Documents are available EDGAR filings on the SEC's sec.gov website. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the 1934 Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. None of the statements made in any such SEC Documents is, or has been, required to be amended or updated under applicable law (except for such statements as have been amended or updated in subsequent filings prior the date hereof). As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with United States generally accepted accounting principles, consistently applied, during the periods involved and fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except as set forth in the financial statements of the Company included in the SEC Documents, the Company has no liabilities, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to February 28, 2020, and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in such financial statements, which, individually or in the aggregate, are not material to the financial condition or operating results of the Company. The Company is subject to the reporting requirements of the 1934 Act. For the avoidance of doubt, filing of the documents required in this Section 3(g) via the SEC's Electronic Data Gathering, Analysis, and Retrieval system ("EDGAR") shall satisfy all delivery requirements of this Section 3(g).

h. Absence of Certain Changes. Since December 31, 2019, there has been no material adverse change and no material adverse development in the assets, liabilities, business, properties, operations, financial condition, results of operations, prospects or 1934 Act reporting status of the Company or any of its Subsidiaries.

i. Absence of Litigation. There is no action, suit, claim, 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 Company or any of its Subsidiaries, threatened against or affecting the Company or any of its Subsidiaries, or their officers or directors in their capacity as such, that could have a Material Adverse Effect. Schedule 3(i) contains a complete list and summary description of any pending or, to the knowledge of the Company, threatened proceeding against or affecting the Company or any of its Subsidiaries, without regard to whether it would have a Material Adverse Effect. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

j. Patents, Copyrights, etc. The Company and each of its Subsidiaries owns or possesses the requisite licenses or rights to use all patents, patent applications, patent rights, inventions, know-how, trade secrets, trademarks, trademark applications, service marks, service names, trade names and copyrights ("Intellectual Property") necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future). Except as disclosed in the SEC Documents, there is no claim or action by any person pertaining to, or proceeding pending, or to the Company's knowledge threatened, which challenges the right of the Company or of a Subsidiary with respect to any Intellectual Property necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future); to the best of the Company's knowledge, the Company's or its Subsidiaries' current and intended products, services and processes do not infringe on any Intellectual Property or other rights held by any person; and the Company is unaware of any facts or circumstances which might give rise to any of the foregoing. The Company and each of its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of their Intellectual Property.

k. No Materially Adverse Contracts, Etc. Neither the Company nor any of its Subsidiaries is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the judgment of the Company's officers has or is expected in the future to have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is a party to any contract or agreement which in the judgment of the Company's officers has or is expected to have a Material Adverse Effect.

l. Tax Status. The Company and each of its Subsidiaries has made or filed all federal, state and foreign income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject (unless and only to the extent that the Company and each of its Subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes) and has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and has set aside on its books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim. The Company has not executed a waiver with respect to the statute of limitations relating to the assessment or collection of any foreign, federal, state or local tax. None of the Company's tax returns is presently being audited by any taxing authority.

m. Certain Transactions. Except for arm's length transactions pursuant to which the Company or any of its Subsidiaries makes payments in the ordinary course of business upon terms no less favorable than the Company or any of its Subsidiaries could obtain from third parties and other than the grant of stock options disclosed on Schedule 3(c), none of the officers, directors, or employees of the Company is presently a party to any transaction with the Company or any of its Subsidiaries (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

n. Disclosure. All information relating to or concerning the Company or any of its Subsidiaries set forth in this Agreement and provided to the Buyer pursuant to Section 2(d) hereof and otherwise in connection with the transactions contemplated hereby is true and correct in all material respects and the Company has not omitted to state any material fact necessary in order to make the statements made herein or therein, in light of the circumstances under which they were made, not misleading. No event or circumstance has occurred or exists with respect to the Company or any of its Subsidiaries or its or their business, properties, prospects, operations or financial conditions, which, under applicable law, rule or regulation, requires public disclosure or announcement by the Company but which has not been so publicly announced or disclosed (assuming for this purpose that the Company's reports filed under the 1934 Act are being incorporated into an effective registration statement filed by the Company under the 1933 Act).

o. Acknowledgment Regarding Buyer' Purchase of Securities. The Company acknowledges and agrees that the Buyer is acting solely in the capacity of arm's length purchasers with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Buyer is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any statement made by the Buyer or any of its respective representatives or agents in connection with this Agreement and the transactions contemplated hereby is not advice or a recommendation and is merely incidental to the Buyer' purchase of the Securities. The Company further represents to the Buyer that the Company's decision to enter into this Agreement has been based solely on the independent evaluation of the Company and its representatives.

p. No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales in any security or solicited any offers to buy any security under circumstances that would require registration under the 1933 Act of the issuance of the Securities to the Buyer. The issuance of the Securities to the Buyer will not be integrated with any other issuance of the Company's securities (past, current or future) for purposes of any shareholder approval provisions applicable to the Company or its securities.

q. No Brokers. The Company has taken no action which would give rise to any claim by any person for brokerage commissions, transaction fees or similar payments relating to this Agreement or the transactions contemplated hereby.

r. Permits; Compliance. The Company and each of its Subsidiaries is in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exemptions, consents, certificates, approvals and orders necessary to own, lease and operate its properties and to carry on its business as it is now being conducted (collectively, the "Company Permits"), and there is no action pending or, to the knowledge of the Company, threatened regarding suspension or cancellation of any of the Company Permits. Neither the Company nor any of its Subsidiaries is in conflict with, or in default or violation of, any of the Company Permits, except for any such conflicts, defaults or violations which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. Since December 31, 2019, neither the Company nor any of its Subsidiaries has received any notification with respect to possible conflicts, defaults or violations of applicable laws, except for notices relating to possible conflicts, defaults or violations, which conflicts, defaults or violations would not have a Material Adverse Effect.

s. Environmental Matters.

(i) There are, to the Company's knowledge, with respect to the Company or any of its Subsidiaries or any predecessor of the Company, no past or present violations of Environmental Laws (as defined below), releases of any material into the environment, actions, activities, circumstances, conditions, events, incidents, or contractual obligations which may give rise to any common law environmental liability or any liability under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 or similar federal, state, local or foreign laws and neither the Company nor any of its Subsidiaries has received any notice with respect to any of the foregoing, nor is any action pending or, to the Company's knowledge, threatened in connection with any of the foregoing. The term "Environmental Laws" means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

(ii) Other than those that are or were stored, used or disposed of in compliance with applicable law, no Hazardous Materials are contained on or about any real property currently owned, leased or used by the Company or any of its Subsidiaries, and no Hazardous Materials were released on or about any real property previously owned, leased or used by the Company or any of its Subsidiaries during the period the property was owned, leased or used by the Company or any of its Subsidiaries, except in the normal course of the Company's or any of its Subsidiaries' business.

(iii) There are no underground storage tanks on or under any real property owned, leased or used by the Company or any of its Subsidiaries that are not in compliance with applicable law.

t. Title to Property. Except as disclosed in the SEC Documents the Company and its Subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its Subsidiaries, in each case free and clear of all liens, encumbrances and defects or such as would not have a Material Adverse Effect. Any real property and facilities held under lease by the Company and its Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not have a Material Adverse Effect.

u. Internal Accounting Controls. Except as disclosed in the SEC Documents the Company and each of its Subsidiaries maintain a system of internal accounting controls sufficient, in the judgment of the Company's board of directors, to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

v. Foreign Corrupt Practices. Neither the Company, nor any of its Subsidiaries, nor any director, officer, agent, employee or other person acting on behalf of the Company or any Subsidiary has, in the course of his actions for, or on behalf of, the Company, used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

w. Solvency. The Company (after giving effect to the transactions contemplated by this Agreement) is solvent (i.e., its assets have a fair market value in excess of the amount required to pay its probable liabilities on its existing debts as they become absolute and matured) and currently the Company has no information that would lead it to reasonably conclude that the Company would not, after giving effect to the transaction contemplated by this Agreement, have the ability to, nor does it intend to take any action that would impair its ability to, pay its debts from time to time incurred in connection therewith as such debts mature. The Company did not receive a qualified opinion from its auditors with respect to its most recent fiscal year end and, after giving effect to the transactions contemplated by this Agreement, does not anticipate or know of any basis upon which its auditors might issue a qualified opinion in respect of its current fiscal year. For the avoidance of doubt any disclosure of the Company's ability to continue as a "going concern" shall not, by itself, be a violation of this Section 3(w).

x. No Investment Company. The Company is not, and upon the issuance and sale of the Securities as contemplated by this Agreement will not be an "investment company" required to be registered under the Investment Company Act of 1940 (an "Investment Company"). The Company is not controlled by an Investment Company.

y. Insurance. The Company and each of its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company and its Subsidiaries are engaged. Neither the Company nor any such Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect. Upon written request the Company will provide to the Buyer true and correct copies of all policies relating to directors' and officers' liability coverage, errors and omissions coverage, and commercial general liability coverage.

z. Bad Actor. No officer or director of the Company would be disqualified under Rule 506(d) of the Securities Act as amended on the basis of being a "bad actor" as that term is established in the September 19, 2013 Small Entity Compliance Guide published by the SEC.

aa. Shell Status. The Company represents that it is not a "shell" issuer and has never been a "shell" issuer, or that if it previously has been a "shell" issuer, that at least twelve (12) months have passed since the Company has reported Form 10 type information indicating that it is no longer a "shell" issuer. Further, the Company will instruct its counsel to either (i) write a 144- 3(a)(9) opinion to allow for salability of the Conversion Shares or (ii) accept such opinion from the Buyer's counsel.

bb. No-Off Balance Sheet Arrangements. There is no transaction, arrangement, or other relationship between the Company or any of its Subsidiaries and an unconsolidated or other off-balance sheet entity that is required to be disclosed by the Company in its 1934 Act filings and is not so disclosed or that otherwise could be reasonably likely to have a Material Adverse Effect.

cc. Manipulation of Price. The Company has not, and to its knowledge no one acting on its behalf has: (i) taken, directly or indirectly, any action designed to cause or to result, or that could reasonably be expected to cause or result, in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any person any compensation for soliciting another to purchase any other securities of the Company.

dd. Sarbanes-Oxley Act. The Company and each Subsidiary is in material compliance with all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and all applicable rules and regulations promulgated by the SEC thereunder that are effective as of the date hereof.

ee. Employee Relations. Neither the Company nor any of its Subsidiaries is a party to any collective bargaining agreement or employs any member of a union. The Company believes that its and its Subsidiaries' relations with their respective employees are good. No executive officer (as defined in Rule 501(f) promulgated under the 1933 Act) or other key employee of the Company or any of its Subsidiaries has notified the Company or any such Subsidiary that such officer intends to leave the Company or any such Subsidiary or otherwise terminate such officer's employment with the Company or any such Subsidiary. To the knowledge of the Company, no executive officer or other key employee of the Company or any of its Subsidiaries is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement, non-competition agreement, or any other contract or agreement or any restrictive covenant, and the continued employment of each such executive officer or other key employee (as the case may be) does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all federal, state, local and foreign laws and regulations respecting labor, employment and employment practices and benefits, terms and conditions of employment and wages and hours, except where failure to be in compliance would not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

4. COVENANTS.

a. Best Efforts. The parties shall use their commercially reasonable best efforts to satisfy timely each of the conditions described in Section 5 and 6 of this Agreement.

b. Form D; Blue Sky Laws. The Company agrees to file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof to the Buyer promptly after such filing. The Company shall, on or before each Closing Date, take such action as the Company shall reasonably determine is necessary to qualify the Securities for sale to the Buyer at the applicable closing pursuant to this Agreement under applicable securities or "blue sky" laws of the states of the United States (or to obtain an exemption from such qualification), and shall provide evidence of any such action so taken to the Buyer on or prior to such Closing Date.

c. Use of Proceeds. The Company shall use the proceeds from the sale of the Notes for working capital and other general corporate purposes.

d. Financial Information. The Company agrees to send or make available the following reports to the Buyer until the Buyer transfers, assigns, or sells all of the Securities: (i) within ten (10) days after the filing with the SEC, a copy of its Annual Report on Form 10-K its Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K; (ii) within one (1) day after release, copies of all press releases issued by the Company or any of its Subsidiaries; and (iii) contemporaneously with the making available or giving to the shareholders of the Company, copies of any notices or other information the Company makes available or gives to such shareholders. For the avoidance of doubt, filing the documents required in (i) above via EDGAR or releasing any documents set forth in (ii) above via a recognized wire service shall satisfy the delivery requirements of this Section 4(e).

e. Listing; Uplisting. The Company shall promptly secure the listing of the Conversion Shares upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance) and, so long as the Buyer owns any of the Securities, shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Conversion Shares from time to time issuable upon conversion of the Note. The Company will obtain and, so long as the Buyer owns any of the Securities, maintain the listing and trading of its Common Stock on the OTCBB, OTCQB, OTC Pink or any equivalent replacement exchange, the Nasdaq National Market ("Nasdaq"), the Nasdaq SmallCap Market ("Nasdaq SmallCap"), the New York Stock Exchange ("NYSE"), or the NYSE MKT and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Financial Industry Regulatory Authority ("FINRA") and such exchanges, as applicable. The Company shall promptly provide to the Buyer copies of any material notices it receives from the OTCBB, OTCQB and any other exchanges or quotation systems on which the Common Stock is then listed regarding the continued eligibility of the Common Stock for listing on such exchanges and quotation systems. Within six months of the Effective Date, the Company shall will obtain the listing and trading of its Common Stock on an exchange senior to the exchange on which the Common Stock is listed and traded as of the Effective Date. The Company shall pay any and all fees and expenses in connection with satisfying its obligation under this Section 4(f).

f. Corporate Existence. So long as the Buyer beneficially owns any Note, the Company shall maintain its corporate existence and shall not sell all or substantially all of the Company's assets, except in the event of a merger or consolidation or sale of all or substantially all of the Company's assets, where the surviving or successor entity in such transaction (i) assumes the Company's obligations hereunder and under the agreements and instruments entered into in connection herewith and (ii) is a publicly traded corporation whose Common Stock is listed for trading on the OTCBB, OTCQB, OTC Pink, Nasdaq, NasdaqSmallCap, NYSE or AMEX.

g. No Integration. The Company shall not make any offers or sales of any security (other than the Securities) under circumstances that would require registration of the Securities being offered or sold hereunder under the 1933 Act or cause the offering of the Securities to be integrated with any other offering of securities by the Company for the purpose of any stockholder approval provision applicable to the Company or its securities.

h. Failure to Comply with the 1934 Act. So long as the Buyer beneficially owns any Note, the Company shall comply with the quarterly and annual reporting requirements of the 1934 Act; and the Company shall continue to be subject to the reporting requirements of the 1934 Act.

i. Trading Activities. Neither the Buyer nor its affiliates has an open short position (or other hedging or similar transactions) in the Common Stock of the Company and the Buyer agree that it shall not, and that it will cause its affiliates not to, engage in any short sales of or hedging transactions with respect to the Common Stock of the Company.

j. Restriction on Activities. Commencing as of the date first above written, and until the sooner of the six month anniversary of the date first written above or payment of the Note in full, or full conversion of the Note, the Company shall not, directly or indirectly, without the Buyer's prior written consent, which consent shall not be unreasonably withheld: (a) change the nature of its business; or (b) sell, divest, acquire, change the structure of any material assets other than in the ordinary course of business.

k. *Par Value. If the closing bid price at any time a Note is outstanding falls below $0.001 for five (5) consecutive days, the Company shall cause the par value of its Common Stock to be reduced to $0.0001 or less.*

l. Breach of Covenants. The Company agrees that if the Company breaches any of the covenants set forth in this Section 4, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an Event of Default under Section 3.4 of the Notes.

m. Transfer Agent Instructions. The Company shall issue irrevocable instructions to its transfer agent to issue certificates, registered in the name of the Buyer or its nominee, for the Conversion Shares in such amounts as specified from time to time by the Buyer to the Company upon conversion of the Notes in accordance with the terms thereof (the "Irrevocable Transfer Agent Instructions"). In the event that the Company proposes to replace its transfer agent, the Company shall provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Purchase Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Company and the Company. Prior to registration of the Conversion Shares under the 1933 Act or the date on which the Conversion Shares may be sold pursuant to Rule 144 without any restriction as to the number of Securities as of a particular date that can then be immediately sold, all such certificates shall bear the restrictive legend specified in Section 2(g) of this Agreement. The Company warrants that: (i) no instruction other than the Irrevocable Transfer Agent Instructions referred to in this Section, and stop transfer instructions to give effect to Section 2(f) hereof (in the case of the Conversion Shares, prior to registration of the Conversion Shares under the 1933 Act or the date on which the Conversion Shares may be sold pursuant to Rule 144 without any restriction as to the number of Securities as of a particular date that can then be immediately sold), will be given by the Company to its transfer agent and that the Securities shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the Note; (ii) it will not direct its transfer agent not to transfer or delay, impair, and/or hinder its transfer agent in transferring (or issuing) (electronically or in certificated form) any certificate for Conversion Shares to be issued to the Buyer upon conversion of or otherwise pursuant to the Notes as and when required by the Notes and this Agreement; and (iii) it will not fail to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any Conversion Shares issued to the Buyer upon conversion of or otherwise pursuant to the Notes as and when required by the Note and this Agreement. Nothing in this Section shall affect in any way the Buyer's obligations and agreement set forth in Section 2(g) hereof to comply with all applicable prospectus delivery requirements, if any, upon re-sale of the Securities. If the Buyer provides the Company, at the cost of the Company not to exceed $500, with (i) an opinion of counsel in form, substance and scope customary for opinions in comparable transactions, to the effect that a public sale or transfer of such Securities may be made without registration under the 1933 Act and such sale or transfer is effected or (ii) the Buyer provides reasonable assurances that the Securities can be sold pursuant to Rule 144, the Company shall permit the transfer, and, in the case of the Conversion Shares, promptly instruct its transfer agent to issue one or more certificates, free from restrictive legend, in such name and in such denominations as specified by the Buyer. Additionally, upon request by the Buyer to the Transfer Agent with notice to the Company, the Transfer Agent shall deliver to the Buyer reports reflecting issued and outstanding shares of the Company, and the lowest cost basis for share issuances of the Company. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer, by vitiating the intent and purpose of the transactions contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section may be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Section, that the Buyer shall be entitled, in addition to all other available remedies, to an injunction restraining any breach and requiring immediate transfer, without the necessity of showing economic loss and without any bond or other security being required. Upon

n. Transaction Expense Amount and Original Issue Discount. Upon the First Closing, the Company shall pay US$2,500.00 to the Buyer's legal counsel for preparation of the Transaction Documents (the "Transaction Expense Amount"). The Transaction Expense Amount shall be offset against the proceeds of the First Note and shall be paid to the Buyer's legal counsel upon the execution hereof. Additionally, the Company shall pay US$28,000.00 to the Buyer as an original issue discount (the "OID").") in respect of the First Note. The OID shall be added to the Principal Amount of the Note and accordingly the Principal Amount of the First Note is US$378,000.

o. Issuance of Shares of Common Stock; True-Up Shares.

