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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2023**

or

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

For the transition period from________________ to ________________

Commission file number **001-40992**

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	SURG	The Nasdaq Stock Market LLC (Nasdaq Capital Market)
Common Stock Purchase Warrants	SURGW	The Nasdaq Stock Market LLC (Nasdaq Capital Market)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X No ☐

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

Large accelerated filer ☐
Non-accelerated filer X
Accelerated filer ☐
Smaller reporting company X
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 7(a)(2)(B) of the Securities Act. ☐

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

The number of shares of the registrant's common stock outstanding as of August 5, 2023 was 14,223,202 shares.

TABLE OF CONTENTS

PART I

ITEM 1. FINANCIAL STATEMENTS

SurgePays, Inc. and Subsidiaries
Consolidated Balance Sheets

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Assets		
Current Assets		
Cash	$ 5,188,098	$ 7,035,654
Accounts receivable - net	10,289,379	9,230,365
Inventory	18,086,916	11,186,242
Prepaids	167,655	111,524
Total Current Assets	33,732,048	27,563,785
Property and equipment - net	502,607	643,373
Other Assets		
Note receivable	176,851	176,851
Intangibles - net	2,453,224	2,779,977
Internal use software development costs - net	603,954	387,180
Goodwill	1,666,782	1,666,782
Investment in CenterCom	397,948	354,206
Operating lease - right of use asset - net	409,858	431,352
Total Other Assets	5,708,617	5,796,348
Total Assets	$ 39,943,272	$ 34,003,506
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses	$ 5,423,313	$ 5,784,374
Accounts payable and accrued expenses - related party	467,899	1,728,721
Installment sale liability	11,349,440	13,018,184
Deferred revenue	43,200	243,110
Operating lease liability	41,290	39,490
Notes payable - related parties	1,108,150	1,108,150
Notes payable	42,243	1,542,033
Total Current Liabilities	18,475,535	23,464,062
Long Term Liabilities		
Note payable	31,970	53,134
Notes payable - related parties	4,026,413	4,493,798
Notes payable - SBA government	465,633	474,846
Operating lease liability	378,284	399,413
Total Long Term Liabilities	4,902,300	5,421,191
Total Liabilities	23,377,835	28,885,253
Commitments and Contingencies (Note 8)		
Stockholders' Equity		
Common stock, $0.001 par value, 500,000,000 shares authorized 14,234,655 and 14,116,832 shares issued and outstanding, respectively	14,286	14,117
Additional paid-in capital	41,625,010	40,780,707
Accumulated deficit	(25,291,773)	(35,804,106)
Stockholders' equity	16,347,523	4,990,718
Non-controlling interest	217,914	127,535
Total Stockholders' Equity	16,565,437	5,118,253

Total Liabilities and Stockholders' Equity	$	39,943,272	$	34,003,506

The accompanying notes are an integral part of these unaudited consolidated financial statements

SurgePays, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Revenues	$ 35,886,433	$ 28,005,144	$ 70,662,876	$ 49,146,515
Costs and expenses				
Cost of revenue	25,860,705	25,814,153	52,942,665	44,321,894
General and administrative expenses	3,823,227	3,038,529	6,812,648	6,722,310
Total costs and expenses	29,683,932	28,852,682	59,755,313	51,044,204
Income (loss) from operations	6,202,501	(847,538)	10,907,563	(1,897,689)
Other income (expense)				
Interest expense	(156,267)	(566,999)	(348,593)	(736,644)
Gain (loss) on investment in CenterCom	10,713	35,519	43,742	10,336
Amortization of debt discount	-	(37,068)	-	(37,068)
Gain on forgiveness of PPP loan - government	-	524,143	-	524,143
Total other income (expense) - net	(145,554)	(44,405)	(304,851)	(239,233)
Net income (loss) including non-controlling interest	6,056,947	(891,943)	10,602,712	(2,136,922)
Non-controlling interest	90,955	81,094	90,379	48,449
Net income (loss) available to common stockholders	$ 5,965,992	$ (973,037)	$ 10,512,333	$ (2,185,371)
Earnings (loss) per share - attributable to common stockholders				
Basic	$ 0.42	$ (0.08)	$ 0.74	$ (0.18)
Diluted	$ 0.40	$ (0.08)	$ 0.71	$ (0.18)
Weighted average number of shares outstanding - attributable to common stockholders				
Basic	14,191,083	12,268,669	14,154,163	12,166,817
Diluted	15,076,466	12,268,669	14,811,785	12,166,817

The accompanying notes are an integral part of these consolidated financial statements

SurgePays, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
For the Three and Six Months Ended June 30, 2023
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Equity
	Shares	**Amount**				
December 31, 2022	**14,116,832**	**$ 14,117**	**$ 40,780,707**	**$ (35,804,106)**	**$ 127,535**	**$ 5,118,253**
Stock issued for services	60,082	60	307,398	-	-	307,458
Recognition of stock based compensation - stock options	-	-	9,294	-	-	9,294
Non-controlling interest	-	-	-	-	(576)	(576)
Net income	-	-	-	4,546,341	-	4,546,341
March 31, 2023	**14,176,914**	**14,177**	**41,097,399**	**(31,257,765)**	**126,959**	**9,980,770**
Stock issued for services	64,927	65	311,121	-	-	311,186
Recognition of stock based compensation - stock options	-	-	9,294	-	-	9,294
Exercise of warrants for cash	43,814	44	207,196	-	-	207,240
Non-controlling interest	-	-	-	-	90,955	90,955

Net income	-	-	-	5,965,992	-	5,965,992
June 30, 2023	**14,285,655**	**$ 14,286**	**$ 41,625,010**	**$ (25,291,773)**	**$ 217,914**	**$ 16,565,437**

The accompanying notes are an integral part of these consolidated financial statements

SurgePays, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
For the Three and Six Months Ended June 30, 2022
(Unaudited)

	Series A Preferred Stock		Series C Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Non-Controlling	Total Stockholders'
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Capital**	**Deficit**	**Interest**	**Equity**
December 31, 2021	**260,000**	**$ 260**	**-**	**$ -**	**12,063,834**	**$ 12,064**	**$ 38,662,340**	**$ (35,123,343)**	**$ -**	**$ 3,551,321**
Recognition of stock based compensation	-	-	-	-	-	-	9,294	-	-	9,294
Warrants issued as debt issue costs	-	-	-	-	-	-	38,953	-	-	38,953
Non-controlling interest	-	-	-	-	-	-	-	-	(32,645)	(32,645)
Net loss	-	-	-	-	-	-	-	(1,212,334)	-	(1,212,334)
March 31, 2022	**260,000**	**260**	**-**	**-**	**12,063,834**	**12,064**	**38,710,587**	**(36,335,677)**	**(32,645)**	**2,354,589**
Recognition of stock based compensation	-	-	-	-	-	-	9,294	-	-	9,294
Stock issued as direct offering costs	-	-	-	-	200,000	200	(200)	-	-	-
Stock issued to purchase software	-	-	-	-	85,000	85	411,315	-	-	411,400
Warrants issued as debt issue costs	-	-	-	-	-	-	76,451	-	-	76,451
Warrants issued as interest expense	-	-	-	-	-	-	212,608	-	-	212,608
Non-controlling interest	-	-	-	-	-	-	-	-	81,094	81,094
Net loss	-	-	-	-	-	-	-	(973,037)	-	(973,037)
June 30, 2022	**260,000**	**$ 260**	**-**	**$ -**	**12,348,834**	**$ 12,349**	**$ 39,420,055**	**$ (37,308,714)**	**$ 48,449**	**$ 2,172,399**

The accompanying notes are an integral part of these consolidated financial statements

SurgePays, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	For the Six Months Ended June 30,	
	2023	**2022**
Operating activities		
Net income (loss) - including non-controlling interest	$ 10,602,712	$ (2,136,922)
Adjustments to reconcile net income (loss) to net cash used in operations		
Depreciation and amortization	467,519	362,629
Amortization of right-of-use assets	21,494	34,294
Amortization of debt discount/debt issue costs	-	37,068
Amortization of internal use software development costs	64,530	-
Stock issued for services	618,644	-
Recognition of share based compensation - related party	18,588	18,588
Warrants issued for interest expense	-	212,608
(Gain) loss on equity method investment - CenterCom	(43,742)	(10,336)
Gain on forgiveness of PPP loan	-	(524,143)
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable	(1,059,014)	(5,072,918)
Inventory	(6,900,674)	(1,316,445)
Prepaids	(56,131)	(44,054)
Increase (decrease) in		
Accounts payable and accrued expenses	(1,351,218)	4,696,158
Accounts payable and accrued expenses - related party	(270,665)	795,098
Installment sale liability - net	(1,668,744)	-
Deferred revenue	(199,910)	(168,750)
Operating lease liability	(19,329)	(30,948)

Net cash provided by (used in) operating activities	224,060	(3,148,073)
Investing activities		
Purchase of property and equipment	-	(11,401)
Capitalized internal use software development costs	(281,304)	-
Purchase of software	-	(300,000)
Acquisition of Torch, Inc.	-	(800,000)
Net cash used in investing activities	(281,304)	(1,111,401)
Financing activities		
Proceeds from exercise of common stock warrants	207,240	-
Repayments of notes payable - related party	(467,385)	-
Proceeds from notes payable	-	6,700,000
Repayments on notes payable	(1,520,954)	-
Repayments on notes payable - SBA government	(9,213)	(19,496)
Net cash provided by financing activities	(1,790,312)	6,680,504
Net increase (decrease) in cash	(1,847,556)	2,421,030
Cash - beginning of period	7,035,654	6,283,496
Cash - end of period	$ 5,188,098	$ 8,704,526
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 209,840	$ 195,950
Cash paid for income tax	$ -	$ -
Supplemental disclosure of non-cash investing and financing activities		
Debt issue costs recorded in connection with notes payable	$ -	$ 115,404
Stock issued to acquire software	$ -	$ 411,400

The accompanying notes are an integral part of these consolidated financial statements

Note 1 - Organization and Nature of Operations

Organization and Nature of Operations

SurgePays, Inc. ("SurgePays," "SP," "we," "our" or "the Company"), and its operating subsidiaries, is a technology-driven company building a next generation supply chain software platform that can offer wholesale goods and services more cost efficiently than traditional and existing wholesale distribution models.