(i) As additional consideration for the Buyer loaning the Purchase Price to the Company, the Company shall issue to the Buyer, or designees of the Buyer, 400,000 shares of Common Stock of the Company (the "Initial Share Issuance"). The Initial Share Issuance shall be issued and delivered to the Buyer on the Closing Date.

(ii) Commencing on the date that is six (6) months plus one (1) day from the Issue Date (the "True-Up Exercise Date"), in the event the Common Stock was on the preceding ten (10) Trading Day period less than $0.35 per share, Buyer shall have the right to deliver a notice to the Company in the form of Exhibit B hereto (the "True-Up Notice"), notifying the Company of its obligation to deliver the True-Up Amount (as defined below) to the Buyer. On the True-Up Exercise Date the Buyer shall deliver the True-Up Notice to the Company and the Company shall within two (2) business days of the Buyer's delivery of the True Up Notice, issue to the Buyer additional shares of Common Stock equal to the True-Up Amount (as defined below). The "True-Up Amount" shall mean an amount equal to (a) $0.35 minus (b) 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 True-Up Exercise Date (the "True-Up Exercise Price") multiplied by (c) 400,000 divided by (d) the True-Up Exercise Price. The shares of Common Stock comprising the True-Up Amount shall be referred to herein as the "True-Up Shares". The Initial Share Issuance and the True-Up Shares shall collectively, in the aggregate, be referred to herein as the "Inducement Shares". Accordingly, the True-Up Shares, if required to be issued pursuant to this Agreement, shall be issued in accordance with such beneficial ownership limitations, and in successive tranches if required to comply with such beneficial ownership limitations (each an "Additional Tranche"). The Company shall issue each Additional Tranche within two (2) business days of the request by Buyer. Additionally, in the event of a reverse stock split by the Company any fractional shares held by the Buyer shall be rounded up to the nearest whole share.

5. CONDITIONS PRECEDENT TO THE COMPANY'S OBLIGATIONS TO SELL. The obligation of the Company hereunder to issue and sell a Note to the Buyer at a Closing is subject to the satisfaction, at or before each Closing Date of each of the following conditions thereto, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion:

a. The Buyer shall have executed this Agreement and delivered the same to the Company.

b. The Buyer shall have delivered the Purchase Price in accordance with Section 1(b) above.

c. The representations and warranties of the Buyer shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date), and the Buyer shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Buyer at or prior to the Closing Date.

d. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

6. CONDITIONS PRECEDENT TO THE BUYER'S OBLIGATION TO PURCHASE.

a. The obligation of the Buyer hereunder to purchase the First Note at the First Closing is subject to the satisfaction, at or before the First Closing Date of each of the following conditions, provided that these conditions are for the Buyer's sole benefit and may be waived by the Buyer at any time in its sole discretion:

(i) The Company shall have executed this Agreement, effectuated the Issuance, and delivered the Agreement and Issuance to the Buyer.

(ii) The Board of Directors of the Company shall have approved by Unanimous Written Consent (the "Consent") the Issuance and transactions contemplated by this Agreement and the First Note and the Company shall have delivered a copy of such fully executed Consent to the Buyer.

(iii) The Company shall have delivered to the Buyer the duly executed First Note (in such denominations as the Buyer shall request) and in accordance with Section 1(b) above.

(iv) The Irrevocable Transfer Agent Instructions, in form and substance satisfactory to the Buyer, shall have been delivered to and acknowledged in writing by the Company's Transfer Agent and such fully executed Irrevocable Transfer Agent Instructions shall have been delivered to the Buyer.

(v) The representations and warranties of the Company shall be true and correct in all material respects as of the date when made and as of the First Closing Date as though made at such time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the First Closing Date. The Buyer shall have received a certificate or certificates, executed by the chief executive officer of the Company, dated as of the First Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by the Buyer including, but not limited to certificates with respect to the Company's Certificate of Incorporation, By-laws and Board of Directors' resolutions relating to the transactions contemplated hereby.

(vi) No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

(vii) No event shall have occurred which could reasonably be expected to have a Material Adverse Effect on the Company including but not limited to a change in the 1934 Act reporting status of the Company or the failure of the Company to be timely in its 1934 Act reporting obligations.

(viii) The Conversion Shares shall have been authorized for quotation on the OTCBB, OTCQB, OTC Pink or any similar quotation system and trading in the Common Stock on the OTCBB, OTCQB or any similar quotation system shall not have been suspended by the SEC or the OTCBB, OTCQB, OTC Pink or any similar quotation system.

(ix) The Buyer shall have received the Initial Inducement Shares and an officer's certificate described in Section 3(c) above, dated as of the First Closing Date.

b. The obligation of the Buyer hereunder to purchase Additional Notes at any Additional Closing is subject to the satisfaction, at or before applicable Additional Closing Date of each of the following conditions, provided that these conditions are for the Buyer's sole benefit and may be waived by the Buyer at any time in its sole discretion:

(i) The Company shall have executed the Transaction Documents applicable to the Additional Closing and delivered copies of the same to the Buyer.

(ii) The representations and warranties of the Company shall be true and correct in all material respects (except to the extent that any of such representations and warranties are already qualified as to materiality in Section 2 above, in which case, such representations and warranties shall be true and correct in all respects without further qualification) as of the date when made and as of the Additional Closing Date as though made at that time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Additional Closing Date.

(iii) No event shall have occurred which could reasonably be expected to have a Material Adverse Effect.

(iv) No default or Event of Default shall have occurred and be continuing under this Agreement or any other Transaction Documents, and no event shall have occurred that, with the passage of time, the giving of notice, or both, would constitute a default or an Event of Default under this Agreement or any other Transaction Documents.

(v) The Company shall have executed such other agreements, certificates, confirmations or resolutions as the Buyer may require to consummate the transactions contemplated by this Agreement and the Transaction Documents.

7. GOVERNING LAW; MISCELLANEOUS.

a. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement, the Notes or any other agreement, certificate, instrument or document contemplated hereby shall be brought only in the state courts of New York or in the federal courts in the State of New York. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR UNDER ANY OTHER TRANSACTION DOCUMENT OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY**. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

b. Counterparts; Signatures by Facsimile. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

c. Construction; Headings. This Agreement shall be deemed to be jointly drafted by the Company and the Buyer and shall not be construed against any person as the drafter hereof. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

e. Entire Agreement; Amendments. This Agreement, the Notes and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the Buyer.

f. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, email, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by email or facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company, to:

Surge Holdings, Inc.
3124 Brother Blvd
Suite 104
Bartlett, Tennessee 38133

If to the Buyer, to:

Each party shall provide notice to the other party of any change in address.

g. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. Neither the Company nor the Buyer shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other. Notwithstanding the foregoing, subject to Section 2(f), the Buyer may assign its rights hereunder to any person that purchases Securities in a private transaction from the Buyer or to any of its "affiliates," as that term is defined under the 1934 Act, without the consent of the Company.

h. Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

i. Survival. The representations and warranties of the Company and the agreements and covenants set forth in this Agreement shall survive the closing hereunder not withstanding any due diligence investigation conducted by or on behalf of the Buyer. The Company agrees to indemnify and hold harmless the Buyer and all their officers, directors, employees and agents for loss or damage arising as a result of or related to any breach or alleged breach by the Company of any of its representations, warranties and covenants set forth in this Agreement or any of its covenants and obligations under this Agreement, including advancement of expenses as they are incurred.

j. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

k. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

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

m. Indemnification. In consideration of the Buyer's execution and delivery of this Agreement and acquiring the Securities hereunder, and in addition to all of the Company's other obligations under this Agreement or the Notes, the Company shall defend, protect, indemnify and hold harmless the Buyer and its stockholders, partners, members, officers, directors, employees and direct or indirect investors and any of the foregoing persons' agents or other representatives (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Indemnitees") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (the "Indemnified Liabilities"), incurred by any Indemnitee as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Company in this Agreement or the Notes or any other agreement, certificate, instrument or document contemplated hereby or thereby, (b) any breach of any covenant, agreement or obligation of the Company contained in this Agreement or the Notes or any other agreement, certificate, instrument or document contemplated hereby or thereby or (c) any cause of action, suit or claim brought or made against such Indemnitee by a third party (including for these purposes a derivative action brought on behalf of the Company) and arising out of or resulting from (i) the execution, delivery, performance or enforcement of this Agreement or the Notes or any other agreement, certificate, instrument or document contemplated hereby or thereby, (ii) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of the issuance of the Securities, or (iii) the status of the Buyer or holder of the Securities as an investor in the Company pursuant to the transactions contemplated by this Agreement. To the extent that the foregoing undertaking by the Company may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities that is permissible under applicable law.

n. Leak-Out. So long as no Event of Default has occurred, the Buyer agrees that the aggregate number of shares of Conversion Share and/or Inducement Shares that may be sold or otherwise transferred by the Buyer (taking into account sales and other transfers: (a) directly from the Buyer, (b) the Buyer's affiliates, and (c) any holder of such shares previously sold or otherwise transferred to such holder by the Buyer after the Closing Date) shall not exceed the greater of (i) five percent (5%) of the average daily trading volume for the previous thirty (30) Trading Days of the Common Stock as reported by the OTC Markets Group if the Common Stock is quoted over-the-counter, or by Bloomberg L.P. if the Common Stock is traded on an exchange, and (ii) in any calendar month, an amount equal to $50,000.00 of share sales at a per share price equal to the closing price of the Common Stock on the date hereof.

[signature page follows]

IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Agreement to be duly executed as of the date first above written.

SURGE HOLDINGS, INC.

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

[BUYER]

By: _____
Name:
Title:

AGGREGATE SUBSCRIPTION AMOUNT:

Principal Amount of the First Note:	US$378,000.00
Purchase Price of the First Note:	US$350,000.00

Exhibit A

Note

See attached

Exhibit B

Form of True-Up Notice

TRUE-UP NOTICE

Reference is made to that certain Securities Purchase Agreement (the "Purchase Agreement"), dated as of March 5, 2020 by and between Surge Holdings, Inc., a Nevada corporation (the "Borrower") and Nevada limited liability company (the "Buyer"). Pursuant to Section 4(o)(ii) of the Purchase Agreement, the undersigned hereby directs you to issue that number of shares of Common Stock constituting the "True-Up Amount" as set forth below, of the Borrower, within two (2) days of the date hereof or the next succeeding business day. No fee will be charged to the Buyer for any such issuance, except for transfer taxes, if any.

Box Checked as to applicable instructions:

[ ] The Borrower shall electronically transmit the Common Stock issuable pursuant to this True Notice to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("DWAC Transfer").

Name of DTC Prime Broker:
Account Number:

[ ] The undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

True-Up Amount (number of shares of common stock to be issued) _____

[BUYER]

By: _____
Name:
Title:
Date:

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

Principal Amount: $378,000 **Issue Date: March 5, 2020**
Purchase Price: $350,000

PROMISSORY NOTE

FOR VALUE RECEIVED, **SURGE HOLDINGS, INC.**, a Nevada corporation (hereinafter called the "Borrower"), hereby promises to pay to the order _____, or registered assigns (the "Holder") the sum of $378,000.00 together with any interest as set forth herein by no later than March 5, 2021 (the "Maturity Date"), and to pay interest on the unpaid principal balance hereof at the rate of fourteen percent (14%)(the "Interest Rate") per annum from the date hereof (the "Issue Date") until the same becomes due and payable in accordance with the payment schedule attached as Schedule A hereto. This Note may not be prepaid in whole or in part except as otherwise explicitly set forth herein. Any amount of principal or interest on this Note which is not paid when due shall bear interest at the rate of eighteen percent (18%) per annum from the due date thereof until the same is paid or converted in accordance with the terms hereof ("Default Interest"). Interest shall be computed on the basis of a 365 day year and the actual number of days elapsed. Interest shall commence accruing on the Issue Date. All payments of interest and principal due hereunder, subject to the terms hereof, shall be paid in accordance with the attached payment schedule set forth under Schedule A hereto. All payments due hereunder (to the extent not converted into common stock, $0.001 par value per share (the "Common Stock") in accordance with the terms hereof) shall be made in lawful money of the United States of America. All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note. Each capitalized term used herein, and not otherwise defined, shall have the meaning ascribed thereto in that certain Securities Purchase Agreement dated the date hereof, pursuant to which this Note was originally issued (the "Purchase Agreement").

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

The following terms shall apply to this Note:

ARTICLE I. CONVERSION RIGHTS UPON EVENT OF DEFAULT

1.1 Conversion Right. The Holder shall have the right upon any Event of Default, to convert all or any part of the outstanding and unpaid amount of this Note into fully paid and non-assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price (the "Conversion Price") determined as provided herein (a "Conversion"); provided, however, that in no event shall the Holder be entitled to convert any portion of this Note in excess of that portion of this Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Notes or the unexercised or unconverted portion of any other security of 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 Holder 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. The beneficial ownership limitations on conversion as set forth in the section may NOT be waived by the Holder. The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the "Notice of Conversion"), delivered to the Borrower by the Holder in accordance with Section 1.4 below; provided that the Notice of Conversion is submitted by facsimile or e-mail (or by other means resulting in, or reasonably expected to result in, notice) to the Borrower before 6:00 p.m., New York, New York time on such conversion date (the "Conversion Date"); however, if the Notice of Conversion is sent after 6:00pm, New York, New York time the Conversion Date shall be the next business day. The term "Conversion Amount" means, with respect to any conversion of this Note, the sum of (1) the principal amount of this Note to be converted in such conversion plus (2) at the Holder's option, accrued and unpaid interest, if any, on such principal amount at the interest rates provided in this Note to the Conversion Date, plus (3) at the Holder's option, Default Interest, if any, on the amounts referred to in the immediately preceding clauses (1) and/or (2) plus (4) at the Holder's option, any amounts owed to the Holder pursuant to Sections 1.4 hereof.

1.2 Conversion Price. Subject to the adjustments described herein, the conversion price (the "Conversion Price") shall equal the Variable Conversion Price (as defined herein) (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 "Variable Conversion Price" shall mean 65% multiplied by the Market Price (as defined herein) (representing a discount rate of 35%). "Market Price" means the lesser of (i) 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 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. To the extent the Conversion Price of the Borrower's Common Stock closes below the par value per share, the Borrower will take all steps necessary to solicit the consent of the stockholders to reduce the par value to the lowest value possible under law. The Borrower agrees to honor all conversions submitted pending this adjustment. Furthermore, the Conversion Price may be adjusted downward if, within three (3) business days of the transmittal of the Notice of Conversion to the Borrower, the Common Stock has a closing bid which is 5% or lower than that set forth in the Notice of Conversion. If the shares of the Borrower's Common Stock have not been delivered within three (3) business days to the Borrower, the Notice of Conversion may be rescinded. At any time after the Closing Date, if in the case that the Borrower's Common Stock is not deliverable by DWAC (including if the Borrower's transfer agent has a policy prohibiting or limiting delivery of shares of the Borrower's Common Stock specified in a Notice of Conversion), an additional 10% discount will apply for all future conversions under all Notes. If in the case that the Borrower's Common Stock is "chilled" for deposit into the DTC system and only eligible for clearing deposit, an additional 15% discount shall apply for all future conversions under all Notes while the "chill" is in effect. If in the case of both of the above, an additional cumulative 25% discount shall apply. Additionally, if the Borrower ceases to be a reporting company pursuant to the 1934 Act or if the Note cannot be converted into free trading shares after one hundred eighty-one (181) days from the Issue Date, an additional 15% discount will be attributed to the Conversion Price. If the Market Price cannot be calculated for such security on such date in the manner provided above, the Market Price shall be the lesser of (i) the lowest closing price of the Common Stock, or (ii) the fair market value as mutually determined by the Borrower and the holders of a majority in interest of the Notes being converted for which the calculation of the Trading Price is required in order to determine the Conversion Price of such Notes. "Trading Day" shall mean any day on which the Common Stock is tradable for any period on the OTC Pink, OTCQB or on the principal securities exchange or other securities market on which the Common Stock is then being traded. The Borrower shall be responsible for the fees of its transfer agent and all DTC fees associated with any such issuance. Holder shall be entitled to deduct $1,000.00 from the conversion amount in each Notice of Conversion to cover Holder's deposit fees associated with each Notice of Conversion. "VWAP" shall mean for the security during any Trading Day the volume weighted average price for the Common Stock.

1.3 Authorized Shares. The Borrower covenants that during the period the conversion right exists, the Borrower will reserve from its authorized and unissued Common Stock a sufficient number of shares, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of this Note issued pursuant to the Purchase Agreement. The Borrower is required at all times to have authorized and reserved three (3) times the number of shares that would be issuable upon full conversion of the Note (assuming that the 4.99% limitation set forth in Section 1.1 is not in effect)(based on the respective Conversion Price of the Note (as defined in Section 1.2) in effect from time to time, initially 6,850,000)(the "Reserved Amount"). The Reserved Amount shall be increased (or decreased with the written consent of the Holder) from time to time in accordance with the Borrower's obligations hereunder. The Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non-assessable. In addition, if the Borrower shall issue any securities or make any change to its capital structure which would change the number of shares of Common Stock into which the Notes shall be convertible at the then current Conversion Price, the Borrower shall at the same time make proper provision so that thereafter there shall be a sufficient number of shares of Common Stock authorized and reserved, free from preemptive rights, for conversion of the outstanding Note. The Borrower (i) acknowledges that it has irrevocably instructed its transfer agent to issue shares of Common Stock issuable upon conversion of this Note, and (ii) agrees that its issuance of this Note shall constitute full authority to its officers and agents who are charged with the duty of executing the issuance of Common Stock to execute and issue the necessary documents for shares of Common Stock in accordance with the terms and conditions of this Note.

If, at any time the Borrower does not maintain the Reserved Amount it will be considered an Event of Default under Section 3.2 of the Note.

1.4 Method of Conversion.

(a) Mechanics of Conversion. As set forth in Section 1.1 hereof, from time to time, and at any time during the period beginning on the date which is one hundred eighty (180) days following the date of this Note this Note may be converted by the Holder in whole or in part at any time from time to time after the Issue Date, by (A) submitting to the Borrower a Notice of Conversion (by facsimile, e-mail or other reasonable means of communication dispatched on the Conversion Date prior to 6:00 p.m., New York, New York time) and (B) subject to Section 1.4(b), surrendering this Note at the principal office of the Borrower (upon payment in full of any amounts owed hereunder).

(b) Surrender of Note Upon Conversion. Notwithstanding anything to the contrary set forth herein, upon conversion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Borrower unless the entire unpaid principal amount of this Note is so converted. The Holder and the Borrower shall maintain records showing the principal amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Borrower, so as not to require physical surrender of this Note upon each such conversion.

(c) Delivery of Common Stock Upon Conversion. Upon receipt by the Borrower from the Holder of a facsimile transmission or e-mail (or other reasonable means of communication) of a Notice of Conversion meeting the requirements for conversion as provided in this Section 1.4, the Borrower shall issue and deliver or cause to be issued and delivered to or upon the order of the Holder cause its transfer agent to electronically transmit the Common Stock issuable upon such conversion to the Holder by crediting the account of Holder's Prime Broker with DTC through its Deposit and Withdrawal at Custodian ("DWAC") system within two (2) business days after such receipt (the "Deadline") (and, solely in the case of conversion of the entire unpaid principal amount hereof, surrender of this Note) in accordance with the terms hereof and the Purchase Agreement. Upon receipt by the Borrower of a Notice of Conversion, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, the outstanding principal amount and the amount of accrued and unpaid interest on this Note shall be reduced to reflect such conversion, and, unless the Borrower defaults on its obligations hereunder, all rights with respect to the portion of this Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as herein provided, on such conversion. If the Holder shall have given a Notice of Conversion as provided herein, the Borrower's obligation to issue and deliver the Common Stock shall be absolute and unconditional, irrespective of the absence of any action by the Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of the Borrower to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder of any obligation to the Borrower, and irrespective of any other circumstance which might otherwise limit such obligation of the Borrower to the Holder in connection with such conversion.

(d) RESERVED.

(e) Failure to Deliver Common Stock Prior to Deadline. Without in any way limiting the Holder's right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion of this Note is not delivered by the Deadline due to action and/or inaction of the Borrower, the Borrower shall pay to the Holder $2,000 per day in cash, for each day beyond the Deadline that the Borrower fails to deliver such Common Stock (the "Fail to Deliver Fee"); provided; however that the Fail to Deliver Fee shall not be due if the failure is a result of a third party (i.e., transfer agent; and not the result of any failure to pay such transfer agent) despite the best efforts of the Borrower to effect delivery of such Common Stock. Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of the Holder (by written notice to the Borrower by the first day of the month following the month in which it has accrued), shall be added to the principal amount of this Note, in which event interest shall accrue thereon in accordance with the terms of this Note and such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Note. The Borrower agrees that the right to convert is a valuable right to the Holder. The damages resulting from a failure, attempt to frustrate, interference with such conversion right are difficult if not impossible to qualify. Accordingly, the parties acknowledge that the liquidated damages provision contained in this Section 1.4(e) are justified.

1.5 Concerning the Shares. The shares of Common Stock issuable upon conversion of this Note may not be sold or transferred unless: (i) such shares are sold pursuant to an effective registration statement under the Act or (ii) the Borrower's transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration (such as Rule 144 or a successor rule) ("Rule 144"); or (iii) such shares are transferred to an "affiliate" (as defined in Rule 144) of the Borrower who agrees to sell or otherwise transfer the shares only in accordance with this Section 1.5 and who is an Accredited Investor (as defined in the Purchase Agreement).

Any restrictive legend representing shares of Common Stock issuable upon conversion of this Note shall be removed and the Borrower shall issue to the Holder Common Stock free of any transfer legend if the Borrower or its transfer agent shall have received an opinion of counsel from Holder's counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that (i) a public sale or transfer of such Common Stock may be made without registration under the Act, which opinion shall be accepted by the Company so that the sale or transfer is effected; or (ii) in the case of the Common Stock issuable upon conversion of this Note, such security is registered for sale by the Holder under an effective registration statement filed under the Act; or otherwise may be sold pursuant to an exemption from registration. In the event that the Company does not reasonably accept the opinion of counsel provided by the Holder with respect to the transfer of Securities pursuant to an exemption from registration (such as Rule 144), at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.

1.6 Effect of Certain Events.

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

(b) Adjustment Due to Merger, Consolidation. If, at any time when this Note is issued and outstanding and prior to conversion of all of the Note, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock of the Borrower shall be changed into the same or a different number of shares of another class or classes of stock or securities of the Borrower or another entity, or in case of any sale or conveyance of all or substantially all of the assets of the Borrower other than in connection with a plan of complete liquidation of the Borrower, then the Holder of this Note shall thereafter have the right to receive upon conversion of this Note, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion, such stock, securities or assets which the Holder would have been entitled to receive in such transaction had this Note been converted in full immediately prior to such transaction (without regard to any limitations on conversion set forth herein), and in any such case appropriate provisions shall be made with respect to the rights and interests of the Holder of this Note to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Conversion Price and of the number of shares issuable upon conversion of the Note) shall thereafter be applicable, as nearly as may be practicable in relation to any securities or assets thereafter deliverable upon the conversion hereof. The Borrower shall not affect any transaction described in this Section 1.6(b) unless (a) it first gives, to the extent practicable, ten (10) days prior written notice (but in any event at least five (5) days prior written notice) of the record date of the special meeting of shareholders to approve, or if there is no such record date, the consummation of, such merger, consolidation, exchange of shares, recapitalization, reorganization or other similar event or sale of assets (during which time the Holder shall be entitled to convert this Note) and (b) the resulting successor or acquiring entity (if not the Borrower) assumes by written instrument the obligations of this Note. The above provisions shall similarly apply to successive consolidations, mergers, sales, transfers or share exchanges.

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

(d) DTC Eligibility. If the Borrower fails to maintain its status as "DTC Eligible" for any reason, , the principal amount of the Note shall increase by 15% (under Holder's and Borrower's expectation that any principal amount increase will tack back to the Issue Date). In addition, an additional 15% discount shall be applied to the Variable Conversion Price.

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

1.7 Prepayment. The outstanding balance due hereunder may be prepaid by the Company at the sole discretion of the Holder. Such prepayment amount delievered by the Company to the Holder shall be authorized and consented to in writing by the Holder.

ARTICLE II. CERTAIN COVENANTS

2.1 Sale of Assets. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, sell, lease or otherwise dispose of any significant portion of its assets outside the ordinary course of business. Any consent to the disposition of any assets may be conditioned on a specified use of the proceeds of disposition.

2.2 Section 3(a)(9) or 3(a)(10) Transaction. So long as this Note is outstanding, the Borrower shall not enter into any transaction or arrangement structured in accordance with, based upon, or related or pursuant to, in whole or in part, either Section 3(a)(9) of the Securities Act (a "3(a)(9) Transaction") or Section 3(a)(l0) of the Securities Act (a "3(a)(l0) Transaction"). In the event that the Borrower does enter into, or makes any issuance of Common Stock related to a 3(a)(9) Transaction or a 3(a)(l0) Transaction while this Note is outstanding, a liquidated damages charge of 25% of the outstanding principal balance of this Note, but not less than Fifteen Thousand Dollars $15,000, will be assessed and will become immediately due and payable to the Holder at its election in the form of cash payment or addition to the balance of this Note.

ARTICLE III. EVENTS OF DEFAULT

If any of the following events of default (each, an "Event of Default") shall occur:

3.1 Failure to Pay Principal and Interest. The Borrower fails to pay the principal hereof or interest thereon when due on this Note in accordance with Schedule A attached hereto with a five (5) calendar day cure period.

3.2 Conversion and the Shares. The Borrower fails to issue shares of Common Stock to the Holder (or announces or threatens in writing that it will not honor its obligation to do so) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note, fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form at the option of the Holder) shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, the Borrower directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form at the option of the Holder) shares of Common Stock to be issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, or fails to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph) and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for two (2) business days after the Holder shall have delivered a Notice of Conversion. It is an obligation of the Borrower to remain current in its obligations to its transfer agent. It shall be an event of default of this Note, if a conversion of this Note is delayed, hindered or frustrated due to a balance owed by the Borrower to its transfer agent. If at the option of the Holder, the Holder advances any funds to the Borrower's transfer agent in order to process a conversion, such advanced funds shall be paid by the Borrower to the Holder within forty-eight (48) hours of a demand from the Holder.

3.3 Breach of Covenants. The Borrower breaches any material covenant or other material term or condition contained in this Note and any collateral documents including but not limited to the Purchase Agreement..

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

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

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

3.7 Delisting of Common Stock. The Borrower shall fail to maintain the listing of the Common Stock on at least one of the OTC (which specifically includes the quotation platforms maintained by the OTC Markets Group) or an equivalent replacement exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, the New York Stock Exchange, or the American Stock Exchange.

3.8 Failure to Comply with the Exchange Act. The Borrower shall fail to comply with the reporting requirements of the Exchange Act, or if the Company files a 12b-25 Notice of Late filing for any periodic report; and/or the Borrower shall cease to be subject to the reporting requirements of the Exchange Act.

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

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

3.11 Financial Statement Restatement. The restatement of any financial statements filed by the Borrower with the SEC at any time after 180 days after the Issuance Date for any date or period until this Note is no longer outstanding, if the result of such restatement would, by comparison to the un-restated financial statement, have constituted a material adverse effect on the rights of the Holder with respect to this Note or the Purchase Agreement.

3.12 Replacement of Transfer Agent. In the event that the Borrower proposes to replace its transfer agent, the Borrower fails to provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Purchase Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower.

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

3.14 DTC Chill, DWAC Eligibility. At any time after the Issue Date, (i) if the Borrower's Common Stock is not deliverable by DWAC (including if the Borrower's transfer agent has a policy prohibiting or limiting delivery of shares of the Borrower's Common Stock specified in a Notice of Conversion), or (ii) if in the case that the Borrower's Common Stock is "chilled" for deposit into the DTC system and only eligible for clearing deposit.

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

3.16 Cessation of Trading. Any cessation of trading of the Common Stock on at least one of the OTCBB, OTCQB, OTC Pink or an equivalent replacement exchange, the Nasdaq National Market, the Nasdaq Small Cap Market, the New York Stock Exchange, or the NYSE MKT, and such cessation of trading shall continue for a period of five consecutive (5) Trading Days.

3.17 OTC Markets Designation. OTC Markets changes the Borrower's designation to 'No Information' (Stop Sign), 'Caveat Emptor' (Skull and Crossbones), OTC Pink, or 'OTC', 'Other OTC' or 'Grey Market' (Exclamation Mark Sign).

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

3.19 Unavailability of Rule 144. If, at any time on or after the date which is six (6) months after the Issue Date, the Holder is unable to (i) obtain a standard "144 legal opinion letter" from an attorney reasonably acceptable to the Holder, the Holder's brokerage firm (and respective clearing firm), and the Borrower's transfer agent in order to facilitate the Holder's conversion of any portion of the Note into free trading shares of the Borrower's Common Stock pursuant to Rule 144, and (ii) thereupon deposit such shares into the Holder's brokerage account.

3.20 Section 3a9 or 3(a)(10) Transaction. The Borrower shall enter into a 3(a)(9) Transaction or a 3(a)(l0) Transaction.

Upon the occurrence and during the continuation of any Event of Default specified in Section 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due at the Maturity Date), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the Default Amount (as defined herein). UPON THE OCCURRENCE AND DURING THE CONTINUATION OF ANY EVENT OF DEFAULT SPECIFIED IN SECTION 3.2, OR SECTION 3.19, THE NOTE SHALL BECOME IMMEDIATELY DUE AND PAYABLE AND THE BORROWER SHALL PAY TO THE HOLDER, IN FULL SATISFACTION OF ITS OBLIGATIONS HEREUNDER, AN AMOUNT EQUAL TO: (Y) THE DEFAULT AMOUNT (AS DEFINED HEREIN); MULTIPLIED BY (Z) ONE AND A HALF (1.5). Upon the occurrence and during the continuation of any Event of Default specified in Sections 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due on this Note in accordance with Schedule A attached hereto), 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, 3.16, 3.17, and/or 3.18, exercisable through the delivery of written notice to the Borrower by such Holders (the "Default Notice"), and upon the occurrence of an Event of Default specified the remaining sections of Articles III (other than failure to pay the principal hereof or interest thereon at the Maturity Date specified in Section 3,1 hereof), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the greater of (i) 150% times the sum of (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the date of conversion (the "Conversion Date") plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and/or (x) plus (z) any amounts owed to the Holder pursuant to Section 1.4(e) hereof (the then outstanding principal amount of this Note to the date of payment plus the amounts referred to in clauses (x), (y) and (z) shall collectively be known as the "Default Amount") and all other amounts payable hereunder shall immediately become convertible, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

If the Borrower fails to pay the Default Amount within five (5) business days of written notice that such amount is due and payable, then the Holder shall have the right at any time, so long as the Borrower remains in default (and so long and to the extent that there are sufficient authorized shares), to require the Borrower, upon written notice, to immediately issue, in lieu of the Default Amount, the number of shares of Common Stock of the Borrower equal to the Default Amount divided by the Conversion Price then in effect.

ARTICLE IV. MISCELLANEOUS

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

4.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by e-mail, hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Borrower, to:

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

If to the Holder:

4.3 Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term "Note" and all reference thereto, as used throughout this instrument, shall mean this instrument (and the other Notes issued pursuant to the Purchase Agreement) as originally executed, or if later amended or supplemented, then as so amended or supplemented.

4.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. Each transferee of this Note must be an "accredited investor" (as defined in Rule 501(a) of the Securities and Exchange Commission). Notwithstanding anything in this Note to the contrary, this Note may be pledged as collateral in connection with a bona fide margin account or other lending arrangement; and may be assigned by the Holder without the consent of the Borrower.

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

4.6 Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Note shall be brought only in the state courts of New York or in the federal courts located in the Eastern District of New York. The parties to this Note hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. The Borrower and Holder waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Note or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Note, any agreement or any other document delivered in connection with this Note by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Note and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

4.7 Purchase Agreement. By its acceptance of this Note, each party agrees to be bound by the applicable terms of the Purchase Agreement.

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

4.9 Piggyback Registration Rights. The Borrower shall include on the next registration statement the Borrower files with SEC (or on the subsequent registration statement if such registration statement is withdrawn, and excluding the current registration statement that the Borrower has on file with the SEC) all shares issuable upon conversion of this Note, unless such shares are at that time eligible for sale under Rule 144 under the Securities Act. The Borrower agrees that this is a material term of the Note and any breach of this Section 4.10 will result in an Event of Default under Section 3.4 of this Note.

4.10 Severability. In the event that any provision of this Note is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

4.11 Dispute Resolution. In the case of a dispute as to the determination of the Conversion Price, Conversion Amount, amount owed under an Event of Default, Closing or Maturity Date, the closing bid price, or fair market value (as the case may be) or the arithmetic calculation of the Conversion Price (as the case may be), the Borrower or the Holder shall submit the disputed determinations or arithmetic calculations via facsimile (i) within two (2) Business Days after receipt of the applicable notice giving rise to such dispute to the Borrower or the Holder or (ii) if no notice gave rise to such dispute, at any time after the Holder learned of the circumstances giving rise to such dispute. If the Holder and the Borrower are unable to agree upon such determination or calculation within two (2) Business Days of such disputed determination or arithmetic calculation (as the case may be) being submitted to the Borrower or the Holder, then the Borrower shall, within two (2) Business Days, submit via facsimile (a) the disputed determination of the Conversion Price, the closing bid price, the or fair market value (as the case may be) to an independent, reputable investment bank selected by the Borrower and approved by the Holder or (b) the disputed arithmetic calculation of the Conversion Price, Conversion Amount, or amount owed under an Event of Default to an independent, outside accountant selected by the Holder that is reasonably acceptable to the Borrower. The Borrower shall cause at its expense the investment bank or the accountant to perform the determinations or calculations and notify the Borrower and the Holder of the results no later than four (4) Business Days from the time it receives such disputed determinations or calculations. Such investment bank's or accountant's determination or calculation shall be binding upon all parties absent demonstrable error.

[- Signature Page Follows -]

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its duly authorized officer this on March 5, 2020.

SURGE HOLDINGS, INC.

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

EXHIBIT A — NOTICE OF CONVERSION

The undersigned hereby elects to convert $_____ principal amount of the Note (defined below) into that number of shares of Common Stock to be issued pursuant to the conversion of the Note ("Common Stock") as set forth below, of Surge Holdings, Inc., a Nevada corporation (the "Borrower") according to the conditions of the convertible note of the Borrower dated as of March 5, 2020 (the "Note"), as of the date written below. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any.

Box Checked as to applicable instructions:

[ ] The Borrower shall electronically transmit the Common Stock issuable pursuant to this Notice of Conversion to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("DWAC Transfer").

Name of DTC Prime Broker:
Account Number:

[ ] The undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

Date of conversion:	_____
Applicable Conversion Price:	$_____
Number of shares of common stock to be issued pursuant to conversion of the Notes:	_____
Amount of Principal Balance due remaining under the Note after this conversion:	_____

By: _____
Name:
Title:
Date:

SCHEDULE A – PAYMENT SCHEDULE

Date	Monthly Payment Amount
April 15, 2020	No Payment
May 15, 2020	No Payment
June 15, 2020	No Payment
July 15, 2020	No Payment
August 15, 2020	No Payment
September 15, 2020	$59,847.93
October 15, 2020	$59,847.93
November 15, 2020	$59,847.93
December 15, 2020	$59,847.93
January 15, 2020	$59,847.93
February 15, 2021	$59,847.93
March 5, 2021	$59,847.93
Total	$418,935.52

Exhibit 10.18

GUARANTY

In consideration of the sum of One Dollar ($1.00) to the undersigned, Kevin Brian Cox, in hand paid, receipt whereof is hereby acknowledged, and in further consideration of the total $300,000.00 of funds of Dennis Winfrey held in the bank accounts owned by ECS Prepaid, LLC, Electronic Check Services, Inc., a Missouri corporation and Central States Legal Services, Inc., a Missouri corporation (collectively "Sellers") as and for working capital, the undersigned hereby guarantees the repayment of such $300,000.00 by Surge Holdings, Inc. as set forth in that certain Stock Purchase Agreement between Sellers and Surge Holdings, Inc. (the "Agreement").