The parent (SurgePays, Inc.) and subsidiaries are organized as follows:

Company Name	Incorporation Date	State of Incorporation
SurgePays, Inc.	August 18, 2006	Nevada
KSIX Media, Inc.	November 5, 2014	Nevada
KSIX, LLC	September 14, 2011	Nevada
Surge Blockchain, LLC	January 29, 2009	Nevada
Injury Survey, LLC	July 28, 2020	Nevada
DigitizeIQ, LLC	July 23, 2014	Illinois
LogicsIQ, Inc.	October 2, 2018	Nevada
Surge Payments, LLC	December 17, 2018	Nevada
SurgePhone Wireless, LLC	August 29, 2019	Nevada
SurgePays Fintech, Inc.	August 22, 2019	Nevada
ECS Prepaid, LLC	June 9, 2009	Missouri
Central States Legal Services, Inc.	August 1, 2003	Missouri
Electronic Check Services, Inc.	May 19, 1999	Missouri
Torch Wireless	January 29, 2019	Wyoming

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements ("U.S. GAAP") and with the instructions to Form 10-Q and Article 8 of Regulation S-X of the United States Securities and Exchange Commission ("SEC"). Accordingly, they do not contain all information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements.

In the opinion of the Company's management, the accompanying unaudited consolidated financial statements contain all of the adjustments necessary (consisting only of normal recurring accruals) to present the financial position of the Company as of June 30, 2023 and the results of operations and cash flows for the periods presented. The results of operations for the six months ended June 30, 2023 are not necessarily indicative of the operating results for the full fiscal year or any future period.

These unaudited consolidated financial statements should be read in conjunction with the financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on March 30, 2023.

Management acknowledges its responsibility for the preparation of the accompanying unaudited consolidated financial statements which reflect all adjustments, consisting of normal recurring adjustments, considered necessary in its opinion for a fair statement of its consolidated financial position and the consolidated results of its operations for the periods presented.

Liquidity and Management's Plans

As reflected in the accompanying consolidated financial statements, for the six months June 30, 2023, the Company had:

- Net income available to common stockholders of $10,512,333; and
- Net cash provided by operations was $224,060

Additionally, at June 30, 2023, the Company had:

- Accumulated deficit of $25,291,773
- Stockholders' equity of $16,565,437; and
- Working capital of $15,256,513

We manage liquidity risk by reviewing, on an ongoing basis, our sources of liquidity and capital requirements. The Company has cash on hand of $5,188,098 at June 30, 2023.

The Company has historically incurred significant losses and has not, prior to 2023, previously demonstrated an ability to generate sufficient revenues from the sales of its products and services to achieve profitable operations. There can be no assurance that profitable operations will continue to be, or if achieved, could be sustained on a continuing basis. In making this assessment we performed a comprehensive analysis of our current circumstances including: our financial position, our cash flows and cash usage forecasts for the twelve months ended June 30, 2024, and our current capital structure including equity-based instruments and our obligations and debts.

The Company believes it has sufficient cash resources on hand along with access to additional debt and/or equity-based capital from third parties and related parties as needed to meet its current obligations for a period that is one year from the issuance date of these financial statements.

Management's strategic plans include the following:

- Continue the hyper growth of the Affordable Connectivity Program revenue stream,
- Execution of business plan and significant revenue growth from prior period,
- Expand product and services offerings to a larger surrounding geographic area.
- Continuing to explore and execute prospective partnering or distribution opportunities; and
- Identifying unique market opportunities that represent potential positive short-term cash flow.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation and Non-Controlling Interest

These consolidated financial statements have been prepared in accordance with U.S. GAAP and include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

For entities that are consolidated, but not 100% owned, a portion of the income or loss and corresponding equity is allocated to owners other than the Company. The aggregate of the income or loss and corresponding equity that is not owned by us is included in Non-controlling Interests in the consolidated financial statements.

Business Combinations

The Company accounts for business acquisitions using the acquisition method of accounting, in accordance with which assets acquired and liabilities assumed are recorded at their respective fair values at the acquisition date.

The fair value of the consideration paid, including contingent consideration, is assigned to the assets acquired and liabilities assumed based on their respective fair values. Goodwill represents the excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed.

Significant judgments are used in determining fair values of assets acquired and liabilities assumed, as well as intangibles. Fair value and useful life determinations are based on, among other factors, estimates of future expected cash flows, and appropriate discount rates used in computing present values. These judgments may materially impact the estimates used in allocating acquisition date fair values to assets acquired and liabilities assumed, as well as the Company's current and future operating results. Actual results may vary from these estimates which may result in adjustments to goodwill and acquisition date fair values of assets and liabilities during a measurement period or upon a final determination of asset and liability fair values, whichever occurs first. Adjustments to fair values of assets and liabilities made after the end of the measurement period are recorded within the Company's operating results.

Effective January 1, 2022, the Company executed a management agreement with Torch Wireless ("Torch"). Generally, the Company was engaged to handle the following services:

- Oversee management of the business being conducted by Torch,
- Involved in the performance of Torch's obligations under contracts regarding its business operations and maintenance of Torch's customer relationships,
- Assist Torch with regulatory compliance,
- Manage all billing and collection functions, including the right to collect revenues related to Torch's business operations, as part of the agreement, Torch may not participate in this function; and
- Manage all payment functions related to the business, including the right to disburse funds, as part of the agreement, Torch may not participate in this function

Torch is a provider of subsidized mobile broadband services to consumers qualifying under the federal guidelines of the U.S. Federal Communication Commission's Affordable Connectivity Program ("ACP"). The ACP provides the Company with up to a $100 reimbursement for the cost of each tablet device distributed and a $30 per customer, per month subsidy for mobile broadband (internet connectivity) services.

With the purchase of Torch, the Company offers subsidized mobile broadband in all fifty (50) states.

It was determined that the Company had acquired 100% of Torch, effective January 1, 2022, resulting in Torch becoming a wholly-owned subsidiary, in a transaction accounted for as a business combination. Pursuant to ASC 805-10-25-7, the Company determined that the acquisition date preceded the closing date as it was managing Torch and in full control of all operational decision making. At this time, the Company had obtained control of Torch through its management contract.

At the time of acquisition, Torch had no significant assets or liabilities. The Company paid $800,000. As a result of the acquisition, the Company recorded goodwill of $800,000.

At the time of acquisition, Torch had nominal revenues and losses. As a result, and given the immaterial nature of this acquisition, the Company elected not to present any pro-forma financial information during the year ended December 31, 2022.

In addition, the Company was required to pay the Sellers monthly residual payments for customers enrolled by the Company through December 31, 2022 of either $2 or $3 per customer (depending on the category of customer).

For the six months ended June 30, 2023 and 2022, the Company incurred expenses of $0 and $321,243, respectively, related to the residual payments. All expenses are included as a component of cost of goods sold.

This transaction did not involve the purchase of a "significant amount of assets" as defined in the Instructions to Item 2.01 of Form 8-K. Additionally, the acquisition of Torch was not deemed to be significant at any level under SEC Regulation S-X 3.05 and did not require the presentation of any additional historical audits.

For financial reporting purposes, Torch has been consolidated into the Company's consolidated statements of financial position, results of operations, and cash flows.

At June 30, 2023 and December 31, 2022 goodwill was $1,666,782, respectively.

There were no impairment losses for the six months ended June 30, 2023 and 2022, respectively.

Note Receivable (Sale of Former Subsidiary)

On May 7, 2021, the Company disposed of its subsidiary True Wireless, Inc.

In connection with the sale, the Company received an unsecured note receivable for $176,851, bearing interest at 0.6%, with a default interest rate of 10%. The Company will receive twenty-five (25) payments of principal and accrued interest totaling $7,461 commencing in June 2023.

Payments are scheduled as follows:

For the Year Ended December 31,		
2023 (6 months)	$	52,227
2024		89,532
2025		44,766
		186,525
Less: amount representing interest		(9,674)
Total	$	176,851

As of June 30, 2023, the Company believes the note is collectible.

On July 12, 2023, Notice of Default was provided by SurgePays, Inc. to Blue Skies Connections, LLC for failure to pay amounts due under that certain Promissory Note dated June 14, 2021 by Blue Skies Connections, LLC in favor of SurgePays, Inc. in the original principal amount of $176,851 (the "Note"). Pursuant to the terms of the Note, SurgePays, Inc. accelerated the amount due. As of July 28, 2023, SurgePays, Inc. has declared the Promissory Note in default and will exercise its remedies through legal proceedings.

See Note 8 regarding contingencies – legal matters.

Business Segments and Concentrations

The Company uses the "management approach" to identify its reportable segments. The management approach requires companies to report segment financial information consistent with information used by management for making operating decisions and assessing performance as the basis for identifying the Company's reportable segments. The Company manages its business as multiple reportable segments. See Note 10 regarding segment disclosure.

The SurgePhone and Torch Wireless business segment made up approximately 83% and 69% of total consolidated revenues for the six months ended June 30, 2023 and 2022, respectively.

Revenues related to this business segment are 100% derived from programs administered by the Federal Communications Commission (FCC), and all funds related to these programs are received directly from organizations under the direction of the FCC and subject to administrative rulings, statutory changes, and other funding restrictions that could impact the Company's operations in this segment.

Accounts receivable related to these programs made up 98% and 96% of accounts receivable at June 30, 2023 and December 31, 2022, respectively.

Customers in the United States accounted for 100% of our revenues. We do not have any property or equipment outside of the United States.

Use of Estimates

Preparing 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 the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates, and those estimates may be material.

Significant estimates during the six months ended June 30, 2023 and 2022, respectively, include, allowance for doubtful accounts and other receivables, inventory reserves and classifications, valuation of loss contingencies, valuation of derivative liabilities, valuation of stock-based compensation, estimated useful lives related to intangible assets, capitalized internal-use software development costs, and property and equipment, implicit interest rate in right-of-use operating leases, uncertain tax positions, and the valuation allowance on deferred tax assets.

Risks and Uncertainties

The Company operates in an industry that is subject to intense competition and changes 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 may 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.

Fair Value of Financial Instruments

The Company accounts for financial instruments under Financial Accounting Standards Board ("FASB") ASC 820, *Fair Value Measurements*. ASC 820 provides a framework for measuring fair value and requires disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on the Company's principal or, in absence of a principal, most advantageous market for the specific asset or liability.

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. The hierarchy requires the Company to use observable inputs when available, and to minimize the use of unobservable inputs, when determining fair value.

The three tiers are defined as follows:

- Level 1 – Observable inputs that reflect quoted market prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2 – Observable inputs other than quoted prices in active markets that are observable either directly or indirectly in the marketplace for identical or similar assets and liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market data, which require the Company to develop its own assumptions.

The determination of fair value and the assessment of a measurement's placement within the hierarchy requires judgment. Level 3 valuations often involve a higher degree of judgment and complexity. Level 3 valuations may require the use of various cost, market, or income valuation methodologies applied to unobservable management estimates and assumptions. Management's assumptions could vary depending on the asset or liability valued and the valuation method used. Such assumptions could include estimates of prices, earnings, costs, actions of market participants, market factors, or the weighting of various valuation methods. The Company may also engage external advisors to assist us in determining fair value, as appropriate. Although the Company believes that the recorded fair value of our financial instruments is appropriate, these fair values may not be indicative of net realizable value or reflective of future fair values.

The Company's financial instruments, including cash, accounts receivable, accounts payable and accrued expenses, and accounts payable and accrued expenses – related party, are carried at historical cost. At June 30, 2023 and December 31, 2022, respectively, the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments.

SURGEPAYS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023
(UNAUDITED)

ASC 825-10 *"Financial Instruments"* allows entities to voluntarily choose to measure certain financial assets and liabilities at fair value ("fair value option"). The fair value option may be elected on an instrument-by-instrument basis and is irrevocable unless a new election date occurs. If the fair value option is elected for an instrument, unrealized gains and losses for that instrument should be reported in earnings at each subsequent reporting date. The Company did not elect to apply the fair value option to any outstanding financial instruments.

Cash and Cash Equivalents and Concentration of Credit Risk

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid instruments with a maturity of three months or less at the purchase date and money market accounts to be cash equivalents.

At June 30, 2023 and December 31, 2022, respectively, the Company did not have any cash equivalents.

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.

At June 30, 2023 and December 31, 2022, respectively, the Company did not experience any losses on cash balances in excess of FDIC insured limits.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding customer balances. Credit is extended to customers based on an evaluation of their financial condition and other factors. Interest is not accrued on overdue accounts receivable. The Company does not require collateral.

Management periodically assesses the Company's accounts receivable and, if necessary, establishes an allowance for estimated uncollectible amounts. The Company provides an allowance for doubtful accounts based upon a review of the outstanding accounts receivable, historical collection information and existing economic conditions. Accounts determined to be uncollectible are charged to operations when that determination is made.

Allowance for doubtful accounts was $17,525 at June 30, 2023 and December 31, 2022, respectively.

There was bad debt expense of $0 for the three and six months ended June 30, 2023 and 2022, respectively.
Bad debt expense (recovery) is recorded as a component of general and administrative expenses in the accompanying consolidated statements of operations.

SURGEPAYS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023
(UNAUDITED)

Inventory

Inventory primarily consists of tablets, cell phones and sim cards. Inventories are stated at the lower of cost or net realizable value using the average cost valuation method.

There were no provisions for inventory obsolescence for the six months ended June 30, 2023 and 2022, respectively.

At June 30, 2023 and December 31, 2022, the Company had inventory of $18,086,916 and $11,186,242, respectively.

Of the total inventory balance at June 30, 2023, $677,118 represented inventory paid for in the second quarter of 2023 which was in-transit and received in the third quarter of 2023.

Impairment of Long-lived Assets including Internal Use Capitalized Software Costs

Management evaluates the recoverability of the Company's identifiable intangible assets and other long-lived assets when events or circumstances indicate a potential impairment exists, in accordance with the provisions of ASC 360-10-35-15 *"Impairment or Disposal of Long-Lived Assets."* Events and circumstances considered by the Company in determining whether the carrying value of identifiable intangible assets and other long-lived assets may not be recoverable include but are not limited to significant changes in performance relative to expected operating results; significant changes in the use of the assets; significant negative industry or economic trends; and changes in the Company's business strategy. In determining if impairment exists, the Company estimates the undiscounted cash flows to be generated from the use and ultimate disposition of these assets.

If impairment is indicated based on a comparison of the assets' carrying values and the undiscounted cash flows, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

There were no impairment losses for the six months ended June 30, 2023 and 2022, respectively.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets.

Expenditures for repair and maintenance which do not materially extend the useful lives of property and equipment are charged to operations. When property or equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts with the resulting gain or loss reflected in operations.

Management reviews the carrying value of its property and equipment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

There were no impairment losses for the three and six months ended June 30, 2023 and 2022, respectively.

Internal Use Software Development Costs

We capitalize certain internal use software development costs associated with creating and enhancing internally developed software related to our technology infrastructure. These costs include personnel and related employee benefits expenses for employees who are directly associated with and who devote time to software projects, and external direct costs of materials and services consumed in developing or obtaining the software. Software development costs that do not meet the qualification for capitalization, as further discussed below, are expensed as incurred and recorded in general and administrative expenses in the consolidated results of operations.

Software development activities generally consist of three stages:

(i) planning stage,
(ii) application and infrastructure development stage, and
(iii) post implementation stage.

Costs incurred in the planning and post implementation stages of software development, including costs associated with the post-configuration training and repairs and maintenance of the developed technologies, are expensed as incurred.

We capitalize costs associated with software developed for internal use when the planning stage is completed, management has authorized further funding for the completion of the project, and it is probable that the project will be completed and perform as intended. Costs incurred in the application and infrastructure development stages, including significant enhancements and upgrades, are capitalized. Capitalization ends once a project is substantially complete, and the software and technologies are ready for their intended purpose. There is judgment involved in estimating the stage of development as well as estimating time allocated to a particular project. A significant change in the time spent on each project could have a material impact on the amount capitalized and related amortization expense in subsequent periods.

We amortize internal use software development costs using a straight-line method over a three-year estimated useful life, commencing when the software is ready for its intended use. The straight-line recognition method approximates the manner in which the expected benefit will be derived. We determined the life of internal use software based on historical software upgrades and replacement.

On an ongoing basis, we assess if the estimated remaining useful lives of capitalized projects continue to be reasonable based on the remaining expected benefit and usage. If the remaining useful life of a capitalized project is revised, it is accounted for as a change in estimate and the remaining unamortized cost of the underlying asset is amortized prospectively over the updated remaining useful life.

We also evaluate internal use software for abandonment and use that as a significant indicator for impairment on a quarterly basis.

Right of Use Assets and Lease Obligations

The Right of Use Asset and Lease Liability reflect the present value of the Company’s estimated future minimum lease payments over the lease term, which may include options that are reasonably assured of being exercised, discounted using a collateralized incremental borrowing rate.

Typically, renewal options are considered reasonably assured of being exercised if the associated asset lives of the building or leasehold improvements exceed that of the initial lease term, and the performance of the business remains strong. Therefore, the Right of Use Asset and Lease Liability may include an assumption on renewal options that have not yet been exercised by the Company. The Company’s operating leases contained renewal options 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.

As the rate implicit in leases are not readily determinable, the Company uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate the Company would incur to borrow on a collateralized basis over the term of a lease within a particular currency environment.

See Note 8 regarding operating leases.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606 to align revenue recognition more closely 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:

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.

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.

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 contain a significant financing component.

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.

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.

The following reflects additional discussion regarding our revenue recognition policies for each of our material revenue streams. For each revenue stream we do not offer any returns, refunds or warranties, and no arrangements are cancellable. Additionally, all contract consideration is fixed and determinable at the initiation of the contract. Performance obligations for Torch, TW and LogicsIQ are satisfied when services are performed. Performance obligations for ECS and SB are satisfied at point of sale.

For each of our revenue streams we only have a single performance obligation.

Surge Phone Wireless (SPW) and Torch Wireless

SPW and Torch Wireless are licensed to provide subsidized mobile broadband services through the ACP to qualifying low-income customers to all fifty states. Revenues are recognized when an ACP application is completed and accepted. Each month we reconcile subscriber usage to ensure the service was utilized. A monthly file is submitted to the Universal Service Administrative Company for review and approval, at which time we have completed our performance obligation and recognize accounts receivable and revenue. Revenues are recorded in the month when services were rendered, with payment typically received on the 28th of the following month.

Surge Blockchain

Revenues are generated through the sale of various products such as energy drinks, CBD products, and other top selling products in convenience store and bodega nationwide. At the time in which our products are sold at the store our performance obligation is considered complete. At point of sale, our web portal platform initiates an automated clearing house transaction (ACH) resulting in the recording revenue.

LogicsIQ

LogicsIQ, Inc. is a lead generation and case management solutions company primarily serving law firms in the mass tort industry. Revenues are earned from our lead generation retained services offerings and call center activities through CenterCom.

Lead generation consist of sourcing leads, which requires us to drive traffic to our landing pages for a specific marketing campaign. We also achieve this in certain marketing campaigns by using third-party preferred vendors to meet the needs of our clients. Revenues are recognized at the time the lead is delivered to the client. If payment is received in advance of the delivery of services, it is included in deferred revenue, and subsequently recognized once the performance obligation has been completed.

Retained service offerings consist of turning leads into a retained legal case. To provide this service to our customers, we qualify leads through verification of information collected during the lead generation process. Additionally, we further qualify these leads using a client questionnaire which assists in determining the services to be provided. The qualification process is completed using our call center operations.