Seller Parties shall give the undersigned notice of any default under said Agreement.

All notices sent to the undersigned pursuant to the provisions of this Guaranty shall be in writing and sent via United States certified or registered mail to the following address:

Kevin Brian Cox
3124 Brother Blvd. Suite 104
Bartlett, TN 38133

provided, however, that the undersigned may designate a future or different address to which subsequent notices shall be sent. Notice shall be deemed given upon receipt or upon refusal to accept delivery.

In the event of litigation between Seller Parties and the undersigned in connection with this Guaranty, the reasonable attorneys' fees and court costs incurred by the party prevailing in such litigation shall be borne by the non-prevailing party.

In Witness Whereof, the undersigned has executed and delivered this instrument, under seal, the _____ day of January, 2020.

Kevin Brian Cox

Exhibit 10.19

SECURITIES PURCHASE AGREEMENT

This **SECURITIES PURCHASE AGREEMENT** (the "Agreement"), dated as of March 13, 2020, by and between **SURGE HOLDINGS, INC.**, a Nevada corporation, with headquarters located at 3124 Brother Blvd, Suite 104, Bartlett, TN 38133 (the "Company"), and _____ (the "Buyer").

WHEREAS:

A. The Company and the Buyer are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by the rules and regulations as promulgated by the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "1933 Act");

B. WHEREAS, subject to the terms and provisions hereinafter set forth and upon the terms and subject to the limitations and conditions set forth in the Notes (as defined below), (i) the Buyer desires to purchase, the Company desires to sell and issue to the Buyer, a promissory note in the form attached hereto as Exhibit A (the "First Note") convertible into shares of common stock, $0.001 par value per share, of the Company (the "Common Stock")(the "First Closing"), and (ii) the Buyer desires to purchase and the Company desires to sell and issue to the Buyer, one or more additional promissory notes convertible into shares of Common Stock, each in the form attached hereto as Exhibit A (the "Additional Notes" and together with the First Note, the "Notes") as may mutually be agreed in additional closings as set forth in Section 1(d) below (the "Additional Closings") (each of the First Closing and the Additional Closings are sometimes hereinafter individually referred to as a "Closing" and collectively as the "Closings" and this Agreement any and all documents or instruments executed or to be executed by in connection with this Agreement, including the Notes and the Irrevocable Transfer Agent Instructions, together with all modifications, amendments, extensions, future advances, renewals, and substitutions thereof are sometimes hereinafter individually referred to as a "Transaction Document" and collectively as the "Transaction Documents"); and

C. WHEREAS, the aggregate principal amount of Notes sold pursuant to this Agreement shall not exceed an amount to be determined by the Buyer.

NOW THEREFORE, the Company and the Buyer severally (and not jointly) hereby agree as follows:

1. PURCHASE AND SALE OF NOTE.

a. Purchase of Note. On the Closing Date (as defined below), the Company shall issue and sell to the Buyer and the Buyer agrees to purchase, at each Closing, and the Company agrees to sell and issue to the Buyer, at each Closing, a Note in the amount of the purchase price applicable to each Closing as more specifically set forth below.

b. First Closing. The First Closing of the purchase and sale of the First Note in a principal amount of One Hundred and Sixty Two Thousand and No/100 United States Dollars (US$162,000,000) for a purchase price of One Hundred and Fifty Thousand and 00/100 United States Dollars (US$150,000), shall take place on the Effective Date, subject to satisfaction of the conditions to the First Closing set forth in this Agreement (the "First Closing Date"). Additional Closings of the purchase and sale of the Notes shall be at such times and for such amounts as determined in accordance with Section 1(d) below, subject to satisfaction of the conditions to the Additional Closings set forth in this Agreement (the "Additional Closing Dates", collectively, with the First Closing Date, referred to as the "Closing Dates"). The Closings shall occur on the respective Closing Dates through the use of overnight mails and subject to customary escrow instructions from the Buyer and its counsel, or in such other manner as is mutually agreed to by the Company and the Buyer.

c. Form of Payment. On each Closing Date, (i) the Buyer shall pay the purchase price set forth on the face thereof for the Note to be issued and sold to it at such Closing (the "Purchase Price") by wire transfer of immediately available funds to the Company, in accordance with the Company's written wiring instructions, against delivery of such Note in the principal amount set forth on the face thereof, and (ii) the Company shall deliver such duly executed Note on behalf of the Company, to the Buyer, against delivery of such Purchase Price.

d. Additional Closings. At any time after the First Closing but prior to the maturity date of the Note issued in the First Closing, the Buyer may demand that the Company issue an additional Note hereunder in an additional Closing under the same terms and conditions as the First Note by delivering written notice to the Company and the Company shall issue such additional Notes to the Buyer.

2. REPRESENTATIONS AND WARRANTIES OF THE BUYER. The Buyer represents and warrants to the Company that:

a. Investment Purpose. As of the date hereof, the Buyer is purchasing the Notes and the shares of Common Stock issuable upon conversion of or otherwise pursuant to the Notes (including, without limitation, such additional shares of Common Stock, if any, as are issuable (i) on account of interest on the Notes (ii) as a result of the events described in Sections 1.3 and 1.4(g) of each Note, such shares of Common Stock being collectively referred to herein as the "Conversion Shares" and, collectively with the Notes and the Inducement Shares, the "Securities") for its own account and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered or exempted from registration under the 1933 Act; provided, however, that by making the representations herein, the Buyer does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act.

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

c. Reliance on Exemptions. The Buyer understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities.

d. Information. The Buyer and its advisors, if any, have been, and for so long as any Note remains outstanding will continue to be, furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer or its advisors. The Buyer and its advisors, if any, have been, and for so long as any Note remains outstanding will continue to be, afforded the opportunity to ask questions of the Company. Notwithstanding the foregoing, the Company has not disclosed to the Buyer any material nonpublic information and will not disclose such information unless such information is disclosed to the public prior to or promptly following such disclosure to the Buyer. Neither such inquiries nor any other due diligence investigation conducted by Buyer or any of its advisors or representatives shall modify, amend or affect Buyer's right to rely on the Company's representations and warranties contained in Section 3 below. The Buyer understands that its investment in the Securities involves a significant degree of risk. The Buyer is not aware of any facts that may constitute a breach of any of the Company's representations and warranties made herein.

e. Governmental Review. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.

f. Transfer or Re-sale. The Buyer understands that (i) the sale or re-sale of the Securities has not been and is not being registered under the 1933 Act or any applicable state securities laws, and the Securities may not be transferred unless (a) the Securities are sold pursuant to an effective registration statement under the 1933 Act, (b) the Buyer shall have delivered to the Company, at the cost of the Company, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in comparable transactions to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration, which opinion shall be accepted by the Company, (c) the Securities are sold or transferred to an "affiliate" (as defined in Rule 144 promulgated under the 1933 Act (or a successor rule) ("Rule 144")) of the Buyer who agrees to sell or otherwise transfer the Securities only in accordance with this Section 2(f) and who is an Accredited Investor, (d) the Securities are sold pursuant to Rule 144, or (e) the Securities are sold pursuant to Regulation S under the 1933 Act (or a successor rule) ("Regulation S"), and the Buyer shall have delivered to the Company, at the cost of the Company, not to exceed $500 per opinion, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in corporate transactions, which opinion shall be accepted by the Company; (ii) any sale of such Securities made in reliance on Rule 144 may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any re-sale of such Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case). Notwithstanding the foregoing or anything else contained herein to the contrary, the Securities may be pledged as collateral in connection with a bona fide margin account or other lending arrangement. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, within three (3) business days of delivery of the opinion to the Company, the Company shall pay one thousand dollars ($1,000) per day plus accrued and unpaid interest on such Note, prorated for partial months, in cash or shares at the option of the Buyer ("Standard Liquidated Damages Amount"). If the Buyer elects to be pay the Standard Liquidated Damages Amount in shares of Common Stock, such shares shall be issued at the Conversion Price (as defined in the Note) at the time of payment.

g. Legends. The Buyer understands that each Note and, until such time as the Conversion Shares have been registered under the 1933 Act may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, the Conversion Shares may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the shares of Common Stock for such Securities):

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

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of any Security upon which it is stamped, if, unless otherwise required by applicable state securities laws, (a) such Security is registered for sale under an effective registration statement filed under the 1933 Act or otherwise may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, or (b) such holder provides the Company with an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Security may be made without registration under the 1933 Act, which opinion shall be accepted by the Company so that the sale or transfer is effected. The Buyer agrees to sell all Securities, including those represented by a certificate(s) from which the legend has been removed, in compliance with applicable prospectus delivery requirements, if any. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline (as such term is defined in Section 1.4(d) of the Note), it will be considered an Event of Default pursuant to Section 3.2 of the Note. The shares of Common Stock issued hereunder shall be issued in book entry and transferred electronically via DTC DWAC and shall only be issued in certificate form at the discretion of the Buyer.

h. Authorization; Enforcement. This Agreement has been duly and validly authorized. This Agreement has been duly executed and delivered on behalf of the Buyer, and this Agreement constitutes a valid and binding agreement of the Buyer enforceable in accordance with its terms.

i. Residency. The Buyer is organized in the jurisdiction set forth in the Preamble of this Agreement.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY . The Company represents and warrants to the Buyer, as of the date of the execution and delivery of this Agreement and as of the date of each Closing hereunder, and which shall survive the execution and delivery of this Agreement:

a. Organization and Qualification. The Company and each of its Subsidiaries (as defined below), if any, is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, with full power and authority (corporate and other) to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted. The Company and each of its Subsidiaries is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which its ownership or use of property or the nature of the business conducted by it makes such qualification necessary except where the failure to be so qualified or in good standing would not have a Material Adverse Effect. "Material Adverse Effect" means any material adverse effect on the business, operations, assets, financial condition or prospects of the Company or its Subsidiaries, if any, taken as a whole, or on the transactions contemplated hereby or by the agreements or instruments to be entered into in connection herewith. "Subsidiaries" means any corporation or other organization, whether incorporated or unincorporated, in which the Company owns, directly or indirectly, any equity or other ownership interest.

b. Authorization; Enforcement. (i) The Company has all requisite corporate power and authority to enter into and perform this Agreement, the Notes and to consummate the transactions contemplated hereby and thereby and to issue the Securities, in accordance with the terms hereof and thereof, (ii) the execution and delivery of this Agreement, the Notes by the Company and the consummation by it of the transactions contemplated hereby and thereby (including without limitation, the issuance of the Note and the issuance and reservation for issuance of the Conversion Shares issuable upon conversion or exercise thereof) have been duly authorized by the Company's Board of Directors and no further consent or authorization of the Company, its Board of Directors, or its shareholders is required, (iii) this Agreement has been duly executed and delivered by the Company by its authorized representative, and such authorized representative is the true and official representative with authority to sign this Agreement and the other documents executed in connection herewith and bind the Company accordingly, and (iv) this Agreement constitutes, and upon execution and delivery by the Company of each Note, each of such instruments will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

c. Capitalization. As of January 2, 2020, as disclosed in the SEC Documents, the authorized capital stock of the Company consists of 500,000,000 shares of Common Stock, of which 103,319,030 shares are issued and outstanding, 100,000,000 shares of Series A preferred stock, of which 13,000,000 shares are issued and outstanding, and 1,000,000 shares of Series C convertible preferred stock of which, 721,598 are issued and outstanding. Except as disclosed in the SEC Documents, no shares are reserved for issuance pursuant to the Company's stock option plans, no shares are reserved for issuance pursuant to securities (other than the Notes) exercisable for, or convertible into or exchangeable for shares of Common Stock and immediately upon the Company increasing its authorized shares of Common Stock the Company shall reserve 2,950,000 shares for issuance upon conversion of the Notes. All of such outstanding shares of capital stock are, or upon issuance will be, duly authorized, validly issued, fully paid and non-assessable. No shares of capital stock of the Company are subject to preemptive rights or any other similar rights of the shareholders of the Company or any liens or encumbrances imposed through the actions or failure to act of the Company. Except as disclosed in the SEC Documents, as of the effective date of this Agreement, (i) there are no outstanding options, warrants, scrip, rights to subscribe for, puts, calls, rights of first refusal, agreements, understandings, claims or other commitments or rights of any character whatsoever relating to, or securities or rights convertible into or exchangeable for any shares of capital stock of the Company or any of its Subsidiaries, or arrangements by which the Company or any of its Subsidiaries is or may become bound to issue additional shares of capital stock of the Company or any of its Subsidiaries, (ii) there are no agreements or arrangements under which the Company or any of its Subsidiaries is obligated to register the sale of any of its or their securities under the 1933 Act and (iii) there are no anti-dilution or price adjustment provisions contained in any security issued by the Company (or in any agreement providing rights to security holders) that will be triggered by the issuance of the Note or the Conversion Shares. The Company has filed in its SEC Documents true and correct copies of the Company's Certificate of Incorporation as in effect on the date hereof ("Certificate of Incorporation"), the Company's By-laws, as in effect on the date hereof (the "By-laws"), and the terms of all securities convertible into or exercisable for Common Stock of the Company and the material rights of the holders thereof in respect thereto. The Company shall provide the Buyer with a written update of this representation signed by the Company's Chief Executive on behalf of the Company as of each Closing Date.

d. Issuance of Shares. The issuance of each Note is duly authorized and, upon issuance in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable and free from all preemptive or similar rights, taxes, liens, charges and other encumbrances with respect to the issue thereof. The Conversion Shares are duly authorized and reserved for issuance and, upon conversion of each Note in accordance with its respective terms, will be validly issued, fully paid and non-assessable, and free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Company and will not impose personal liability upon the holder thereof.

e. Acknowledgment of Dilution. The Company understands and acknowledges the potentially dilutive effect to the Common Stock upon the issuance of the Conversion Shares upon conversion of each Note. The Company further acknowledges that its obligation to issue Conversion Shares upon conversion of each Note in accordance with this Agreement, the Note is absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interests of other shareholders of the Company.

f. No Conflicts. The execution, delivery and performance of this Agreement and the Notes by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance and reservation for issuance of the Conversion Shares) will not (i) conflict with or result in a violation of any provision of the Certificate of Incorporation or By-laws, or (ii) violate or conflict with, or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture, patent, patent license or instrument to which the Company or any of its Subsidiaries is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of any self-regulatory organizations to which the Company or its securities are subject) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect). Neither the Company nor any of its Subsidiaries is in violation of its Certificate of Incorporation, By-laws or other organizational documents and neither the Company nor any of its Subsidiaries is in default (and no event has occurred which with notice or lapse of time or both could put the Company or any of its Subsidiaries in default) under, and neither the Company nor any of its Subsidiaries has taken any action or failed to take any action that would give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its Subsidiaries is a party or by which any property or assets of the Company or any of its Subsidiaries is bound or affected, except for possible defaults as would not, individually or in the aggregate, have a Material Adverse Effect. The businesses of the Company and its Subsidiaries, if any, are not being conducted, and shall not be conducted so long as the Buyer owns any of the Securities, in violation of any law, ordinance or regulation of any governmental entity. Except as specifically contemplated by this Agreement and as required under the 1933 Act and any applicable state securities laws, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency, regulatory agency, self-regulatory organization or stock market or any third party in order for it to execute, deliver or perform any of its obligations under this Agreement, the Note in accordance with the terms hereof or thereof or to issue and sell the Note in accordance with the terms hereof and to issue the Conversion Shares upon conversion of the Note. All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof. The Company is not in violation of the listing requirements of the Over-the-Counter Bulletin Board (the "OTCBB"), the OTCQB or any similar quotation system, and does not reasonably anticipate that the Common Stock will be delisted by the OTCBB, the OTCQB or any similar quotation system, in the foreseeable future nor are the Company's securities "chilled" by DTC. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

g. SEC Documents; Financial Statements. The Company has timely filed all quarterly and annual reports required to be filed by it with the SEC pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act") (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements and schedules thereto and documents (other than exhibits to such documents) incorporated by reference therein, being hereinafter referred to herein as the "SEC Documents"). The Company has delivered to the Buyer true and complete copies of the SEC Documents, except for such exhibits and incorporated documents, and except as such Documents are available EDGAR filings on the SEC's sec.gov website. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the 1934 Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. None of the statements made in any such SEC Documents is, or has been, required to be amended or updated under applicable law (except for such statements as have been amended or updated in subsequent filings prior the date hereof). As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with United States generally accepted accounting principles, consistently applied, during the periods involved and fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except as set forth in the financial statements of the Company included in the SEC Documents, the Company has no liabilities, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to December 31, 2019, and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in such financial statements, which, individually or in the aggregate, are not material to the financial condition or operating results of the Company. The Company is subject to the reporting requirements of the 1934 Act. For the avoidance of doubt, filing of the documents required in this Section 3(g) via the SEC's Electronic Data Gathering, Analysis, and Retrieval system ("EDGAR") shall satisfy all delivery requirements of this Section 3(g).

h. Absence of Certain Changes. Since December 31, 2019, there has been no material adverse change and no material adverse development in the assets, liabilities, business, properties, operations, financial condition, results of operations, prospects or 1934 Act reporting status of the Company or any of its Subsidiaries.

i. Absence of Litigation. There is no action, suit, claim, 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 Company or any of its Subsidiaries, threatened against or affecting the Company or any of its Subsidiaries, or their officers or directors in their capacity as such, that could have a Material Adverse Effect. Schedule 3(i) contains a complete list and summary description of any pending or, to the knowledge of the Company, threatened proceeding against or affecting the Company or any of its Subsidiaries, without regard to whether it would have a Material Adverse Effect. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

j. Patents, Copyrights, etc. The Company and each of its Subsidiaries owns or possesses the requisite licenses or rights to use all patents, patent applications, patent rights, inventions, know-how, trade secrets, trademarks, trademark applications, service marks, service names, trade names and copyrights ("Intellectual Property") necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future). Except as disclosed in the SEC Documents, there is no claim or action by any person pertaining to, or proceeding pending, or to the Company's knowledge threatened, which challenges the right of the Company or of a Subsidiary with respect to any Intellectual Property necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future); to the best of the Company's knowledge, the Company's or its Subsidiaries' current and intended products, services and processes do not infringe on any Intellectual Property or other rights held by any person; and the Company is unaware of any facts or circumstances which might give rise to any of the foregoing. The Company and each of its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of their Intellectual Property.