Effective February 1, 2023, LogicsIQ started offering call center services to existing clients. These services are similar in nature to the services CenterCom offers LogicsIQ. The total revenue from these services for the three and six months ended June 30, 2023 was $443,244 and $871,030, respectively.

If payment is received in advance of the delivery of services, it is included in deferred revenue, and subsequently recognized once the performance obligation has been completed. At the time of delivery of leads and the creation of retained cases (customers are qualified at this point), our performance obligation has been completed and revenues are recognized. Arrangements with customers do not provide the customer with the right to take possession of our software or platform at any time. Once the advertising is delivered, it is non-refundable.

Surge Fintech and ECS

Revenues are generated through the sale of telecommunication products such as mobile phones, wireless top-up refills, and other mobile related products. At the time in which our products are sold through our online web portal (point of sale), our performance obligation is considered complete. At point of sale, our web portal platform initiates an automated clearing house transaction (ACH) resulting in the recording revenue.

Contract Liabilities (Deferred Revenue)

Contract liabilities represent deposits made by customers before the satisfaction of performance obligation and recognition of revenue. Upon completion of the performance obligation(s) that the Company has with the customer based on the terms of the contract, the liability for the customer deposit is relieved and revenue is recognized.

At June 30, 2023 and December 31, 2022, the Company had deferred revenue of $43,200 and $243,110, respectively.

The following represents the Company's disaggregation of revenues for the six months ended June 30, 2023 and 2022:

	For the Six Months Ended			
	2023		2022	
Revenue	**Revenue**	**% of Revenues**	**Revenue**	**% of Revenues**
Surge Phone and Torch Wireless	$ 58,874,214	83.32%	$ 34,116,686	69.42%
Surge Blockchain, LLC	21,301	0.03%	47,671	0.10%
LogicsIQ, Inc.	5,962,430	8.44%	5,925,016	12.06%
Surge Fintech & ECS	5,804,931	8.21%	9,057,142	18.43%
Total Revenues	$ 70,662,876	100%	$ 49,146,515	100%

Cost of Revenues

Cost of revenues consists of purchased telecom services including data usage and access to wireless networks. Additionally, prepaid phone cards, commissions, and advertising costs.

Income Taxes

The Company accounts for income tax using the asset and liability method prescribed by ASC 740, *"Income Taxes".* Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the year in which the differences are expected to reverse. The Company records a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized as income or loss in the period that includes the enactment date.

The Company follows the accounting guidance for uncertainty in income taxes using the provisions of ASC 740 "Income Taxes". Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. As of June 30, 2023 and December 31, 2022, respectively, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Company recognizes interest and penalties related to uncertain income tax positions in other expense. No interest and penalties related to uncertain income tax positions were recorded for the three months ended June 30, 2023 and 2022, respectively.

For the three and six months ended June 30, 2023, the Company generated net income. The Company currently has an unapplied net operating loss carryforward (deferred tax asset), which is currently being evaluated for applicability in offsetting the current taxable net income. The Company believes the current net operating loss carryforward is in excess of any amounts of income tax that may be due. At June 30, 2023, the Company has an estimated income tax liability of $0.

Investment – Former Related Party

On January 17, 2019, we 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 sales support, customer service, IT infrastructure design, graphic media, database programming, software development, revenue assurance, lead generation, and other various operational support services. Our CenterCom team is based in El Salvador. CenterCom also provides call center support for various third-party clients.

Anthony N. Nuzzo, a former director and officer and the holder of approximately 10% of our voting equity, had a controlling interest in CenterCom Global. During 2022, Mr. Nuzzo passed away. See Form 8-K filed on March 24, 2022.

The strategic partnership with CenterCom as a bilingual operations hub has powered our growth and revenue. CenterCom has been built to support the infrastructure required to rapidly scale in synergy and efficiency to support our sales growth, customer service and development.

We account for this investment under the equity method. Investments accounted for under the equity method are recorded based upon the amount of our investment and adjusted each period for our share of the investee's income or loss. All investments are reviewed for changes in circumstance or the occurrence of events that suggest an other than temporary event where our investment may not be recoverable. The financial information used to account for the investment is unaudited.

At June 30, 2023 and December 31, 2022, our investment in CenterCom was $397,948 and $354,206, respectively.

During the three months ended June 30, 2023 and 2022, we recognized a gain of $10,713 and $35,519, respectively.

During the six months ended June 30, 2023 and 2022, we recognized a gain of $43,742 and $10,336, respectively.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs are included as a component of general and administrative expense in the consolidated statements of operations.

The Company recognized $16,528 and $52,524 in marketing and advertising costs during the three months ended June 30, 2023 and 2022, respectively.

The Company recognized $48,864 and $136,006 in marketing and advertising costs during the six months ended June 30, 2023 and 2022, respectively.

Stock-Based Compensation

The Company accounts for our stock-based compensation under ASC 718 *"Compensation – Stock Compensation"* using the fair value-based method. Under this method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. This guidance establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments.

The Company uses the fair value method for equity instruments granted to non-employees and uses the Black-Scholes model for measuring the fair value of options.

The fair value of stock-based compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

When determining fair value of stock-based compensation, the Company considers the following assumptions in the Black-Scholes model:

- Exercise price,
- Expected dividends,
- Expected volatility,
- Risk-free interest rate; and
- Expected life of option

Stock Warrants

In connection with certain financing (debt or equity), consulting and collaboration arrangements, the Company may issue warrants to purchase shares of its common stock. The outstanding warrants are standalone instruments that are not puttable or mandatorily redeemable by the holder and are classified as equity awards. The Company measures the fair value of warrants issued for compensation using the Black-Scholes option pricing model as of the measurement date. However, for warrants issued that meet the definition of a derivative liability, fair value is determined based upon the use of a binomial pricing model.

Warrants issued in conjunction with the issuance of common stock are initially recorded at fair value as a reduction in additional paid-in capital of the common stock issued. All other warrants (for services) are recorded at fair value and expensed over the requisite service period or at the date of issuance if there is not a service period.

Basic and Diluted Earnings (Loss) per Share

Pursuant to ASC 260-10-45, basic earnings (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding for the periods presented.

Diluted earnings per share is computed by dividing net income by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during the period.

Potentially dilutive common shares may consist of contingently issuable shares, common stock issuable upon the conversion of stock options and warrants (using the treasury stock method), and convertible notes. These common stock equivalents may be dilutive in the future.

In the event of a net loss, diluted loss per share is the same as basic loss per share since the effect of the potential common stock equivalents upon conversion would be anti-dilutive.

The following potentially dilutive equity securities outstanding as of June 30, 2023 and 2022 were as follows:

	June 30, 2023	June 30, 2022
Warrants	5,622,292	5,852,127
Stock options	11,902	6,801
Series A, convertible preferred stock	-	26,000
Total common stock equivalents	5,634,194	5,884,928

Warrants and stock options included as commons stock equivalents represent those that are fully vested and exercisable. See Note 9.

Based on the potential common stock equivalents noted above at June 30, 2023, the Company has sufficient authorized shares of common stock (500,000,000) to settle any potential exercises of common stock equivalents.

The following table shows the computation of basic and diluted earnings per share for the three and six months ended June 30, 2023. The Company had a net loss in 2022, as a result, basic and diluted earnings per share for the three and six months ended June 30, 2022 were the same.

	3 Months Ended June 30, 2023	6 Months Ended June 30, 2023
Numerator		
Net income	$ 5,965,992	$ 10,512,333
Denominator		
Weighted average shares outstanding - basic	14,191,083	14,154,163
Effect of dilutive securities (warrants)	885,383	657,622
Weighted average shares outstanding - diluted	15,076,466	14,811,785
Earnings per share - basic	$ 0.42	$ 0.74
Earnings per share - diluted	$ 0.40	$ 0.71

Related Parties

Parties are considered to be related to the Company if the parties, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal with if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

During the six months ended June 30, 2023 and 2022, the Company incurred expenses with related parties in the normal course of business totaling $83,178 and $6,574,076, respectively, as follows:

Related Parties		June 30, 2023	June 30, 2022
321 Communications, Inc.	3	$ -	$ 5,869,444
Carddawg Investments, Inc.	1	83,178	30,744
CenterCom USA, Inc.	2	-	487,578
National Relief Telecom	3	-	186,310
Total		$ 83,178	$ 6,574,076

1- represents an affiliate of our Chief Executive Officer (Kevin Brian Cox)

2- represents an entity controlled by a former officer and director (Anthony Nuzzo), who passed away in 2022.

3- represents an entity controlled by a former director (Jay Jones), who resigned in 2022.

From time to time, the Company may use credit cards to pay corporate expenses, these credit cards are in the names of certain of the Company's officers and directors. These amounts are insignificant.

Recent Accounting Standards

Changes to accounting principles are established by the FASB in the form of Accounting Standards Updates ("ASU's") to the FASB's Codification. We consider the applicability and impact of all ASU's on our consolidated financial position, results of operations, stockholders' equity, cash flows, or presentation thereof. Management has evaluated all recent accounting pronouncements issued through the date these financial statements were available to be issued and found no recent accounting pronouncements issued, but not yet effective accounting pronouncements, when adopted, will have a material impact on the consolidated financial statements of the Company.

In March 2022, the Financial Accounting Standards Board (the "FASB") issued ASU 2022-02, Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures ("ASU 2022-02"), which eliminates the accounting guidance on troubled debt restructurings ("TDRs") for creditors in ASC 310, Receivables (Topic 310), and requires entities to provide disclosures about current period gross write-offs by year of origination. Also, ASU 2022-02 updates the requirements related to accounting for credit losses under ASC 326, Financial Instruments – Credit Losses (Topic 326), and adds enhanced disclosures for creditors with respect to loan refinancings and restructurings for borrowers experiencing financial difficulty. ASU 2022-02 was effective for the Company January 1, 2023. The adoption of ASU 2022-02 did not have a material impact on the Company's consolidated financial statements.

This guidance was adopted on January 1, 2023. The adoption of ASU 2022-02 did not have a material impact on the Company's consolidated financial statements.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no material effect on the consolidated results of operations, stockholders' equity, or cash flows.

Note 3 – Property and Equipment

Property and equipment consisted of the following:

Type	June 30, 2023	December 31, 2022	Estimated Useful Lives (Years)
Computer equipment and software	$ 1,006,286	$ 1,006,286	3 - 5
Furniture and fixtures	82,752	82,752	5 - 7
	1,089,038	1,089,038	
Less: accumulated depreciation/amortization	586,431	445,665	
Property and equipment - net	$ 502,607	$ 643,373	

In June 2022, the Company acquired software having a fair value of $711,400. Payment for the software consisted of $300,000 as well as the issuance of 85,000 shares of common stock having a fair value of $411,400 ($4.84/share), based upon the quoted closing trading price.

Depreciation and amortization expense for the three months ended June 30, 2023 and 2022 was $70,383 and $28,184, respectively.

Depreciation and amortization expense for the six months ended June 30, 2023 and 2022 was $140,766 and $35,875, respectively.

These amounts are included as a component of general and administrative expenses in the accompanying consolidated statements of operations.

Note 4 – Intangibles

Intangibles consisted of the following:

Type	June 30, 2023	December 31, 2022	Estimated Useful Lives (Years)
Proprietary Software	$ 4,286,402	$ 4,286,402	7
Tradenames/trademarks	617,474	617,474	15
ECS membership agreement	465,000	465,000	1
Noncompetition agreement	201,389	201,389	2
Customer Relationships	183,255	183,255	5
	5,753,520	5,753,520	
Less: accumulated amortization	(3,300,296)	(2,973,543)	
Intangibles - net	$ 2,453,224	$ 2,779,977	

Amortization expense for the three months ended June 30, 2023 and 2022 was $163,377 and $163,377, respectively.

Amortization expense for the six months ended June 30, 2023 and 2022 was $326,753 and $326,753, respectively.

Estimated amortization expense for each of the five (5) succeeding years is as follows:

For the Year Ended December 31:		
2023 (6 Months)		326,753
2024		653,507
2025		653,507
2026		653,507
2027		165,950
Total	$	2,453,224

Note 5 – Internal Use Software Development Costs

Internal Use Software Development Costs consisted of the following:

Type	June 30, 2023		December 31, 2022		Estimated Useful Life (Years)
Internal Use Software Development Costs	$	668,484	$	387,180	3
Less: accumulated amortization		64,530		-	
Internal Use Software Development Costs - net	$	603,954	$	387,180	

Costs incurred for Internal Use Software Development Costs

Additional costs of $281,304 were incurred in 2023, which will be amortized over their estimated useful life of three (3) years once the application and infrastructure development stage is completed.

Amortization of Software Development Costs

Management determined that all costs incurred in 2022 related to internal use software development costs related to the application and infrastructure development stage which were completed at December 31, 2022. Amortization of these costs began in 2023.

Management has determined that all costs incurred in 2023 related to internal use software development costs related to the application and infrastructure development stage will be completed as of December 31, 2023. Amortization of these costs will begin in 2024.

For the three months ended June 30, 2023 and 2022, amortization of internal use software development costs was $32,265 and $0, respectively.

For the six months ended June 30, 2023 and 2022, amortization of internal use software development costs was $64,530 and $0, respectively.

Estimated amortization expense is as follows for the years ended December 31:

2023 (6 Months)		64,530
2024		222,828
2025		222,828
2026		93,768
Total	$	603,954

Note 6 – Debt

The following represents a summary of the Company's notes payable – SBA government, notes payable – related parties, and notes payable, key terms, and outstanding balances at June 30, 2023 and December 31, 2022, respectively:

Notes Payable – SBA government

(1) Paycheck Protection Program - PPP Loan

Pertaining to the Company's eighteen (18) month loan and in accordance with the Paycheck Protection Program ("PPP") and Conditional Loan Forgiveness, the promissory note evidencing the loan contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in the repayment of all amounts outstanding, collection of all amounts owing from the Company, and/or filing suit and obtaining judgment against the Company.

Under the terms of the PPP loan program, all or a portion of this Loan may be forgiven upon request from Borrower to Lender, provided the Loan proceeds are used in accordance with the terms of the Coronavirus Aid, Relief and Economic Security Act (the "Act" or "CARES"), Borrower is not in default under the Loan or any of the Loan Documents, and Borrower has provided documentation to Lender supporting such request for forgiveness that includes verifiable information on Borrower's use of the Loan proceeds, to Lender's satisfaction, in its sole and absolute discretion.

(2) Economic Injury Disaster Loan ("EIDL")

This program was made available to eligible borrowers in light of the impact of the COVID-19 pandemic and the negative economic impact on the Company's business. Proceeds from the EIDL are to be used for working capital purposes.

Installment payments, including principal and interest, are due monthly (beginning twelve (12) months from the date of the promissory note) in amounts ranging from $109 - $751/month. The balance of principal and interest is payable over the next thirty (30) years from the date of the promissory note. There are no penalties for prepayment. The EIDL Loan is not required to be refinanced by the PPP loan.

Terms	PPP SBA	EIDL SBA	EIDL SBA	PPP SBA	Total	
Issuance dates of SBA loans	April 2020	May 2020	July 2020	March 2021		
Term	18 months	30 Years	30 Years	5 Years		
Maturity date	October 2021	May 2050	July 2050	March 2026		
Interest rate	1%	3.75%	3.75%	1%		
Collateral	Unsecured	Unsecured	Unsecured	Unsecured		
Conversion price	N/A	N/A	N/A	N/A		
Balance - December 31, 2021	$ 126,418	$ 150,000	$ 336,600	$ 518,167	$ 1,131,185	
Forgiveness of loan	-	-	-	(518,167)	(518,167)	1
Repayments	-	(4,078)	(7,676)	-	(11,754)	
Reclassification to note payable	(126,418)	-	-	-	(126,418)	2
Balance - December 31, 2022	-	145,922	328,924	-	474,846	
Repayments	-	(2,223)	(6,990)	-	(9,213)	
Balance - June 30, 2023	$ -	$ 143,699	$ 321,934	$ -	$ 465,633	

1 – During 2022, the Company received a forgiveness on a PPP loan totaling $524,143, of which $518,167 was for principal and $5,976 for accrued interest. The Company recorded this forgiveness as other income in the accompanying consolidated statements of operations.

2 – During 2021, the Company received a partial forgiveness on a PPP loan totaling $377,743, of which $371,664 was for principal and $6,079 for accrued interest. The Company recorded this forgiveness as other income in the accompanying consolidated statements of operations. In March 2022, the Company refinanced the balance with a third-party bank and the maturity date was extended to March 2025. Monthly payments are $3,566/month. See additional disclosure as part of notes payable summary Note 6.

Notes Payable – Related Parties

Terms	1 Note Payable Related Party	2 Note Payable Related Party	Total
Issuance dates of notes	Various	August 2021	
Maturity date	December 31, 2023 and December 31, 2024	August 2031	
Interest rate	10%	10%	
Collateral	Unsecured	Unsecured	
Conversion price	N/A	N/A	
Balance - December 31, 2021	$ 5,593,431	$ 467,385	6,060,816
Conversion of debt into common stock	(1,086,413)	-	(1,086,413)
Reclass of accrued interest to note payable	627,545	-	627,545
Balance - December 31, 2022	5,134,563	467,385	5,601,948
Less: short term	1,108,150	-	1,108,150
Long term	$ 4,026,413	$ 467,385	$ 4,493,798
Balance - December 31, 2022	$ 5,134,563	$ 467,385	$ 5,601,948
Repayments	-	(467,385)	(467,385)
Balance - June 30, 2023	5,134,563	-	5,134,563
Less: short term	1,108,150	-	1,108,150
Long term	$ 4,026,413	$ -	$ 4,026,413

1 Activity is with the Company's Chief Executive Officer and Board Member (Kevin Brian Cox). Of the total, $1,108,150 is due December 31, 2023 and $4,026,413 is due December 31, 2024.

In 2022, the Company included $627,545 of accrued interest into the note balance. In 2022, the Company issued 270,745 shares of common stock at $4.01/share to settle $1,086,413 of debt principal. As a result of the debt conversion with a related party, accordingly gains/losses are not recognized, however, the Company increased stockholders' equity for $1,086,413.

2 Activity is with David May, who is a Board Member. The note of $467,385 and related accrued interest of $63,641 (aggregate $531,026) was repaid in 2023.

Notes Payable

Terms	1 Notes Payable	2 Notes Payable	3 Notes Payable	4 Note Payable	Total
Issuance dates of notes	April/May 2022	April/June 2022	March 2022	2022	
Maturity date	October/November 2022	January/February 2023	March 2023	2025	
Interest rate	19%	24%	19%	1%	
Default interest rate	26%	N/A	26%	0%	
Collateral	Unsecured	All assets	Unsecured	Unsecured	
Warrants issued as debt discount/issue costs	36,000	N/A	15,000	N/A	
Balance - December 31, 2021	$ -	$ -	$ -	$ -	$ -
Gross proceeds	1,200,000	5,000,000	500,000	-	6,700,000
Reclassification from SBA - PPP note payable	-	-	-	126,418	126,418
Repayments	(100,000)	(5,000,000)	(100,000)	(31,251)	(5,231,251)
Debt issue costs	(76,451)	-	(38,953)	-	(115,404)
Amortization of debt issue costs	76,451	-	38, 953	-	115,404
Balance - December 31, 2022	1,100,000	-	400,000	95,167	1,595,167
Repayments	(1,100,000)	-	(400,000)	(20,954)	(1,520,954)
Balance - June 30, 2023	$ -	$ -	$ -	$ 74,213	$ 74,213

1 - These notes were issued with 36,000, three (3) year warrants, which have been reflected as debt issue costs and are amortized over the life of the debt. These notes were fully repaid in 2023.