k. No Materially Adverse Contracts, Etc. Neither the Company nor any of its Subsidiaries is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the judgment of the Company's officers has or is expected in the future to have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is a party to any contract or agreement which in the judgment of the Company's officers has or is expected to have a Material Adverse Effect.

l. Tax Status. The Company and each of its Subsidiaries has made or filed all federal, state and foreign income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject (unless and only to the extent that the Company and each of its Subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes) and has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and has set aside on its books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim. The Company has not executed a waiver with respect to the statute of limitations relating to the assessment or collection of any foreign, federal, state or local tax. None of the Company's tax returns is presently being audited by any taxing authority.

m. Certain Transactions. Except for arm's length transactions pursuant to which the Company or any of its Subsidiaries makes payments in the ordinary course of business upon terms no less favorable than the Company or any of its Subsidiaries could obtain from third parties and other than the grant of stock options disclosed on Schedule 3(c), none of the officers, directors, or employees of the Company is presently a party to any transaction with the Company or any of its Subsidiaries (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

n. Disclosure. All information relating to or concerning the Company or any of its Subsidiaries set forth in this Agreement and provided to the Buyer pursuant to Section 2(d) hereof and otherwise in connection with the transactions contemplated hereby is true and correct in all material respects and the Company has not omitted to state any material fact necessary in order to make the statements made herein or therein, in light of the circumstances under which they were made, not misleading. No event or circumstance has occurred or exists with respect to the Company or any of its Subsidiaries or its or their business, properties, prospects, operations or financial conditions, which, under applicable law, rule or regulation, requires public disclosure or announcement by the Company but which has not been so publicly announced or disclosed (assuming for this purpose that the Company's reports filed under the 1934 Act are being incorporated into an effective registration statement filed by the Company under the 1933 Act).

o. Acknowledgment Regarding Buyer' Purchase of Securities. The Company acknowledges and agrees that the Buyer is acting solely in the capacity of arm's length purchasers with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Buyer is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any statement made by the Buyer or any of its respective representatives or agents in connection with this Agreement and the transactions contemplated hereby is not advice or a recommendation and is merely incidental to the Buyer' purchase of the Securities. The Company further represents to the Buyer that the Company's decision to enter into this Agreement has been based solely on the independent evaluation of the Company and its representatives.

p. No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales in any security or solicited any offers to buy any security under circumstances that would require registration under the 1933 Act of the issuance of the Securities to the Buyer. The issuance of the Securities to the Buyer will not be integrated with any other issuance of the Company's securities (past, current or future) for purposes of any shareholder approval provisions applicable to the Company or its securities.

q. No Brokers. The Company has taken no action which would give rise to any claim by any person for brokerage commissions, transaction fees or similar payments relating to this Agreement or the transactions contemplated hereby.

r. Permits; Compliance. The Company and each of its Subsidiaries is in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exemptions, consents, certificates, approvals and orders necessary to own, lease and operate its properties and to carry on its business as it is now being conducted (collectively, the "Company Permits"), and there is no action pending or, to the knowledge of the Company, threatened regarding suspension or cancellation of any of the Company Permits. Neither the Company nor any of its Subsidiaries is in conflict with, or in default or violation of, any of the Company Permits, except for any such conflicts, defaults or violations which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. Since December 31, 2019, neither the Company nor any of its Subsidiaries has received any notification with respect to possible conflicts, defaults or violations of applicable laws, except for notices relating to possible conflicts, defaults or violations, which conflicts, defaults or violations would not have a Material Adverse Effect.

s. Environmental Matters.

(i) There are, to the Company's knowledge, with respect to the Company or any of its Subsidiaries or any predecessor of the Company, no past or present violations of Environmental Laws (as defined below), releases of any material into the environment, actions, activities, circumstances, conditions, events, incidents, or contractual obligations which may give rise to any common law environmental liability or any liability under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 or similar federal, state, local or foreign laws and neither the Company nor any of its Subsidiaries has received any notice with respect to any of the foregoing, nor is any action pending or, to the Company's knowledge, threatened in connection with any of the foregoing. The term "Environmental Laws" means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

(ii) Other than those that are or were stored, used or disposed of in compliance with applicable law, no Hazardous Materials are contained on or about any real property currently owned, leased or used by the Company or any of its Subsidiaries, and no Hazardous Materials were released on or about any real property previously owned, leased or used by the Company or any of its Subsidiaries during the period the property was owned, leased or used by the Company or any of its Subsidiaries, except in the normal course of the Company's or any of its Subsidiaries' business.

(iii) There are no underground storage tanks on or under any real property owned, leased or used by the Company or any of its Subsidiaries that are not in compliance with applicable law.

t. Title to Property. Except as disclosed in the SEC Documents the Company and its Subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its Subsidiaries, in each case free and clear of all liens, encumbrances and defects or such as would not have a Material Adverse Effect. Any real property and facilities held under lease by the Company and its Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not have a Material Adverse Effect.

u. Internal Accounting Controls. Except as disclosed in the SEC Documents the Company and each of its Subsidiaries maintain a system of internal accounting controls sufficient, in the judgment of the Company's board of directors, to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

v. Foreign Corrupt Practices. Neither the Company, nor any of its Subsidiaries, nor any director, officer, agent, employee or other person acting on behalf of the Company or any Subsidiary has, in the course of his actions for, or on behalf of, the Company, used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

w. Solvency. The Company (after giving effect to the transactions contemplated by this Agreement) is solvent (i.e., its assets have a fair market value in excess of the amount required to pay its probable liabilities on its existing debts as they become absolute and matured) and currently the Company has no information that would lead it to reasonably conclude that the Company would not, after giving effect to the transaction contemplated by this Agreement, have the ability to, nor does it intend to take any action that would impair its ability to, pay its debts from time to time incurred in connection therewith as such debts mature. The Company did not receive a qualified opinion from its auditors with respect to its most recent fiscal year end and, after giving effect to the transactions contemplated by this Agreement, does not anticipate or know of any basis upon which its auditors might issue a qualified opinion in respect of its current fiscal year. For the avoidance of doubt any disclosure of the Company's ability to continue as a "going concern" shall not, by itself, be a violation of this Section 3(w).

x. No Investment Company. The Company is not, and upon the issuance and sale of the Securities as contemplated by this Agreement will not be an "investment company" required to be registered under the Investment Company Act of 1940 (an "Investment Company"). The Company is not controlled by an Investment Company.

y. Insurance. The Company and each of its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company and its Subsidiaries are engaged. Neither the Company nor any such Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect. Upon written request the Company will provide to the Buyer true and correct copies of all policies relating to directors' and officers' liability coverage, errors and omissions coverage, and commercial general liability coverage.

z. Bad Actor. No officer or director of the Company would be disqualified under Rule 506(d) of the Securities Act as amended on the basis of being a "bad actor" as that term is established in the September 19, 2013 Small Entity Compliance Guide published by the SEC.

aa. Shell Status. The Company represents that it is not a "shell" issuer and has never been a "shell" issuer, or that if it previously has been a "shell" issuer, that at least twelve (12) months have passed since the Company has reported Form 10 type information indicating that it is no longer a "shell" issuer. Further, the Company will instruct its counsel to either (i) write a 144- 3(a)(9) opinion to allow for salability of the Conversion Shares or (ii) accept such opinion from the Buyer's counsel.

bb. No-Off Balance Sheet Arrangements. There is no transaction, arrangement, or other relationship between the Company or any of its Subsidiaries and an unconsolidated or other off-balance sheet entity that is required to be disclosed by the Company in its 1934 Act filings and is not so disclosed or that otherwise could be reasonably likely to have a Material Adverse Effect.

cc. Manipulation of Price. The Company has not, and to its knowledge no one acting on its behalf has: (i) taken, directly or indirectly, any action designed to cause or to result, or that could reasonably be expected to cause or result, in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any person any compensation for soliciting another to purchase any other securities of the Company.

dd. Sarbanes-Oxley Act. The Company and each Subsidiary is in material compliance with all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and all applicable rules and regulations promulgated by the SEC thereunder that are effective as of the date hereof.

ee. Employee Relations. Neither the Company nor any of its Subsidiaries is a party to any collective bargaining agreement or employs any member of a union. The Company believes that its and its Subsidiaries' relations with their respective employees are good. No executive officer (as defined in Rule 501(f) promulgated under the 1933 Act) or other key employee of the Company or any of its Subsidiaries has notified the Company or any such Subsidiary that such officer intends to leave the Company or any such Subsidiary or otherwise terminate such officer's employment with the Company or any such Subsidiary. To the knowledge of the Company, no executive officer or other key employee of the Company or any of its Subsidiaries is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement, non-competition agreement, or any other contract or agreement or any restrictive covenant, and the continued employment of each such executive officer or other key employee (as the case may be) does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all federal, state, local and foreign laws and regulations respecting labor, employment and employment practices and benefits, terms and conditions of employment and wages and hours, except where failure to be in compliance would not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

4. COVENANTS.

a. Best Efforts. The parties shall use their commercially reasonable best efforts to satisfy timely each of the conditions described in Section 5 and 6 of this Agreement.

b. Form D; Blue Sky Laws. The Company agrees to file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof to the Buyer promptly after such filing. The Company shall, on or before each Closing Date, take such action as the Company shall reasonably determine is necessary to qualify the Securities for sale to the Buyer at the applicable closing pursuant to this Agreement under applicable securities or "blue sky" laws of the states of the United States (or to obtain an exemption from such qualification), and shall provide evidence of any such action so taken to the Buyer on or prior to such Closing Date.

c. Use of Proceeds. The Company shall use the proceeds from the sale of the Notes for working capital and other general corporate purposes.

d. Financial Information. The Company agrees to send or make available the following reports to the Buyer until the Buyer transfers, assigns, or sells all of the Securities: (i) within ten (10) days after the filing with the SEC, a copy of its Annual Report on Form 10-K its Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K; (ii) within one (1) day after release, copies of all press releases issued by the Company or any of its Subsidiaries; and (iii) contemporaneously with the making available or giving to the shareholders of the Company, copies of any notices or other information the Company makes available or gives to such shareholders. For the avoidance of doubt, filing the documents required in (i) above via EDGAR or releasing any documents set forth in (ii) above via a recognized wire service shall satisfy the delivery requirements of this Section 4(e).

e. Listing; Uplisting. The Company shall promptly secure the listing of the Conversion Shares upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance) and, so long as the Buyer owns any of the Securities, shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Conversion Shares from time to time issuable upon conversion of the Note. The Company will obtain and, so long as the Buyer owns any of the Securities, maintain the listing and trading of its Common Stock on the OTCBB, OTCQB, OTC Pink or any equivalent replacement exchange, the Nasdaq National Market ("Nasdaq"), the Nasdaq SmallCap Market ("Nasdaq SmallCap"), the New York Stock Exchange ("NYSE"), or the NYSE MKT and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Financial Industry Regulatory Authority ("FINRA") and such exchanges, as applicable. The Company shall promptly provide to the Buyer copies of any material notices it receives from the OTCBB, OTCQB and any other exchanges or quotation systems on which the Common Stock is then listed regarding the continued eligibility of the Common Stock for listing on such exchanges and quotation systems. Within six months of the Effective Date, the Company shall will obtain the listing and trading of its Common Stock on an exchange senior to the exchange on which the Common Stock is listed and traded as of the Effective Date. The Company shall pay any and all fees and expenses in connection with satisfying its obligation under this Section 4(f).

f. Corporate Existence. So long as the Buyer beneficially owns any Note, the Company shall maintain its corporate existence and shall not sell all or substantially all of the Company's assets, except in the event of a merger or consolidation or sale of all or substantially all of the Company's assets, where the surviving or successor entity in such transaction (i) assumes the Company's obligations hereunder and under the agreements and instruments entered into in connection herewith and (ii) is a publicly traded corporation whose Common Stock is listed for trading on the OTCBB, OTCQB, OTC Pink, Nasdaq, NasdaqSmallCap, NYSE or AMEX.

g. No Integration. The Company shall not make any offers or sales of any security (other than the Securities) under circumstances that would require registration of the Securities being offered or sold hereunder under the 1933 Act or cause the offering of the Securities to be integrated with any other offering of securities by the Company for the purpose of any stockholder approval provision applicable to the Company or its securities.

h. Failure to Comply with the 1934 Act. So long as the Buyer beneficially owns any Note, the Company shall comply with the quarterly and annual reporting requirements of the 1934 Act; and the Company shall continue to be subject to the reporting requirements of the 1934 Act.

i. Trading Activities. Neither the Buyer nor its affiliates has an open short position (or other hedging or similar transactions) in the Common Stock of the Company and the Buyer agree that it shall not, and that it will cause its affiliates not to, engage in any short sales of or hedging transactions with respect to the Common Stock of the Company.

j. Restriction on Activities. Commencing as of the date first above written, and until the sooner of the six month anniversary of the date first written above or payment of the Note in full, or full conversion of the Note, the Company shall not, directly or indirectly, without the Buyer's prior written consent, which consent shall not be unreasonably withheld: (a) change the nature of its business; or (b) sell, divest, acquire, change the structure of any material assets other than in the ordinary course of business.

k. Par Value. If the closing bid price at any time a Note is outstanding falls below $0.001 for five (5) consecutive days, the Company shall cause the par value of its Common Stock to be reduced to $0.0001 or less.

l. Breach of Covenants. The Company agrees that if the Company breaches any of the covenants set forth in this Section 4, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an Event of Default under Section 3.4 of the Notes.

m. Transfer Agent Instructions. The Company shall issue irrevocable instructions to its transfer agent to issue certificates, registered in the name of the Buyer or its nominee, for the Conversion Shares in such amounts as specified from time to time by the Buyer to the Company upon conversion of the Notes in accordance with the terms thereof (the "Irrevocable Transfer Agent Instructions"). In the event that the Company proposes to replace its transfer agent, the Company shall provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Purchase Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Company and the Company. Prior to registration of the Conversion Shares under the 1933 Act or the date on which the Conversion Shares may be sold pursuant to Rule 144 without any restriction as to the number of Securities as of a particular date that can then be immediately sold, all such certificates shall bear the restrictive legend specified in Section 2(g) of this Agreement. The Company warrants that: (i) no instruction other than the Irrevocable Transfer Agent Instructions referred to in this Section, and stop transfer instructions to give effect to Section 2(f) hereof (in the case of the Conversion Shares, prior to registration of the Conversion Shares under the 1933 Act or the date on which the Conversion Shares may be sold pursuant to Rule 144 without any restriction as to the number of Securities as of a particular date that can then be immediately sold), will be given by the Company to its transfer agent and that the Securities shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the Note; (ii) it will not direct its transfer agent not to transfer or delay, impair, and/or hinder its transfer agent in transferring (or issuing) (electronically or in certificated form) any certificate for Conversion Shares to be issued to the Buyer upon conversion of or otherwise pursuant to the Notes as and when required by the Notes and this Agreement; and (iii) it will not fail to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any Conversion Shares issued to the Buyer upon conversion of or otherwise pursuant to the Notes as and when required by the Note and this Agreement. Nothing in this Section shall affect in any way the Buyer's obligations and agreement set forth in Section 2(g) hereof to comply with all applicable prospectus delivery requirements, if any, upon re-sale of the Securities. If the Buyer provides the Company, at the cost of the Company not to exceed $500, with (i) an opinion of counsel in form, substance and scope customary for opinions in comparable transactions, to the effect that a public sale or transfer of such Securities may be made without registration under the 1933 Act and such sale or transfer is effected or (ii) the Buyer provides reasonable assurances that the Securities can be sold pursuant to Rule 144, the Company shall permit the transfer, and, in the case of the Conversion Shares, promptly instruct its transfer agent to issue one or more certificates, free from restrictive legend, in such name and in such denominations as specified by the Buyer. Additionally, upon request by the Buyer to the Transfer Agent with notice to the Company, the Transfer Agent shall deliver to the Buyer reports reflecting issued and outstanding shares of the Company, and the lowest cost basis for share issuances of the Company. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer, by vitiating the intent and purpose of the transactions contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section may be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Section, that the Buyer shall be entitled, in addition to all other available remedies, to an injunction restraining any breach and requiring immediate transfer, without the necessity of showing economic loss and without any bond or other security being required. Upon

n. Transaction Expense Amount and Original Issue Discount. Upon the First Closing, the Company shall pay US$2,500.00 to the Buyer's legal counsel for preparation of the Transaction Documents (the "Transaction Expense Amount"). The Transaction Expense Amount shall be offset against the proceeds of the First Note and shall be paid to the Buyer's legal counsel upon the execution hereof. Additionally, the Company shall pay US$12,000.00 to the Buyer as an original issue discount (the "OID").") in respect of the First Note. The OID shall be added to the Principal Amount of the Note and accordingly the Principal Amount of the First Note is US$162,000.

o. Issuance of Shares of Common Stock; True-Up Shares.

(i) As additional consideration for the Buyer loaning the Purchase Price to the Company, the Company shall issue to the Buyer, or designees of the Buyer, 172,000 shares of Common Stock of the Company (the "Initial Share Issuance"). The Initial Share Issuance shall be issued and delivered to the Buyer on the Closing Date.

(ii) Commencing on the date that is six (6) months plus one (1) day from the Issue Date (the "True-Up Exercise Date"), in the event the Common Stock was on the preceding ten (10) Trading Day period less than $0.35 per share, Buyer shall have the right to deliver a notice to the Company in the form of Exhibit B hereto (the "True-Up Notice"), notifying the Company of its obligation to deliver the True-Up Amount (as defined below) to the Buyer. On the True-Up Exercise Date the Buyer shall deliver the True-Up Notice to the Company and the Company shall within two (2) business days of the Buyer's delivery of the True Up Notice, issue to the Buyer additional shares of Common Stock equal to the True-Up Amount (as defined below). The "True-Up Amount" shall mean an amount equal to (a) $0.35 minus (b) 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 True-Up Exercise Date (the "True-Up Exercise Price") multiplied by (c) 172,000 divided by (d) the True-Up Exercise Price. The shares of Common Stock comprising the True-Up Amount shall be referred to herein as the "True-Up Shares". The Initial Share Issuance and the True-Up Shares shall collectively, in the aggregate, be referred to herein as the "Inducement Shares". Accordingly, the True-Up Shares, if required to be issued pursuant to this Agreement, shall be issued in accordance with such beneficial ownership limitations, and in successive tranches if required to comply with such beneficial ownership limitations (each an "Additional Tranche"). The Company shall issue each Additional Tranche within two (2) business days of the request by Buyer. Additionally, in the event of a reverse stock split by the Company any fractional shares held by the Buyer shall be rounded up to the nearest whole share.