2 - The Company executed a $5,000,000, secured, revolving promissory note with a third party. The Company may draw down on the note at 80% of eligible accounts receivable. The note was repaid in full in November 2022. See below regarding secured revolving debt.

3 - These notes were issued with 15,000, three (3) year warrants, which have been reflected as debt issue costs and were amortized over the life of the debt. Additionally, in 2022, the Company issued an additional 12,000, three (3) year warrants, which were treated as interest expense in connection with extending the maturity date for notes totaling $400,000 to March 2023. In 2023, the Company repaid $400,000 in notes and related accrued interest of $36,204 (aggregate $436,204). In October 2022, the Company repaid $100,000. The balance of $400,000 in these notes were repaid in full in 2023.

4 – See Notes Payable – SBA Government Note Summary 1.

Secured Revolving Debt

In April 2022, a maximum of $3,000,000 was made available to the Company, issued pursuant to a series of 270-day (9 months) revolving notes for purposes of purchasing inventory. In June 2022, this amount was increased to $5,000,000.

The notes accrued interest at a monthly rate of 2% (24% annualized). The Company took drawdowns based upon eligible accounts receivable. In the event that eligible accounts receivable were less than 80% of the loan amount, within four (4) business days, the Company would have been required to make a payment to the lender so that the loan amount was no greater than 80% of the then current eligible accounts receivable.

The maximum amount outstanding under the loan was the lesser of $5,000,000 or 80% of eligible accounts receivable. Additionally, any related accrued interest associated with this mandatory payment was also due. These advances were secured by all assets of the Company.

In 2022, the Company repaid the $5,000,000 plus accrued interest of $46,027 and the line was terminated.

Debt Maturities

The following represents the maturities of the Company's various debt arrangements for each of the five (5) succeeding years and thereafter as follows:

For the Year Ended December 31,	Notes Payable - Related Parties	Notes Payable - SBA Government	Note Payable	Total
2023 (6 Months)	$ 1,108,150	$ -	$ 21,078	$ 1,129,228
2024	4,026,413	-	42,455	4,068,868
2025	-	-	10,680	10,680
2026	-	-	-	-
2027	-	-	-	-
Thereafter	-	465,633	-	465,633
Total	$ 5,134,563	$ 465,633	$ 74,213	$ 5,674,409

Note 7 – Fair Value of Financial Instruments

The Company evaluates its financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level in which to classify them for each reporting period. This determination requires significant judgments to be made.

The Company did not have any assets or liabilities measured at fair value on a recurring basis at June 30, 2023 and December 31, 2022, respectively.

Note 8 – Commitments and Contingencies

Operating Leases

We have entered into various operating lease agreements, including our corporate headquarters. We account for leases in accordance with ASC Topic 842: *Leases,* which requires a lessee to utilize the right-of-use model and to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either financing or operating, with classification affecting the pattern of expense recognition in the statement of operations. In addition, a lessor is required to classify leases as either sales-type, financing or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as financing. If the lessor does not convey risk and rewards or control, the lease is treated as operating. We determine if an arrangement is a lease, or contains a lease, at inception and record the lease in our financial statements upon lease commencement, which is the date when the underlying asset is made available for use by the lessor.

Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments over the lease term. Lease right-of-use assets and liabilities at commencement are initially measured at the present value of lease payments over the lease term. We generally use our incremental borrowing rate based on the information available at commencement to determine the present value of lease payments except when an implicit interest rate is readily determinable. We determine our incremental borrowing rate based on market sources including relevant industry data.

We have lease agreements with lease and non-lease components and have elected to utilize the practical expedient to account for lease and non-lease components together as a single combined lease component, from both a lessee and lessor perspective with the exception of direct sales-type leases and production equipment classes embedded in supply agreements. From a lessor perspective, the timing and pattern of transfer are the same for the non-lease components and associated lease component and, the lease component, if accounted for separately, would be classified as an operating lease.

We have elected not to present short-term leases on the balance sheet as these leases have a lease term of 12 months or less at lease inception and do not contain purchase options or renewal terms that we are reasonably certain to exercise. All other lease assets and lease liabilities are recognized based on the present value of lease payments over the lease term at commencement date. Because most of our leases do not provide an implicit rate of return, we used our incremental borrowing rate based on the information available at lease commencement date in determining the present value of lease payments.

Our leases, where we are the lessee, do not include an option to extend the lease term. For purposes of calculating lease liabilities, lease term would include options to extend or terminate the lease when it is reasonably certain that we will exercise such options.

Lease expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense, included as a component of general and administrative expenses, in the accompanying consolidated statements of operations.

Certain operating leases provide for annual increases to lease payments based on an index or rate, our lease has no stated increase, payments were fixed at lease inception. We calculate the present value of future lease payments based on the index or rate at the lease commencement date. Differences between the calculated lease payment and actual payment are expensed as incurred.

At June 30, 2023 and December 31, 2022, respectively, the Company had no financing leases as defined in ASC 842, *"Leases."*

The tables below present information regarding the Company's operating lease assets and liabilities at June 30, 2023 and 2022, respectively:

	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Operating Leases	$ 21,494	$ 34,294
Interest on lease liabilities	10,648	11,598
Total net lease cost	$ 32,142	$ 45,892

Supplemental balance sheet information related to leases was as follows:

	June 30, 2023	December 31, 2022
Operating leases		
Operating lease ROU assets - net	$ 409,858	$ 431,352

Operating lease liabilities - current		41,290		39,490
Operating lease liabilities - non-current		378,284		399,413
Total operating lease liabilities	$	419,574	$	438,903

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

		For the Six Months Ended June 30, 2023		For the Six Months Ended June 30, 2022
Cash paid for amounts included in measurement of lease liabilities				
Operating cash flows from operating leases	$	19,329	$	30,948
ROU assets obtained in exchange for lease liabilities				
Operating leases	$	-	$	-
Weighted average remaining lease term (in years)				
Operating leases		7.00		7.99
Weighted average discount rate				
Operating leases		5%		5%

Future minimum lease payments for the years ended December 31:

2023 (6 Months)		32,412
2024		61,876
2025		63,460
Thereafter		347,083
Total lease payments		504,831
Less: amount representing interest		(85,257)
Total lease obligations	$	419,574

Employment Agreements (Chief Executive Officer, Chief Financial Officer, and Chief Administrative Officer)

The Company is currently finalizing amendments to the terms of its executive employment agreements with its Chief Executive Officer, Chief Financial Officer, and Chief Administrative Officer. These agreements are expected to be completed during the fourth quarter of 2023.

Contingencies – Legal Matters

True Wireless and Surge Holdings - Terracom Litigation

Global Reconnect, LLC and Terracom, Inc. v. Jonathan Coffman, Jerry Carroll, True Wireless, & Surge Holdings: In the Chancery Court of Hamilton County, TN, Docket # 20-00058, Filed Jan 21, 2020. On January 21, 2020, a complaint was filed related to a noncompetition dispute. Terracom believes Mr. Coffman and Mr. Carroll are in violation of their non-compete agreements by working for us and True Wireless, Inc. Oklahoma and Tennessee state law does not recognize non-compete agreements and are not usually enforced in the state courts of these states, as such we believe True Wireless has a strong case against Terracom. The matter is entering the discovery process. Both Mr. Carroll and Mr. Coffman are no longer working for True Wireless in sales. Mr. Carroll is off the payroll and Mr. Coffman works for SurgePays, Inc., but not in wireless sales. The complaint requests general damages plus fees and costs for tortious interference with a business relationship in their prayer for relief. They have made no written demand for damages at this point in time. The Company believes this matter is simply an anti-competitive attempt by Terracom to cause distress to True Wireless. The case was dismissed without prejudice by the Court on December 15, 2022.

Surge Holdings – Juno Litigation

Juno Financial v. AATAC and Surge Holdings Inc. AND Surge Holdings Inc. v. AATAC; Circuit Court of Hillsborough County, Florida, Case # 20-CA-2712 DIV A: Breach of Contract, Account Stated and Open Account claims against Surge by a factoring company. Surge has filed a cross-complaint against defendant AATAC for Breach of Contract, Account Stated, Open Account and Common Law Indemnity. Case is in discovery. Following analysis by our litigation counsel stating that there is a good defense, management has decided that a reserve is not necessary. The case remains on the docket and has no court dates set at this time.

SurgePays – Ambess Litigation

On December 17, 2021, Ambess Enterprises, Inc. v SurgePays, Inc., Blair County Pa. case number 2021 GN 3222. Plaintiff alleges breach of contract and prays for damages of approximately $73,000, plus fees, costs, and interest. Litigation counsel is managing the motion practice and discovery process. The case was settled and dismissed in January 2023 for $60,000, which has been recorded as a component of general and administrative expenses.

True Wireless and SurgePays – Litigation

Blue Skies Connections, LLC, and True Wireless, Inc. v. SurgePays, Inc., et. al.: In the District Court of Oklahoma County, OK, CJ-2021-5327, filed on December 13, 2021. Plaintiffs petition alleges breach of a Stock Purchase Agreement by SurgePays, SurgePhone Wireless, LLC, and Kevin Brian Cox, and makes other allegations related to SurgePays' consulting work with Jonathan Coffman, a True Wireless employee. Blue Skies believes the Defendants are in violation of their non-competition and non-solicitation agreements related to the sale of True Wireless from SurgePays to Blue Skies. Oklahoma state law does not recognize non-compete agreements and non-solicitation agreements in the manner alleged by Plaintiffs, as such we believe SurgePays, SurgePhone, and Cox have a strong defense against the claims asserted by Blue Skies and True Wireless. The matter continues in the discovery process. Mr. Coffman is no longer working for True Wireless. An attempt at mediation in July, 2022 did not achieve a settlement. The petition requests injunctive relief, general damages, punitive damages, attorney fees and costs for alleged breach of contract, tortious interference with a business relationship, and fraud. Plaintiffs have made a written demand for damages and the parties continue to discuss a potential resolution. This matter is an anti-competitive attempt by Blue Skies and True Wireless to damage SurgePays, SurgePhone, and Cox. Written discovery continues and depositions are anticipated to begin in the third quarter of 2023.