5. CONDITIONS PRECEDENT TO THE COMPANY'S OBLIGATIONS TO SELL. The obligation of the Company hereunder to issue and sell a Note to the Buyer at a Closing is subject to the satisfaction, at or before each Closing Date of each of the following conditions thereto, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion:

a. The Buyer shall have executed this Agreement and delivered the same to the Company.

b. The Buyer shall have delivered the Purchase Price in accordance with Section 1(b) above.

c. The representations and warranties of the Buyer shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date), and the Buyer shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Buyer at or prior to the Closing Date.

d. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

6. CONDITIONS PRECEDENT TO THE BUYER'S OBLIGATION TO PURCHASE.

a. The obligation of the Buyer hereunder to purchase the First Note at the First Closing is subject to the satisfaction, at or before the First Closing Date of each of the following conditions, provided that these conditions are for the Buyer's sole benefit and may be waived by the Buyer at any time in its sole discretion:

(i) The Company shall have executed this Agreement, effectuated the Issuance, and delivered the Agreement and Issuance to the Buyer.

(ii) The Board of Directors of the Company shall have approved by Unanimous Written Consent (the "Consent") the Issuance and transactions contemplated by this Agreement and the First Note and the Company shall have delivered a copy of such fully executed Consent to the Buyer.

(iii) The Company shall have delivered to the Buyer the duly executed First Note (in such denominations as the Buyer shall request) and in accordance with Section 1(b) above.

(iv) The Irrevocable Transfer Agent Instructions, in form and substance satisfactory to the Buyer, shall have been delivered to and acknowledged in writing by the Company's Transfer Agent and such fully executed Irrevocable Transfer Agent Instructions shall have been delivered to the Buyer.

(v) The representations and warranties of the Company shall be true and correct in all material respects as of the date when made and as of the First Closing Date as though made at such time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the First Closing Date. The Buyer shall have received a certificate or certificates, executed by the chief executive officer of the Company, dated as of the First Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by the Buyer including, but not limited to certificates with respect to the Company's Certificate of Incorporation, By-laws and Board of Directors' resolutions relating to the transactions contemplated hereby.

(vi) No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

(vii) No event shall have occurred which could reasonably be expected to have a Material Adverse Effect on the Company including but not limited to a change in the 1934 Act reporting status of the Company or the failure of the Company to be timely in its 1934 Act reporting obligations.

(viii) The Conversion Shares shall have been authorized for quotation on the OTCBB, OTCQB, OTC Pink or any similar quotation system and trading in the Common Stock on the OTCBB, OTCQB or any similar quotation system shall not have been suspended by the SEC or the OTCBB, OTCQB, OTC Pink or any similar quotation system.

(ix) The Buyer shall have received the Initial Inducement Shares and an officer's certificate described in Section 3(c) above, dated as of the First Closing Date.

b. The obligation of the Buyer hereunder to purchase Additional Notes at any Additional Closing is subject to the satisfaction, at or before applicable Additional Closing Date of each of the following conditions, provided that these conditions are for the Buyer's sole benefit and may be waived by the Buyer at any time in its sole discretion:

(i) The Company shall have executed the Transaction Documents applicable to the Additional Closing and delivered copies of the same to the Buyer.

(ii) The representations and warranties of the Company shall be true and correct in all material respects (except to the extent that any of such representations and warranties are already qualified as to materiality in Section 2 above, in which case, such representations and warranties shall be true and correct in all respects without further qualification) as of the date when made and as of the Additional Closing Date as though made at that time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Additional Closing Date.

(iii) No event shall have occurred which could reasonably be expected to have a Material Adverse Effect.

(iv) No default or Event of Default shall have occurred and be continuing under this Agreement or any other Transaction Documents, and no event shall have occurred that, with the passage of time, the giving of notice, or both, would constitute a default or an Event of Default under this Agreement or any other Transaction Documents.

(v) The Company shall have executed such other agreements, certificates, confirmations or resolutions as the Buyer may require to consummate the transactions contemplated by this Agreement and the Transaction Documents.

7. GOVERNING LAW; MISCELLANEOUS.

a. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement, the Notes or any other agreement, certificate, instrument or document contemplated hereby shall be brought only in the state courts of New York or in the federal courts in the State of New York. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR UNDER ANY OTHER TRANSACTION DOCUMENT OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY**. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

b. Counterparts; Signatures by Facsimile. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

c. Construction; Headings. This Agreement shall be deemed to be jointly drafted by the Company and the Buyer and shall not be construed against any person as the drafter hereof. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

e. Entire Agreement; Amendments . This Agreement, the Notes and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the Buyer.

f. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, email, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by email or facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company, to:

Surge Holdings, Inc.
3124 Brother Blvd
Suite 104
Bartlett, Tennessee 38133

If to the Buyer, to:

Each party shall provide notice to the other party of any change in address.

g. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. Neither the Company nor the Buyer shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other. Notwithstanding the foregoing, subject to Section 2(f), the Buyer may assign its rights hereunder to any person that purchases Securities in a private transaction from the Buyer or to any of its "affiliates," as that term is defined under the 1934 Act, without the consent of the Company.

h. Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

i. Survival. The representations and warranties of the Company and the agreements and covenants set forth in this Agreement shall survive the closing hereunder not withstanding any due diligence investigation conducted by or on behalf of the Buyer. The Company agrees to indemnify and hold harmless the Buyer and all their officers, directors, employees and agents for loss or damage arising as a result of or related to any breach or alleged breach by the Company of any of its representations, warranties and covenants set forth in this Agreement or any of its covenants and obligations under this Agreement, including advancement of expenses as they are incurred.

j. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

k. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

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

m. Indemnification. In consideration of the Buyer's execution and delivery of this Agreement and acquiring the Securities hereunder, and in addition to all of the Company's other obligations under this Agreement or the Notes, the Company shall defend, protect, indemnify and hold harmless the Buyer and its stockholders, partners, members, officers, directors, employees and direct or indirect investors and any of the foregoing persons' agents or other representatives (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Indemnitees") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (the "Indemnified Liabilities"), incurred by any Indemnitee as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Company in this Agreement or the Notes or any other agreement, certificate, instrument or document contemplated hereby or thereby, (b) any breach of any covenant, agreement or obligation of the Company contained in this Agreement or the Notes or any other agreement, certificate, instrument or document contemplated hereby or thereby or (c) any cause of action, suit or claim brought or made against such Indemnitee by a third party (including for these purposes a derivative action brought on behalf of the Company) and arising out of or resulting from (i) the execution, delivery, performance or enforcement of this Agreement or the Notes or any other agreement, certificate, instrument or document contemplated hereby or thereby, (ii) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of the issuance of the Securities, or (iii) the status of the Buyer or holder of the Securities as an investor in the Company pursuant to the transactions contemplated by this Agreement. To the extent that the foregoing undertaking by the Company may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities that is permissible under applicable law.

n. Leak-Out. So long as no Event of Default has occurred, the Buyer agrees that the aggregate number of shares of Conversion Share and/or Inducement Shares that may be sold or otherwise transferred by the Buyer (taking into account sales and other transfers: (a) directly from the Buyer, (b) the Buyer's affiliates, and (c) any holder of such shares previously sold or otherwise transferred to such holder by the Buyer after the Closing Date) shall not exceed the greater of (i) five percent (5%) of the average daily trading volume for the previous thirty (30) Trading Days of the Common Stock as reported by the OTC Markets Group if the Common Stock is quoted over-the-counter, or by Bloomberg L.P. if the Common Stock is traded on an exchange, and (ii) in any calendar month, an amount equal to $50,000.00 of share sales at a per share price equal to the closing price of the Common Stock on the date hereof.

[signature page follows]

IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Agreement to be duly executed as of the date first above written.

SURGE HOLDINGS, INC.

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

[BUYER]

By: _____
Name:
Title:

AGGREGATE SUBSCRIPTION AMOUNT:

Principal Amount of the First Note:	US$162,000.00
Purchase Price of the First Note:	US$150,000.00

Exhibit A

Note

See attached

Exhibit B

Form of True-Up Notice

TRUE-UP NOTICE

Reference is made to that certain Securities Purchase Agreement (the "Purchase Agreement"), dated as of March 13, 2020 by and between Surge Holdings, Inc., a Nevada corporation (the "Borrower") and Nevada limited liability company (the "Buyer"). Pursuant to Section 4(o)(ii) of the Purchase Agreement, the undersigned hereby directs you to issue that number of shares of Common Stock constituting the "True-Up Amount" as set forth below, of the Borrower, within two (2) days of the date hereof or the next succeeding business day. No fee will be charged to the Buyer for any such issuance, except for transfer taxes, if any.

Box Checked as to applicable instructions:

[ ] The Borrower shall electronically transmit the Common Stock issuable pursuant to this True Notice to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("DWAC Transfer").
Name of DTC Prime Broker:
Account Number:

[ ] The undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

True-Up Amount (number of shares of common stock to be issued) _____

By: _____
Name:
Title:
Date:

Exhibit 10.20

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

Principal Amount: $162,000 **Issue Date: March 13, 2020**
Purchase Price: $150,000

PROMISSORY NOTE

FOR VALUE RECEIVED, **SURGE HOLDINGS, INC.**, a Nevada corporation (hereinafter called the "Borrower"), hereby promises to pay to the order of _____, or registered assigns (the "Holder") the sum of $162,000.00 together with any interest as set forth herein by no later than March 15, 2021 (the "Maturity Date"), and to pay interest on the unpaid principal balance hereof at the rate of fourteen percent (14%)(the "Interest Rate") per annum from the date hereof (the "Issue Date") until the same becomes due and payable in accordance with the payment schedule attached as Schedule A hereto. This Note may not be prepaid in whole or in part except as otherwise explicitly set forth herein. Any amount of principal or interest on this Note which is not paid when due shall bear interest at the rate of eighteen percent (18%) per annum from the due date thereof until the same is paid or converted in accordance with the terms hereof ("Default Interest"). Interest shall be computed on the basis of a 365 day year and the actual number of days elapsed. Interest shall commence accruing on the Issue Date. All payments of interest and principal due hereunder, subject to the terms hereof, shall be paid in accordance with the attached payment schedule set forth under Schedule A hereto. All payments due hereunder (to the extent not converted into common stock, $0.001 par value per share (the "Common Stock") in accordance with the terms hereof) shall be made in lawful money of the United States of America. All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note. Each capitalized term used herein, and not otherwise defined, shall have the meaning ascribed thereto in that certain Securities Purchase Agreement dated the date hereof, pursuant to which this Note was originally issued (the "Purchase Agreement").

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

The following terms shall apply to this Note:

ARTICLE I. CONVERSION RIGHTS UPON EVENT OF DEFAULT

1.1 Conversion Right. The Holder shall have the right upon any Event of Default, to convert all or any part of the outstanding and unpaid amount of this Note into fully paid and non-assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price (the "Conversion Price") determined as provided herein (a "Conversion"); provided, however, that in no event shall the Holder be entitled to convert any portion of this Note in excess of that portion of this Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Notes or the unexercised or unconverted portion of any other security of 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 Holder 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. The beneficial ownership limitations on conversion as set forth in the section may NOT be waived by the Holder. The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the "Notice of Conversion"), delivered to the Borrower by the Holder in accordance with Section 1.4 below; provided that the Notice of Conversion is submitted by facsimile or e-mail (or by other means resulting in, or reasonably expected to result in, notice) to the Borrower before 6:00 p.m., New York, New York time on such conversion date (the "Conversion Date"); however, if the Notice of Conversion is sent after 6:00pm, New York, New York time the Conversion Date shall be the next business day. The term "Conversion Amount" means, with respect to any conversion of this Note, the sum of (1) the principal amount of this Note to be converted in such conversion plus (2) at the Holder's option, accrued and unpaid interest, if any, on such principal amount at the interest rates provided in this Note to the Conversion Date, plus (3) at the Holder's option, Default Interest, if any, on the amounts referred to in the immediately preceding clauses (1) and/or (2) plus (4) at the Holder's option, any amounts owed to the Holder pursuant to Sections 1.4 hereof.

1.2 Conversion Price. Subject to the adjustments described herein, the conversion price (the "Conversion Price") shall equal the Variable Conversion Price (as defined herein) (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 "Variable Conversion Price" shall mean 65% multiplied by the Market Price (as defined herein) (representing a discount rate of 35%). "Market Price" means the lesser of (i) 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 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. To the extent the Conversion Price of the Borrower's Common Stock closes below the par value per share, the Borrower will take all steps necessary to solicit the consent of the stockholders to reduce the par value to the lowest value possible under law. The Borrower agrees to honor all conversions submitted pending this adjustment. Furthermore, the Conversion Price may be adjusted downward if, within three (3) business days of the transmittal of the Notice of Conversion to the Borrower, the Common Stock has a closing bid which is 5% or lower than that set forth in the Notice of Conversion. If the shares of the Borrower's Common Stock have not been delivered within three (3) business days to the Borrower, the Notice of Conversion may be rescinded. At any time after the Closing Date, if in the case that the Borrower's Common Stock is not deliverable by DWAC (including if the Borrower's transfer agent has a policy prohibiting or limiting delivery of shares of the Borrower's Common Stock specified in a Notice of Conversion), an additional 10% discount will apply for all future conversions under all Notes. If in the case that the Borrower's Common Stock is "chilled" for deposit into the DTC system and only eligible for clearing deposit, an additional 15% discount shall apply for all future conversions under all Notes while the "chill" is in effect. If in the case of both of the above, an additional cumulative 25% discount shall apply. Additionally, if the Borrower ceases to be a reporting company pursuant to the 1934 Act or if the Note cannot be converted into free trading shares after one hundred eighty-one (181) days from the Issue Date, an additional 15% discount will be attributed to the Conversion Price. If the Market Price cannot be calculated for such security on such date in the manner provided above, the Market Price shall be the lesser of (i) the lowest closing price of the Common Stock, or (ii) the fair market value as mutually determined by the Borrower and the holders of a majority in interest of the Notes being converted for which the calculation of the Trading Price is required in order to determine the Conversion Price of such Notes. "Trading Day" shall mean any day on which the Common Stock is tradable for any period on the OTC Pink, OTCQB or on the principal securities exchange or other securities market on which the Common Stock is then being traded. The Borrower shall be responsible for the fees of its transfer agent and all DTC fees associated with any such issuance. Holder shall be entitled to deduct $1,000.00 from the conversion amount in each Notice of Conversion to cover Holder's deposit fees associated with each Notice of Conversion. "VWAP" shall mean for the security during any Trading Day the volume weighted average price for the Common Stock.

1.3 Authorized Shares. The Borrower covenants that during the period the conversion right exists, the Borrower will reserve from its authorized and unissued Common Stock a sufficient number of shares, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of this Note issued pursuant to the Purchase Agreement. The Borrower is required at all times to have authorized and reserved three (3) times the number of shares that would be issuable upon full conversion of the Note (assuming that the 4.99% limitation set forth in Section 1.1 is not in effect)(based on the respective Conversion Price of the Note (as defined in Section 1.2) in effect from time to time, initially 2,950,000)(the "Reserved Amount"). The Reserved Amount shall be increased (or decreased with the written consent of the Holder) from time to time in accordance with the Borrower's obligations hereunder. The Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non-assessable. In addition, if the Borrower shall issue any securities or make any change to its capital structure which would change the number of shares of Common Stock into which the Notes shall be convertible at the then current Conversion Price, the Borrower shall at the same time make proper provision so that thereafter there shall be a sufficient number of shares of Common Stock authorized and reserved, free from preemptive rights, for conversion of the outstanding Note. The Borrower (i) acknowledges that it has irrevocably instructed its transfer agent to issue shares of Common Stock issuable upon conversion of this Note, and (ii) agrees that its issuance of this Note shall constitute full authority to its officers and agents who are charged with the duty of executing the issuance of Common Stock to execute and issue the necessary documents for shares of Common Stock in accordance with the terms and conditions of this Note.

If, at any time the Borrower does not maintain the Reserved Amount it will be considered an Event of Default under Section 3.2 of the Note.

1.4 Method of Conversion.

(a) Mechanics of Conversion. As set forth in Section 1.1 hereof, from time to time, and at any time during the period beginning on the date which is one hundred eighty (180) days following the date of this Note this Note may be converted by the Holder in whole or in part at any time from time to time after the Issue Date, by (A) submitting to the Borrower a Notice of Conversion (by facsimile, e-mail or other reasonable means of communication dispatched on the Conversion Date prior to 6:00 p.m., New York, New York time) and (B) subject to Section 1.4(b), surrendering this Note at the principal office of the Borrower (upon payment in full of any amounts owed hereunder).

(b) Surrender of Note Upon Conversion. Notwithstanding anything to the contrary set forth herein, upon conversion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Borrower unless the entire unpaid principal amount of this Note is so converted. The Holder and the Borrower shall maintain records showing the principal amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Borrower, so as not to require physical surrender of this Note upon each such conversion.

(c) Delivery of Common Stock Upon Conversion. Upon receipt by the Borrower from the Holder of a facsimile transmission or e-mail (or other reasonable means of communication) of a Notice of Conversion meeting the requirements for conversion as provided in this Section 1.4, the Borrower shall issue and deliver or cause to be issued and delivered to or upon the order of the Holder cause its transfer agent to electronically transmit the Common Stock issuable upon such conversion to the Holder by crediting the account of Holder's Prime Broker with DTC through its Deposit and Withdrawal at Custodian ("DWAC") system within two (2) business days after such receipt (the "Deadline") (and, solely in the case of conversion of the entire unpaid principal amount hereof, surrender of this Note) in accordance with the terms hereof and the Purchase Agreement. Upon receipt by the Borrower of a Notice of Conversion, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, the outstanding principal amount and the amount of accrued and unpaid interest on this Note shall be reduced to reflect such conversion, and, unless the Borrower defaults on its obligations hereunder, all rights with respect to the portion of this Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as herein provided, on such conversion. If the Holder shall have given a Notice of Conversion as provided herein, the Borrower's obligation to issue and deliver the Common Stock shall be absolute and unconditional, irrespective of the absence of any action by the Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of the Borrower to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder of any obligation to the Borrower, and irrespective of any other circumstance which might otherwise limit such obligation of the Borrower to the Holder in connection with such conversion.