Aliotta and Vasquesz v SurgePays – Litigation

Robert Aliotta and Steve Vasquesz, on behalf of themselves and others similarly situated v. SurgePays, Inc. d/b/a Surge Logics, filed January 4, 2023, in the U.S. District Court for the Northern District of Illinois, Case No. 1:23-cv-00042. Plaintiffs allege violations of the Telephone Consumer Protection Act (TCPA) and the Florida Telephone Solicitations Act (FTSA) based on telephone solicitations allegedly made by or on behalf of SurgePays, Inc. Plaintiffs seek damages for themselves and seek certification of a class action on behalf of others similarly situated. Defendants intend to vigorously defend the action however most similar cases are eventually resolved by an out-of-court settlement. At this time, it is impossible to estimate the amount or range of potential loss, but similar matters are usually settled for $100,000 or less. SurgePays Inc has been removed from the case following a Motion to Dismiss and LogicsIQ, Inc. has been named as the defendant. The case has begun written discovery and depositions are expected later this year.

Demiray v. SurgePays, Inc.

Meral Demiray v Surge Holdings, Inc. a/k/a SurgePays, Inc.: In the United States District Court for the Northern District of Illinois, Case # 22-cv-6591, filed November 23, 2022. Plaintiff filed a claim against SurgePays following her dismissal from her position as an employee of the Company. Following negotiations among and between SurgePays, SurgePays' insurance carrier and the Plaintiff, a settlement has been reached and documentation is currently being drafted for full settlement, release, and dismissal of the claim. The case was settled and dismissed in March 2023 for $7,500, which has been recorded as a component of general and administrative expenses.

SurgePays – Mike Fina Litigation

SurgePays, Inc. et al. v. Fina et al., Case No. CJ-2022-2782, District Court of Oklahoma County, Oklahoma. Plaintiffs SurgePays, Inc. and Kevin Brian Cox initiated this case against its former officer Mike Fina, his companies Blue Skies Connections, LLC, True Wireless, Inc., Government Consulting Solutions, Inc., Mussell Communications LLC and others. This case also arises from the June 2021 transaction by which SurgePays sold True Wireless to Blue Skies. During the litigation of CJ-2021-5327 described above, SurgePays learned information that showed Mike Fina breached his duties owed to True Wireless during his employment and consulting work for True Wireless prior to SurgePays' sale of True Wireless to Blue Skies. SurgePays alleges that Mike Fina conspired with the other defendants to damage True Wireless thereby harming the value of the company and causing its eventual sale at a greatly reduced price. SurgePays asserts claims for (i) breach of contract; (ii) breach of fiduciary duty; (iii) fraud; (iv) tortious interference; and (v) unjust enrichment. At this stage, no defendant has asserted a counter-claim against SurgePays.

The case is still at the early pleadings stage. SurgePays filed a Second Amended Petition on January 27, 2023. Defendants Fina, Blue Skies, True Wireless, and Government Consulting Solutions filed a Motion to Dismiss on March 10, 2023. It is SurgePays' present intent to vigorously prosecute this case. At this early stage, no attempts at settlement have been made.

Note 9 – Stockholders' Equity

At June 30, 2023, the Company had one (1) class of stock:

Common Stock

- 500,000,000 shares authorized
- Par value - $0.001
- Voting at 1 vote per share

In 2022, all Series A, Preferred stockholders, representing 260,000 shares issued and outstanding, agreed to convert their holdings into 1,300,000 shares of common stock. The transaction had a net effect of $0 on stockholders' equity.

Securities and Incentive Plan

In March 2023, the Company's shareholders approved the 2022 Plan (the "Plan") initially approved, authorized and adopted by the Board of Directors in August 2022.

The Plan provides for the following:

1. 3,500,000 shares of common stock
2. An annual increase on the first day of each calendar year beginning January 1, 2023 and ending on January 31, 2031 equal to the lesser of:

    a. 10% of the common stock outstanding on the final day of the immediately preceding calendar year, or
    b. Such smaller amount of common stock as determined by the Board of Directors.

3. The shares may be issued as follows to directors, officers, employees, and consultants:

    a. Distribution equivalent rights
    b. Incentive share options
    c. Non-qualified share options

d. Performance unit awards
e. Restricted share awards
f. Restricted share unit awards
g. Share appreciation rights
h. Tandem share appreciation rights
i. Unrestricted share awards

See the proxy statement filed with the SEC on January 19, 2023 for a complete detail of the Plan.

Equity Transactions for the Six Months Ended June 30, 2023

Stock Issued for Services

The Company issued 125,009 shares of common stock for services rendered, having a fair value of $618,644 ($4.19 - $9.40/share), based upon the quoted closing trading price.

Exercise of Warrants

The Company issued 43,814 shares of common stock in connection with an exercise of $4.73 warrants for $207,240.

Equity Transactions for the Year Ended December 31, 2022

Stock Issued as Direct Offering Costs

The Company issued 200,000 shares of common stock for services rendered in connection with the Company's NASDAQ uplisting in 2021. As a result, the Company recorded the par value of the common stock issued with a corresponding charge to additional paid-in capital, resulting in a net effect of $0 to stockholders' equity.

Stock Issued for Acquisition of Software

The Company acquired software having a fair value of $711,400. Payment for the software consisted of $300,000 in cash and the Company issued 85,000 shares of common stock having a fair value of $411,400 ($4.84/share), based upon the quoted closing trading price.

Exercise of Warrants (Cashless)

The Company issued 147,153 shares of common stock in connection with a cashless exercise of 498,750 warrants. The transaction had a net effect of $0 on stockholders' equity.

Exercise of Warrants

The Company issued 100 shares of common stock in connection with an exercise of 473 warrants for $473.

Stock Options

Stock option transactions for the six months ended June 30, 2023 and the year ended December 31, 2022 are summarized as follows:

Stock Options	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value	Weighted Average Grant Date Fair Value
Outstanding - December 31, 2021	17,004	$ 16.00	5.16	$ -	
Vested and Exercisable - December 31, 2021	3,401	$ 16.00	5.16	$ -	
Unvested and non-exercisable - December 31, 2021	13,603	$ 16.00	5.16	$ -	
Granted	-	-			$ -
Exercised	-	-			
Cancelled/Forfeited	-	-			
Outstanding - December 31, 2022	17,004	$ 16.00	4.16	$ -	
Vested and Exercisable - December 31, 2022	6,801	$ 16.00	4.16	$ -	
Unvested and non-exercisable - December 31, 2022	10,203	$ 16.00	4.16	$ -	
Granted	-	-			$ -
Exercised	-	-			
Cancelled/Forfeited	-	-			
Outstanding - June 30, 2023	17,004	$ 16.00	3.67	$ -	
Vested and Exercisable - June 30, 2023	11,902	$ 16.00	3.67	$ -	
Unvested and non-exercisable - June 30, 2023	5,101	$ 16.00	3.67	$ -	

During 2023 and 2022, 5,101 and 3,401 stock options vested each year, respectively, were held by the Company's Chief Financial Officer.

Stock-based compensation expense for the three months ended June 30, 2023 and 2022 was $9,294 and $9,294, respectively.

Stock-based compensation expense for the six months ended June 30, 2023 and 2022 was $18,588 and $18,588, respectively.

As of June 30, 2023, compensation cost related to the unvested options not yet recognized was $24,783.

Weighted average period in which compensation will vest (years) 0.67 years. The unvested stock option expense is expected to be recognized through March 2024.

Warrants

Warrant activity for the three months ended June 30, 2023 and the year ended December 31, 2022 are summarized as follows:

Warrants	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding - December 31, 2021	6,082,984	$ 8.68	2.93	$ -
Vested and Exercisable - December 31, 2021	5,852,984	$ 8.70	2.85	$ -
Unvested - December 31, 2021	230,000	$ 8.00	4.85	$ -
Granted	189,000	$ 4.73	-	
Exercised	(498,850)	$ 6.49	-	
Cancelled/Forfeited	(91,743)	$ 40.02	-	
Outstanding - December 31, 2022	5,681,392	$ 5.05	1.85	$ 10,026,387
Vested and Exercisable - December 31, 2022	5,681,392	$ 5.05	1.85	$ 10,026,387
Unvested - December 31, 2022	-	$ -	-	$ -
Granted	-	$ -	-	
Exercised	(43,814)	$ 4.73	-	
Cancelled/Forfeited	(15,286)	$ 24.94	-	
Outstanding - June 30, 2023	5,622,292	$ 5.00	1.36	$ 12,718,101
Vested and Exercisable - June 30, 2023	5,622,292	$ 5.00	1.36	$ 12,718,101
Unvested and non-exercisable - June 30, 2023	-	$ -	-	$ -

<u>Warrant Transactions for the Year Ended December 31, 2022</u>

Warrants Issued as Debt Issue Costs

In connection with $1,700,000 in notes payable (See Note 6), the Company issued 51,000 warrants, which are accounted for as debt issue costs, having a fair value of $115,404. These debt issue costs were amortized in full as of December 31, 2022.

The fair value of these warrants was determined using a Black-Scholes option pricing model with the following inputs:

Expected term (years)	3 years
Expected volatility	119% - 120%
Expected dividends	0%
Risk free interest rate	2.45% - 2.80%

Warrants Issued as Interest Expense

A vendor increased the amount of credit the Company had for making purchases. In consideration for the increase, the Company issued 90,000 warrants, which are accounted for as interest expense, having a fair value of $212,608.

The fair value of these warrants was determined using a Black-Scholes option pricing model with the following inputs:

Expected term (years)	3 years
Expected volatility	120%
Expected dividends	0%
Risk free interest rate	2.71%

In 2022, the Company extended the due dates of certain notes payable totaling $1,600,000 for an additional 6 months. In consideration for the extension of the maturity date, the Company issued 48,000 warrants, which are accounted for as additional interest expense, having a fair value of $153,186. The Company also determined that these transactions were classified as debt modifications and that extinguishment accounting did not apply.