(d) RESERVED.

(e) Failure to Deliver Common Stock Prior to Deadline. Without in any way limiting the Holder's right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion of this Note is not delivered by the Deadline due to action and/or inaction of the Borrower, the Borrower shall pay to the Holder $2,000 per day in cash, for each day beyond the Deadline that the Borrower fails to deliver such Common Stock (the "Fail to Deliver Fee"); provided; however that the Fail to Deliver Fee shall not be due if the failure is a result of a third party (i.e., transfer agent; and not the result of any failure to pay such transfer agent) despite the best efforts of the Borrower to effect delivery of such Common Stock. Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of the Holder (by written notice to the Borrower by the first day of the month following the month in which it has accrued), shall be added to the principal amount of this Note, in which event interest shall accrue thereon in accordance with the terms of this Note and such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Note. The Borrower agrees that the right to convert is a valuable right to the Holder. The damages resulting from a failure, attempt to frustrate, interference with such conversion right are difficult if not impossible to qualify. Accordingly, the parties acknowledge that the liquidated damages provision contained in this Section 1.4(e) are justified.

1.5 Concerning the Shares. The shares of Common Stock issuable upon conversion of this Note may not be sold or transferred unless: (i) such shares are sold pursuant to an effective registration statement under the Act or (ii) the Borrower's transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration (such as Rule 144 or a successor rule) ("Rule 144"); or (iii) such shares are transferred to an "affiliate" (as defined in Rule 144) of the Borrower who agrees to sell or otherwise transfer the shares only in accordance with this Section 1.5 and who is an Accredited Investor (as defined in the Purchase Agreement).

Any restrictive legend representing shares of Common Stock issuable upon conversion of this Note shall be removed and the Borrower shall issue to the Holder Common Stock free of any transfer legend if the Borrower or its transfer agent shall have received an opinion of counsel from Holder's counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that (i) a public sale or transfer of such Common Stock may be made without registration under the Act, which opinion shall be accepted by the Company so that the sale or transfer is effected; or (ii) in the case of the Common Stock issuable upon conversion of this Note, such security is registered for sale by the Holder under an effective registration statement filed under the Act; or otherwise may be sold pursuant to an exemption from registration. In the event that the Company does not reasonably accept the opinion of counsel provided by the Holder with respect to the transfer of Securities pursuant to an exemption from registration (such as Rule 144), at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.

1.6 Effect of Certain Events.

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

(b) Adjustment Due to Merger, Consolidation. If, at any time when this Note is issued and outstanding and prior to conversion of all of the Note, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock of the Borrower shall be changed into the same or a different number of shares of another class or classes of stock or securities of the Borrower or another entity, or in case of any sale or conveyance of all or substantially all of the assets of the Borrower other than in connection with a plan of complete liquidation of the Borrower, then the Holder of this Note shall thereafter have the right to receive upon conversion of this Note, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion, such stock, securities or assets which the Holder would have been entitled to receive in such transaction had this Note been converted in full immediately prior to such transaction (without regard to any limitations on conversion set forth herein), and in any such case appropriate provisions shall be made with respect to the rights and interests of the Holder of this Note to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Conversion Price and of the number of shares issuable upon conversion of the Note) shall thereafter be applicable, as nearly as may be practicable in relation to any securities or assets thereafter deliverable upon the conversion hereof. The Borrower shall not affect any transaction described in this Section 1.6(b) unless (a) it first gives, to the extent practicable, ten (10) days prior written notice (but in any event at least five (5) days prior written notice) of the record date of the special meeting of shareholders to approve, or if there is no such record date, the consummation of, such merger, consolidation, exchange of shares, recapitalization, reorganization or other similar event or sale of assets (during which time the Holder shall be entitled to convert this Note) and (b) the resulting successor or acquiring entity (if not the Borrower) assumes by written instrument the obligations of this Note. The above provisions shall similarly apply to successive consolidations, mergers, sales, transfers or share exchanges.

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

(d) DTC Eligibility. If the Borrower fails to maintain its status as "DTC Eligible" for any reason, , the principal amount of the Note shall increase by 15% (under Holder's and Borrower's expectation that any principal amount increase will tack back to the Issue Date). In addition, an additional 15% discount shall be applied to the Variable Conversion Price.

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

1.7 Prepayment. The outstanding balance due hereunder may be prepaid by the Company at the sole discretion of the Holder. Such prepayment amount delievered by the Company to the Holder shall be authorized and consented to in writing by the Holder.

ARTICLE II. CERTAIN COVENANTS

2.1 Sale of Assets. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, sell, lease or otherwise dispose of any significant portion of its assets outside the ordinary course of business. Any consent to the disposition of any assets may be conditioned on a specified use of the proceeds of disposition.

2.2 Section 3(a)(9) or 3(a)(10) Transaction. So long as this Note is outstanding, the Borrower shall not enter into any transaction or arrangement structured in accordance with, based upon, or related or pursuant to, in whole or in part, either Section 3(a)(9) of the Securities Act (a "3(a)(9) Transaction") or Section 3(a)(l0) of the Securities Act (a "3(a)(l0) Transaction"). In the event that the Borrower does enter into, or makes any issuance of Common Stock related to a 3(a)(9) Transaction or a 3(a)(l0) Transaction while this Note is outstanding, a liquidated damages charge of 25% of the outstanding principal balance of this Note, but not less than Fifteen Thousand Dollars $15,000, will be assessed and will become immediately due and payable to the Holder at its election in the form of cash payment or addition to the balance of this Note.

ARTICLE III. EVENTS OF DEFAULT

If any of the following events of default (each, an "Event of Default") shall occur:

3.1 Failure to Pay Principal and Interest. The Borrower fails to pay the principal hereof or interest thereon when due on this Note in accordance with Schedule A attached hereto with a five (5) calendar day cure period.

3.2 Conversion and the Shares. The Borrower fails to issue shares of Common Stock to the Holder (or announces or threatens in writing that it will not honor its obligation to do so) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note, fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form at the option of the Holder) shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, the Borrower directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form at the option of the Holder) shares of Common Stock to be issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, or fails to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph) and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for two (2) business days after the Holder shall have delivered a Notice of Conversion. It is an obligation of the Borrower to remain current in its obligations to its transfer agent. It shall be an event of default of this Note, if a conversion of this Note is delayed, hindered or frustrated due to a balance owed by the Borrower to its transfer agent. If at the option of the Holder, the Holder advances any funds to the Borrower's transfer agent in order to process a conversion, such advanced funds shall be paid by the Borrower to the Holder within forty-eight (48) hours of a demand from the Holder.

3.3 Breach of Covenants. The Borrower breaches any material covenant or other material term or condition contained in this Note and any collateral documents including but not limited to the Purchase Agreement..

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

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

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

3.7 Delisting of Common Stock. The Borrower shall fail to maintain the listing of the Common Stock on at least one of the OTC (which specifically includes the quotation platforms maintained by the OTC Markets Group) or an equivalent replacement exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, the New York Stock Exchange, or the American Stock Exchange.

3.8 Failure to Comply with the Exchange Act. The Borrower shall fail to comply with the reporting requirements of the Exchange Act, or if the Company files a 12b-25 Notice of Late filing for any periodic report; and/or the Borrower shall cease to be subject to the reporting requirements of the Exchange Act.

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

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

3.11 Financial Statement Restatement. The restatement of any financial statements filed by the Borrower with the SEC at any time after 180 days after the Issuance Date for any date or period until this Note is no longer outstanding, if the result of such restatement would, by comparison to the un-restated financial statement, have constituted a material adverse effect on the rights of the Holder with respect to this Note or the Purchase Agreement.

3.12 Replacement of Transfer Agent. In the event that the Borrower proposes to replace its transfer agent, the Borrower fails to provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Purchase Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower.

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

3.14 DTC Chill, DWAC Eligibility. At any time after the Issue Date, (i) if the Borrower's Common Stock is not deliverable by DWAC (including if the Borrower's transfer agent has a policy prohibiting or limiting delivery of shares of the Borrower's Common Stock specified in a Notice of Conversion), or (ii) if in the case that the Borrower's Common Stock is "chilled" for deposit into the DTC system and only eligible for clearing deposit.

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

3.16 Cessation of Trading. Any cessation of trading of the Common Stock on at least one of the OTCBB, OTCQB, OTC Pink or an equivalent replacement exchange, the Nasdaq National Market, the Nasdaq Small Cap Market, the New York Stock Exchange, or the NYSE MKT, and such cessation of trading shall continue for a period of five consecutive (5) Trading Days.

3.17 OTC Markets Designation. OTC Markets changes the Borrower's designation to 'No Information' (Stop Sign), 'Caveat Emptor' (Skull and Crossbones), OTC Pink, or 'OTC', 'Other OTC' or 'Grey Market' (Exclamation Mark Sign).

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

3.19 Unavailability of Rule 144. If, at any time on or after the date which is six (6) months after the Issue Date, the Holder is unable to (i) obtain a standard "144 legal opinion letter" from an attorney reasonably acceptable to the Holder, the Holder's brokerage firm (and respective clearing firm), and the Borrower's transfer agent in order to facilitate the Holder's conversion of any portion of the Note into free trading shares of the Borrower's Common Stock pursuant to Rule 144, and (ii) thereupon deposit such shares into the Holder's brokerage account.

3.20 Section 3a9 or 3(a)(10) Transaction. The Borrower shall enter into a 3(a)(9) Transaction or a 3(a)(l0) Transaction.

Upon the occurrence and during the continuation of any Event of Default specified in Section 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due at the Maturity Date), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the Default Amount (as defined herein). UPON THE OCCURRENCE AND DURING THE CONTINUATION OF ANY EVENT OF DEFAULT SPECIFIED IN SECTION 3.2, OR SECTION 3.19, THE NOTE SHALL BECOME IMMEDIATELY DUE AND PAYABLE AND THE BORROWER SHALL PAY TO THE HOLDER, IN FULL SATISFACTION OF ITS OBLIGATIONS HEREUNDER, AN AMOUNT EQUAL TO: (Y) THE DEFAULT AMOUNT (AS DEFINED HEREIN); MULTIPLIED BY (Z) ONE AND A HALF (1.5). Upon the occurrence and during the continuation of any Event of Default specified in Sections 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due on this Note in accordance with Schedule A attached hereto), 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, 3.16, 3.17, and/or 3.18, exercisable through the delivery of written notice to the Borrower by such Holders (the "Default Notice"), and upon the occurrence of an Event of Default specified the remaining sections of Articles III (other than failure to pay the principal hereof or interest thereon at the Maturity Date specified in Section 3,1 hereof), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the greater of (i) 150% times the sum of (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the date of conversion (the "Conversion Date") plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and/or (x) plus (z) any amounts owed to the Holder pursuant to Section 1.4(e) hereof (the then outstanding principal amount of this Note to the date of payment plus the amounts referred to in clauses (x), (y) and (z) shall collectively be known as the "Default Amount") and all other amounts payable hereunder shall immediately become convertible, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

If the Borrower fails to pay the Default Amount within five (5) business days of written notice that such amount is due and payable, then the Holder shall have the right at any time, so long as the Borrower remains in default (and so long and to the extent that there are sufficient authorized shares), to require the Borrower, upon written notice, to immediately issue, in lieu of the Default Amount, the number of shares of Common Stock of the Borrower equal to the Default Amount divided by the Conversion Price then in effect.

ARTICLE IV. MISCELLANEOUS

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

4.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by e-mail, hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Borrower, to:

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

If to the Holder:

4.3 Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term "Note" and all reference thereto, as used throughout this instrument, shall mean this instrument (and the other Notes issued pursuant to the Purchase Agreement) as originally executed, or if later amended or supplemented, then as so amended or supplemented.

4.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. Each transferee of this Note must be an "accredited investor" (as defined in Rule 501(a) of the Securities and Exchange Commission). Notwithstanding anything in this Note to the contrary, this Note may be pledged as collateral in connection with a bona fide margin account or other lending arrangement; and may be assigned by the Holder without the consent of the Borrower.

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

4.6 Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Note shall be brought only in the state courts of New York or in the federal courts located in the Eastern District of New York. The parties to this Note hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. The Borrower and Holder waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Note or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Note, any agreement or any other document delivered in connection with this Note by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Note and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

4.7 Purchase Agreement. By its acceptance of this Note, each party agrees to be bound by the applicable terms of the Purchase Agreement.

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

4.9 Piggyback Registration Rights. The Borrower shall include on the next registration statement the Borrower files with SEC (or on the subsequent registration statement if such registration statement is withdrawn, and excluding the current registration statement that the Borrower has on file with the SEC) all shares issuable upon conversion of this Note, unless such shares are at that time eligible for sale under Rule 144 under the Securities Act. The Borrower agrees that this is a material term of the Note and any breach of this Section 4.10 will result in an Event of Default under Section 3.4 of this Note.

4.10 Severability. In the event that any provision of this Note is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

4.11 Dispute Resolution. In the case of a dispute as to the determination of the Conversion Price, Conversion Amount, amount owed under an Event of Default, Closing or Maturity Date, the closing bid price, or fair market value (as the case may be) or the arithmetic calculation of the Conversion Price (as the case may be), the Borrower or the Holder shall submit the disputed determinations or arithmetic calculations via facsimile (i) within two (2) Business Days after receipt of the applicable notice giving rise to such dispute to the Borrower or the Holder or (ii) if no notice gave rise to such dispute, at any time after the Holder learned of the circumstances giving rise to such dispute. If the Holder and the Borrower are unable to agree upon such determination or calculation within two (2) Business Days of such disputed determination or arithmetic calculation (as the case may be) being submitted to the Borrower or the Holder, then the Borrower shall, within two (2) Business Days, submit via facsimile (a) the disputed determination of the Conversion Price, the closing bid price, the or fair market value (as the case may be) to an independent, reputable investment bank selected by the Borrower and approved by the Holder or (b) the disputed arithmetic calculation of the Conversion Price, Conversion Amount, or amount owed under an Event of Default to an independent, outside accountant selected by the Holder that is reasonably acceptable to the Borrower. The Borrower shall cause at its expense the investment bank or the accountant to perform the determinations or calculations and notify the Borrower and the Holder of the results no later than four (4) Business Days from the time it receives such disputed determinations or calculations. Such investment bank's or accountant's determination or calculation shall be binding upon all parties absent demonstrable error.

[- Signature Page Follows -]

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its duly authorized officer this on March 13, 2020.

SURGE HOLDINGS, INC.

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

EXHIBIT A — NOTICE OF CONVERSION

The undersigned hereby elects to convert $_____ principal amount of the Note (defined below) into that number of shares of Common Stock to be issued pursuant to the conversion of the Note ("Common Stock") as set forth below, of Surge Holdings, Inc., a Nevada corporation (the "Borrower") according to the conditions of the convertible note of the Borrower dated as of March 13, 2020 (the "Note"), as of the date written below. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any.

Box Checked as to applicable instructions:

[ ] The Borrower shall electronically transmit the Common Stock issuable pursuant to this Notice of Conversion to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("DWAC Transfer").

Name of DTC Prime Broker:
Account Number:

[ ] The undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

Date of conversion: _____
Applicable Conversion Price: $_____
Number of shares of common stock to be issued pursuant to conversion of the Notes: _____
Amount of Principal Balance due remaining under the Note after this conversion: _____

By: _____
Name:
Title:
Date:

SCHEDULE A – PAYMENT SCHEDULE

Date	Monthly Payment Amount
April15, 2020	No Payment
May15, 2020	No Payment
June 15, 2020	No Payment
July 15, 2020	No Payment
August 15, 2020	No Payment
September 15, 2020	$25,649.11
October 15, 2020	$25,649.11
November 15, 2020	$25,649.11
December 15, 2020	$25,649.11
January15, 2020	$25,649.11
February 15, 2021	$25,649.11
March 15, 2021	$25,649.11
Total	$179,543.79

Exhibit 10.21

SURGE HOLDINGS, INC.

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement"), effective as of March 1, 2020 (the "Effective Date"), is made by and between Surge Holdings, Inc. (the "Company"), and Anthony George Evers (the" Executive") (collectively referred to herein as the "Parties").

WHEREAS the Company desires to assure itself of the services of the Executive by engaging the Executive to perform services under the terms hereof'. and

WHEREAS the Executive wishes to be employed by the Company and provide full-time personal services to the Company in return for the compensation and benefits detailed herein.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, including the agreements set forth below, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

l. Employment.

(a) General. The Company shall employ the Executive as a full-time employee of the Company effective as of the Effective Date, in the position set forth in this Section 1, and upon the other terms and conditions herein provided.

(b) Position and Duties. Executive: (i) shall serve as the Chief Financial Officer und Chief Information Officer, with responsibilities, duties and authority customary for such position, subject to direction by the Company's Chief Executive Officer (the "CEO") and the Company's President and Chief Operations Officer (the "COO"); (ii) shall report directly to the President; (iii) shall devote such Executive's working time and efforts to the business and affairs of the Company and its subsidiaries as necessary to complete the duties required; and (iv) agrees to observe and comply with the Company's rules and policies as adopted by the Company from time to time. In addition, as of the Effective Date, the Executive shall be appointed as a member of the Board and the Company shall lake all actions, subject to shareholder approval, required to cause Executive to be reelected as a member of the Board while employed hereunder.

(c) Place of Employment. The Company will maintain office space in Chicagoland, from time to time may require Executive travel temporarily to locations in Nevada, Tennessee, El Salvador and such other venues as required from time to time on the Company's business. Executive's position shall require 50% or less travel.

(d) Exclusivity. The Company agrees or consents that Executive shall serve on each respective board of directors of companies which are subsidiaries of the Company or companies which Executive has an interest as set forth on Exhibit A attached hereto, which consent shall continue until such time as the Board provides notice to Executive that, in its reasonable judgment, such company competes with the Company, such service interferes with Executive's duties as Chief Executive Officer of the Company or places him in a compelling position, or otherwise conflicts with, the interests of the Company, In addition, the Company consents to the Executive providing the services set forth on Exhibit B attached hereto, which consent shall continue for the time period specified on Exhibit B. Notwithstanding the foregoing, Executive may devote reasonable time to unpaid activities such as supervision of personal investments and activities involving professional, charitable, educational, religious, civic and similar types of activities, speaking engagements and membership on committees, provided such activities do not individually or in the aggregate interfere with the performance of Executive's duties under this Agreement, violate the Company's standards of conduct then in effect, or raise a conflict under the Company's conflict of interest policies. Executive cannot serve on the board of directors of a private or publicly traded company (other than the Company's Board) without the Board's prior written consent (it being understood that the Board has expressly consented to the service set forth on Exhibit A),

2. Compensation and Related Matters.

(a) Annual Base Salary. Executive shall receive a base salary at the rate of $270,000 per annum (the "Annual Base Salary"), subject to withholdings and deductions and which shall be paid to Executive in accordance with the customary payroll practices and procedures of the Company. Such Annual Base Salary shall be reviewed by the Company not less often than annually and may be adjusted from time to time, Executive is eligible at the sole discretion of the President a yearly cash bonus of an amount up to $100,000 (one hundred thousand dollars).

(b) Bonus Commencing in the third quarter of fiscal year 2020 and for each fiscal year thereafter during Executive's employment with the Company, Executive will be eligible to receive a discretionary annual performance bonus, with a target achievement of up to 100% of Annual Base Salary (the "Annual Bonus"). The amount of the Annual Bonus that shall be payable shall be based on the achievement of performance goals to be determined by the Board, in its sole discretion. The amount of any Annual Bonus for which Executive is eligible shall be reviewed by the Board from time to time, provided that that target achievement for the Annual Bonus shall not be less than 25% of Annual Base Salary. Any Annual Bonus earned by Executive pursuant to this section shall be paid to Executive in accordance with Company policies, less authorized deductions and required withholding obligations, within two and a half months following the end of the fiscal year to which the bonus relates.

(c) Additional Bonus. In consideration for Executive entering into this Agreement and providing services to the Company, Executive shall be entitled to receive a one-time bonus payment equal to 1,000,000 shares of Company Common Stock (the "Additional Bonus"). The Additional Bonus shall be paid to Executive, less authorized deductions and required withholding obligations, within thirty days of the Company's Common Stock trading at a Value Weighted Average Price ("VWAP") of $2.00 or above for any ninety (90) day Trading period, subject to Executive continuing to provide services to the Company through the applicable Additional Bonus payment date. These shares will be eligible for conversion upon the dale six (6) months following Surge Holdings lift to Nasdaq.

(d) Benefits. Executive shall receive full executive family medical package. Executive shall also participate in such full-time employee and executive benefit plans and programs as the Company may from time to time offer to senior executives of the Company, subject to the terms and conditions of such plans, including, without limitation. The Company shall make annual contributions to Executive's 401 (k) plan account as authorized by the Compensation Committee of' the Board, in its sole discretion, in accordance with the terms of the 401 (k) plan.

(e) Life Insurance. The Company shall directly pay or reimburse Executive for the premiums of a term life insurance policy, up to a maximum of S3,000 annually. If Executive's employment terminates for any or no reason, the Company shall have no obligation to continue to bear the costs of the life insurance policy for Executive, but Executive may choose to assume responsibility for payments required to continue the policy.

(f) Travel. Until the date of Executive's termination of employment with the Company, the Company shall provide Executive with first or business class plane seating when available. This allowance shall be payable to Executive, less authorized deductions and withholding obligations, each month on the regular payroll dates of the Company and shall be produced tor any partial months.

(g) Vacation. Executive shall be entitled to a total or 5 weeks Paid Time off plus any other Company holidays provided by the Company which are applicable to the Company's executive officers in accordance with Company policy. The opportunity to take paid time off is contingent upon Executive's workload and ability to manage his schedule.

(h) Business Expenses. 'l'he Company shall reimburse Executive for all reasonable, documented, out of pocket travel and other business expenses incurred by Executive in the performance of' Executive's duties to the Company in accordance with the Company's applicable expense reimbursement policies and procedures as in effect from time to time.

3. Equity Awards.

(a) Stock Option, Subject to approval by the Board, on the date determined in accordance with the Company's established policy Executive shall be granted an option (the "Option") to purchase the number of shares of Company common stock determined by dividing (i) $270,000 *by* (ii) the VWAP for the ten days preceding the date of grant and such other variables as determined by the Company that are consistent with the Company's financial reporting. 'l'he per share exercise price of the Option shall be equal to the VWAP of the Company's Common Stock on the date of grant. The Option shall vest and become exercisable with respect to twenty percent (20%) of the total number of shares of Company common stock subject to the Option on the first (1^{s}) and second (2^{nd}) anniversary of the Effective Date and thirty percent (30%) of the total number of shares of Company common stock subject to the Option on the third (3rd) and fourth (4^{th}) anniversary of the Effective Date, such that the Option shall be fully vested and exercisable on the fourth (4^{th},) anniversary of the Effective Date, in each case, subject to Executive's continuous service to the Company through the applicable vesting dale. Unless extended by the Company, the Option shall terminate on the seventh (7^{rh}) anniversary of its grant. The Option shall otherwise be subject to the terms of the plan pursuant to which it is granted and/or an option agreement to be entered into between the Executive and the Company.

(b) Restricted Stock Units. Subject to approval by the Board, on the date determined in accordance with the Company's established policy Executive shall be granted an award of that number of restricted stock units (the "RSUs") determined by dividing (i) $270,000 by (ii) the V WAP for the ten days preceding the date of grant. The RSUs shall vest with respect to fifty percent (50%) of the total number of RSUs on each anniversary of the Effective Dale, such that the RSUs shall be fully vested on the second (2^{nd}) anniversary of the Date, subject to Executive's continuous service to the Company through the applicable vesting date. The RSUs shall otherwise be subject to the terms of the plan pursuant to which they are granted and/or an award agreement to be entered into between Executive and the Company.

(c) Performance Restricted Stock Units. Subject to approval by the Board, on the date determined in accordance with the Company's established policy Executive shall be granted an award of that number of restricted stock units (the ' determined by dividing (i) $270,000 by (ii) the V WAP for the ten days the dale of grant. The Performance RSUs shall vest in accordance with the achievement, if any, of certain performance goals established by the Board and set forth in the agreement evidencing the Performance RSUs over a two (2) year period from the Effective Date, subject to Executive's continuous service to the Company through the applicable vesting date. The Performance RSUs shall otherwise be subject to the terms of the plan pursuant to which they are granted and/or an award agreement to be entered into between Executive and the Company.

(d) Additional Equity Awards . Executive shall be eligible to be granted additional equity awards in accordance with the Company's policies as in effect from time to time.

(e) Leak-Out. Employee will not, for the eighteen (18) calendar months 161 lowing the Effective Date, for the purpose of open market trades, 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, (YI'CQB, or the OTC Pink marketplace, Nasdaq, NYSE, or other trading market on which the Common Stock is then trading. Other than via open market trades, Employee 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 Company. Company's consent to a transfer or disposal of the Conversion Shares by Employee shall be specifically conditioned on the transfi2t•ee or the Conversion Shares signing a Leak-Out Agreement with the Company with substantially the same terms as expressly outlined in this Section. For the avoidance of doubt, open market trades by the Employee do not require Company's consent. Any subsequent grant of stock to the Employee aner the Effective Date shall have a six (6) calendar month leak out restriction period with substantially the same terms as expressly outlined in this Section.

4.Termination.

(a) Change in Control and Severance Agreement. In connection with Executive's employment hereunder, Executive shall be entitled to enter into a Change in Control and Severance Agreement with the Company providing severance protection in the event of' certain terminations of employment with the Company (the "Change in Control and Severance Agreement").

(b) At-will Employment. Subject to any obligation of the Company to provide severance in accordance with the Change in Control and Severance Agreement, the Company and Executive acknowledge that Executive's employment is und shall continue to be at-will, as defined under applicable law. This means that it is not for any specified period of time and can be terminated by Executive or by the Company at any time, with or without advance notice, and for any or no particular reason or cause. It also means that Executive's job duties, title and responsibility and reporting level, work schedule, compensation and benefits, as well as the Company's personnel policies and procedures, may be changed with prospective effect, with or without notice, at any time in the sole discretion of the Company. This "at-will" nature or Executive's employment shall remain unchanged during Executive's tenure as an employee and may not be changed, except in an express writing signed by Executive and a duly authorized member of the Board. If Executive's employment terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, award or compensation other than as provided in the Change in Control and Severance Agreement,

(c) "Evergreen" Failure. Notwithstanding anything to the contrary herein, for purposes of' compensation and benefits payable to the Executive pursuant to this Agreement only, the term of this Agreement shall extend to a date which is one (l) year following the date of termination of Executive's employment with the Company.

(d) Deemed Resignation. Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and directorships, if any, and then held with the Company or any of its affiliates, and, at the Company's request, Executive shall execute such documents as are necessary or desirable to such resignations.

(e) Return of Company Propery. Executive hereby acknowledges and agrees that all Company Property and equipment furnished to, or prepared by, Executive in the course of, or incident to, Executive's employment» belongs to the Company and shall be promptly returned to the Company upon termination of Executive's employment (and will not be kept in Executive's possession or delivered to anyone else). For purposes or this Agreement, "Company-Property" includes, without limitation, all books, manuals, records, reports, notes, contracts, lists, blueprints, and other documents, or materials, or copies thereof (including computer files), keys. building card keys, company credit cards, telephone calling cards, computer hardware and software, cellular and portable telephone equipment, personal digital assistant (PDA) devices, and all other proprietary information relating to the business of the Company or its subsidiaries or affiliates. Following termination, Executive shall not retain any written or other tangible material containing any proprietary information of (he Company or its subsidiaries or affiliates.

5. Assignment and Successors.

The Company may assign its rights and obligations under this Agreement to any successor to all or substantially all of the business or the assets of the Company (by merger or otherwise), and may assign or encumber this Agreement and its rights hereunder as security for indebtedness of the Company and its affiliates. This Agreement shall be binding upon and inure to the benefit of the Company, executives and their respective successors, assigns, personnel and legal representatives, executors, administrators, heirs, distributes, devisees, and legatees, as applicable. None of Executive's rights or obligations may be assigned or transferred by Executive, other than Executive's rights to payments hereunder, which may be transferred only by will or operation of law.

6.Miscellaneous Provisions.

a Work Eligibility Confidentiality Agreement, As a condition or Executive's employment with the Company, Executive will be required to provide evidence of Executive's identity and eligibility for employment in the United States. It is required that Executive bring the appropriate documentation with Executive at the time of employment. As a further condition of Executive's employment with the Company, Executive shall enter into and abide by the Company's standard Proprietary Information and Inventions Assignment Agreement (the "Confidential Information Agreement").

b Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which Shull remain in full force and effect. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the laws of the State of Tennessee without regard to the conflicts of law provisions thereof,

c Notices. Any notice, request, claim, demand, document and other communication hereunder to any Party shall be effective upon receipt (or refusal of receipt) and shall be in writing and delivered personally or sent by email and certified or registered mail, postage prepaid (or if it is sent through any other method agreed upon by the parties), as follows:

i If to the Company:

Company:	Surge Holdings Inc.
Address:	3124 Brother Blvd, Suite 104 Bartlett, TN 38103
Attn:	Board of Directors
e-mail:	

ii If to Executive, at the address set forth on the signature page hereto.

iii Or at any other address as any Party shall have specified by notice in writing to the other Party.

d Counterparty. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement. Signatures delivered by facsimile shall be deemed for all purposes.

e Entire Agreement. The terms of this Agreement, collectively with the Change in Control and Severance Agreement and the Confidential Information Agreement, is intended by the Parties to be the final expression of their agreement with respect to the employment of Executive by the Company und supersede all prior understandings and agreements, whether mitten or oral. The Parties further intend that this Agreement, collectively with the Change in Control und Severance Agreement and the Confidential Information Agreement, shall constitute the complete and exclusive statement of their terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding to vary the terms of this Agreement.

(i) Amendments• Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by Executive and a duly authorized officer of Company. By an instrument in writing similarly executed, Executive or a duly authorized officer of' the Company, as applicable, may waive compliance by the other Party with any specifically identified provision or this Agreement that such other Party was or is obligated to comply with or perform; provided, however, that such waiver shall not operate as a waiver of, or stopple with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy, or power hereunder preclude any other or further exercise of' any other right, remedy, or power provided herein or by law or in equity.

(g) Dispute Resolution & Arbitration. Executive and the Company agree that if' any dispute, controversy or claim should arise between Executive and the Company (including claims against its employees, officers, directors, shareholders, agents, successors and assigns) relating or pertaining to or arising out of Executive's employment with the Company or this Agreement, the dispute will be submitted exclusively to binding arbitration before a neutral arbitrator conducted in the state of Nevada, in accordance with the law of' the state of Nevada without regard for conflicts of law as well as the commercial rules and procedures of the American Arbitration Association then in force. This means that disputes will be decided by an arbitrator rather than a court or jury, and that both Executive and the Company waive their respective rights to a court or jury trial. Executive understands that the arbitrator's decision will be final and exclusive and cannot be appealed. Notwithstanding the foregoing, each of Executive and the Company agrees to, prior to submitting a dispute under this Agreement to arbitration, submit, for a period of sixty (60) days, to voluntary mediation before a jointly selected neutral third party mediator under the auspices of JAMS, Las Vegas, NV, resolutions center (or any successor location), pursuant to the procedures of JAMS international mediation rules conducted in the state oc Nevada (however, such mediation or obligation to mediate shall not suspend or otherwise delay any termination or other action of the Cofpany or affect the Company's other rights). Nothing in this Agreement is intended 10 prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding anything herein to the contrary, Executive and the Company each have the right to resolve any issue or dispute over intellectual property rights by court action instead of arbitration. In such case the exclusive jurisdiction and venue for any and all disputes arising hereunder necessitating such action shall be in the state and federal courts of Clark County, Nevada.

(h) Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement (including, without limitation, any allowances and reimbursements) any state, local or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

7. Section 409A.

The intent of the Parties is that the payments and benefits under this Agreement be exempt from Section 409A of the Internal Revenue Code of 1986, as amended (collectively with the Department of Treasury regulations and other interpretive guidance issued hereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date, "Section 409A"), and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be exempt therefrom. If Executive notifies the Company that Executive has received advice of tax counsel of a national reputation with expertise in Section 409A that any provision of this Agreement would cause Executive to incur any additional tax or interest under Section 409A (with specificity as to the reason therefore) or the Company independently makes such determination, the Company and Executive shall take commercially reasonable efforts to reform such provision to try to comply with or be exempt from Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A, provided that any such modifications shall not increase the cost or liability to the Company. To the extent that any provision hereof is modified in order to comply with or be exempt from Section 40.9A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to Executive and the Company of the applicable provision without violating the provisions of Section 409A.

[Signature Page Follows]

IN WITNESS WIIEREOF, the Parties have duly executed this Agreement as of the date and year first above written.

Surge Holdings, Inc.
By _____
Name Anthony Nuzzo
Title President and COO

The Executive
By _____
Name Anthony George Evers

Address:

_____

_____

_____

Exhibit B

Additional Outside Service

(to be provided under separate cover)

Exhibit 10.22

PROMISSORY NOTE

$ 100,000	AN Holdings, LLC	April 24, 2020
Amount	Lender	Date

FOR VALUE RECEIVED, the Undersigned acknowledges that he is indebted to the Lender in the amount stated herein and promises to pay on or before the date specified to the order of **AN Holdings, LLC** (the "Lender"), the principal sum of **one hundred thousand dollars ($100,000)** together with interest thereon from the date hereof to maturity at an annual interest rate of 15%. Said principal sum is due as soon as Undersigned receives a capital funding loan from any source.

All installments, prepayments, and other payments of principal and interest are payable to Lender at 1930 Thoreau Drive, Suite 100 Schaumburg, IL 60173 or at such other place as the Lender or holder may hereafter and from time to time designate in writing.

This Note may be prepaid, in whole or in part, without penalty at any time. At maturity, or default or failure to pay any installment of principal and interest required herein, the entire balance shall be immediately due and payable. Any remedy of Lender or holder upon default of the Undersigned shall be cumulative and not exclusive and choice of remedy shall be at the sole election of Lender or holder. The Undersigned agrees to pay all costs of collection, including reasonable attorney's fees, whether or not any suit, civil action, or other proceeding at law or in equity, is commenced. The Undersigned waives demand, presentment for payment, protest and notice of protest and nonpayment of this Note and expressly agrees to remain bound for the payment of principal, interest and other sums provided for by the terms of this Note, notwithstanding any extension or extensions of the time of, or for the payment of, said principal. No delay or omission on the part of the Lender or holder in exercising any rights shall operate as a waiver of such right. This Note shall be governed by the laws of the State of Tennessee, and each party hereto agrees to venue and jurisdiction in the federal and state courts located in Shelby County, Tennessee.

[Signature Page Follows]

Executed on April 24, 2020

UNDERSIGNED:

Printed Name: Brian Cox
Company: Surge Holdings, Inc.

WITNESS:

Printed Name

Signature

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Kevin Brian Cox, certify that:

1. I have reviewed this annual report on Form 10-K of Surge Holdings, Inc.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this annual report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; 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 over financial reporting.

Date: May 12, 2020

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

Exhibit 31.2

CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Anthony Evers, certify that:

1. I have reviewed this annual report on Form 10-K of Surge Holdings, Inc.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this annual report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; 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 over financial reporting.

Date: May 12, 2020

By: */s/ Anthony Evers*
Anthony Evers
Principal Financial Officer
Principal Accounting Officer

EXHIBIT 32.1

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

In connection with this Annual Report of Surge Holdings, Inc. (the "Company"), on Form 10-K for the year ended December 31, 2019, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Kevin Brian Cox, Chief Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) Such Annual Report on Form 10-K for the year ended December 31, 2019, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in such Annual Report on Form 10-K for the year ended December 31, 2019, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 12, 2020

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

EXHIBIT 32.2

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

In connection with this Annual Report of Surg Holdings, Inc. (the "Company"), on Form 10-K for the year ended December 31, 2019, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Anthony Evers, Chief Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) Such Annual Report on Form 10-K for the year ended December 31, 2019, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in such Annual Report on Form 10-K for the year ended December 31, 2019, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 12, 2020

By: */s/ Anthony Evers*
Anthony Evers
Chief Financial Officer