The fair value of these warrants was determined using a Black-Scholes option pricing model with the following inputs:

Expected term (years)	3 years
Expected volatility	116% - 119%
Expected dividends	0%

Risk free interest rate	4.13% - 4.25%

Note 10 – 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 loss. All data below is prior to intercompany eliminations.

Segment information for the Company's operations for the three and six months ended June 30, 2023 and 2022, are as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues				
Surge Phone and Torch Wireless	$ 30,214,830	$ 20,068,656	$ 58,874,214	$ 34,116,686
Surge Blockchain, LLC	9,433	17,842	21,301	47,671
LogicsIQ, Inc.	2,791,585	3,631,943	5,962,430	5,925,016
Surge Fintech & ECS	2,870,585	4,286,703	5,804,931	9,057,142
Total	$ 35,886,433	$ 28,005,144	$ 70,662,876	$ 49,146,515
Cost of revenues				
Surge Phone and Torch Wireless	$ 21,127,883	$ 18,659,046	$ 42,440,138	$ 30,538,048
Surge Blockchain, LLC	45	1,500	150	1,500
LogicsIQ, Inc.	1,932,731	2,763,592	4,810,719	4,764,012
Surge Fintech & ECS	2,800,046	4,390,015	5,691,658	9,018,334
Total	$ 25,860,705	$ 25,814,153	$ 52,942,665	$ 44,321,894
Operating expenses				
Surge Phone and Torch Wireless	$ 113,296	$ 68,564	$ 162,772	$ 130,889
Surge Blockchain, LLC	2,627	52,601	2,927	52,971
LogicsIQ, Inc.	280,290	348,303	568,683	1,008,197
Surge Fintech & ECS	344,114	300,195	669,791	642,319
SurgePays, Inc.	3,082,900	2,268,866	5,408,475	4,887,934
Total	$ 3,823,227	$ 3,038,529	$ 6,812,648	$ 6,722,310
Income (loss) from operations				
Surge Phone and Torch Wireless	$ 8,973,651	$ 1,341,046	$ 16,271,304	$ 3,447,749
Surge Blockchain, LLC	6,761	(36,259)	18,224	(6,800)
LogicsIQ, Inc.	578,564	520,048	583,028	152,807
Surge Fintech & ECS	(273,575)	(403,507)	(556,518)	(603,511)
SurgePays, Inc.	(3,082,900)	(2,268,866)	(5,408,475)	(4,887,934)
Total	$ 6,202,501	$ (847,538)	$ 10,907,563	$ (1,897,689)

Segment information for the Company's assets and liabilities at June 30, 2023 and December 31, 2022, are as follows:

	June 30, 2023	December 31, 2022
Total Assets		
Surge Phone and Torch Wireless	$ 40,793,701	$ 27,239,365
Surge Blockchain, LLC	(532,558)	(550,782)
LogicsIQ, Inc.	2,092,814	2,500,499
Surge Fintech & ECS	1,342,290	1,906,212
SurgePays, Inc.	(3,752,975)	2,908,212
Total	$ 39,943,272	$ 34,003,506
Total Liabilities		
Surge Phone and Torch Wireless	$ 12,767,029	$ 15,484,392
Surge Blockchain, LLC	198,198	198,197
LogicsIQ, Inc.	1,635,834	2,619,521
Surge Fintech & ECS	51,518	58,919
SurgePays, Inc.	8,725,256	10,524,224
Total	$ 23,377,835	$ 28,885,253

Note 11 – Installment Sale Liability

Agreement

In 2022, the Company executed a two-year (2) financing arrangement with Affordable Connectivity Financing ("ACF", "Seller") to receive up to $25,000,000 to purchase devices for sale.

This agreement is based upon the Company submitting a purchase order and ACF approving the request. The Company may cancel the purchase order prior to ACF paying for the devices. The agreement may be extended by a period of one (1) year upon mutual consent.

Under the terms of the agreement, ACF is directly purchasing products and reselling to the Company at a markup. At December 31, 2022, the markup was 9.85%. Effective April 1, 2023 and each quarter thereafter, this amount is subject to increase based upon the secured overnight financing rate.

Repayment Period

Each installment sale contract shall be repaid over a period of nine (9) months.

Security

This arrangement is fully secured by all assets of the Company.

Minimum Outstanding Balance

3 month rolling average of 70% of the installment sale credit amount.

Prepayment Penalty

The Company is subject to a cancellation fee of 3% during the first year and 2% during the second year.

Administrative Fee

The Company is required to pay $2,000 per month.

Default Rate

For any unpaid amounts under this agreement, the Company is subject to a fee of 1.35% per month (16.2% annualized).

Commitment Fee

ACF charged a 2% commitment fee on the initial installment sale, and 2% for each incremental increase of $5,000,000 in the installment sale credit amount.

For example, if the initial installment sale credit amount is $15,000,000, the credit availability fee would be $300,000 (2%). Any subsequent increase of $5,000,000 or more would result in an additional fee of $100,000 (2%). Commitment fees are paid over a period of 12 months as part of the Seller's monthly invoicing.

Covenants

At June 30, 2023 and December 31, 2022, respectively, the Company was in compliance with all of the following ratios:

1. Company adjusted EBITDA,
2. Total Leverage Ratio,
3. Fixed Charge Coverage Ratio,
4. Minimum Subscriber Base; and
5. Minimum Liquidity

Additionally, the Company is required to provide various data to the vendor on a periodic basis. The Company has not received notice from the vendor regarding any instances of non-compliance.

Lockbox

The Company will maintain a lockbox for the benefit of the Seller.

Installment Sale Liability

At June 30, 2023 and December 31, 2022, the Company has recorded an installment sale liability of $11,349,440 and $13,018,184, respectively, which is included in the accompanying consolidated balance sheets.

During the three and six months ended June 30, 2023, the Company paid fees of $135,500 and $266,500, respectively. These amounts have been included as a component of cost of goods sold in the accompanying consolidated statements of operations.

Note 12 – Subsequent Events

On July 12, 2023, Notice of Default was provided by SurgePays, Inc. to Blue Skies Connections, LLC for failure to pay amounts due under that certain Promissory Note dated June 14, 2021 by Blue Skies Connections, LLC in favor of SurgePays, Inc. in the original principal amount of $176,851 (the "Note"). Pursuant to the terms of the Note, SurgePays, Inc. accelerated the amount due. As of July 28, 2023, SurgePays, Inc. has declared the Promissory Note in default and will exercise its remedies through legal proceedings.

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

This statement contains forward-looking statements within the meaning of the Securities Act. Discussions containing such forward-looking statements may be found throughout this statement. Actual events or results may differ materially from those discussed in the forward-looking statements as a result of various factors, including the matters set forth in this statement. The accompanying consolidated financial statements as of June 30, 2023 and 2022 and for the three months and six months then ended includes the accounts of SurgePays, Inc. and its wholly owned subsidiaries during the period owned by SurgePays, Inc.

About SurgePays, Inc.

SurgePays, Inc. ("SurgePays", "we" the "Company") was incorporated in Nevada on August 18, 2006, and is a financial technology and telecom company focused on providing these essential services to the underbanked community. The Company's wireless subsidiaries, SurgePhone Wireless and Torch Wireless, provide mobile broadband, voice and SMS text messaging to both subsidized and direct retail prepaid customers. The Company's blockchain fintech platform utilizes a suite of financial and prepaid products to convert corner stores into tech-hubs for underbanked neighborhoods.

SurgePhone Wireless and Torch Wireless

SurgePhone and Torch, wholly owned subsidiaries of SurgePays, are mobile virtual network operators (MVNO) licensed by the Federal Communications Commission (the "FCC") to provide subsidized access to quality internet through mobile broadband services to consumers qualifying under the federal guidelines of the Affordable Connectivity Program (the "ACP"). The ACP (the successor program, as of March 1, 2022 to the Emergency Broadband Benefit program) provides SurgePhone and Torch up to a $100 reimbursement for the cost of each tablet device distributed and a $30 per customer, per month subsidy for mobile broadband (internet connectivity) services. SurgePhone and Torch combined are licensed to offer subsidized mobile broadband to all fifty states.

SurgePays Fintech (ECS Business)

We refer to the collective operations of ECS Prepaid, LLC, a Missouri limited liability company, Electronic Check Services, Inc., a Missouri corporation, and Central States Legal Services, Inc., a Missouri corporation, as "Surge Fintech." This was previously referred to as the "ECS Business."

Surge Fintech has been a financial technology tech and wireless top-up platform for over 15 years. Through a series of transactions between October 2019 and January 2020, we acquired the ECS Business primarily for the favorable ACH banking relationship and a fintech transactions platform processing over 20,000 transactions a day at approximately 8,000 independently owned convenience stores. The platform serves as the proven backbone for wireless top-up transactions and wireless product aggregation for the SurgePays nationwide network.

ShockWave CRM™

SurgePays acquired the Software as a Service (SaaS) Customer Relationship Management (CRM) and Billing System software platform "MVNO Cloud Services" on June 7, 2022. Payment for the software consisted of $300,000 in cash, of which $100,000 was paid in June 2022, and the remaining $200,000 in July 2022. Additionally, the Company issued 85,000 shares of common stock having a fair value of $411,400 ($4.84/share), based upon the quoted closing trading price. SurgePays has rebranded the software as ShockWave CRM.

ShockWave is an end-to-end cloud-based SaaS offering an Omnichannel CRM, Billing system and carrier integrations specific to the telecommunication and broadband industry. Some of these services include sales agent management, device and SIM inventory management, order processing and provisioning, retail POS activations and payments, customer service management, retention tools, billing, and payments.

Surge Blockchain

Surge Blockchain Software is a back-office marketplace (accessed through the SurgePays fintech portal for convenience stores) offering wholesale consumable goods direct to convenience stores who are transacting on the SurgePays Fintech platform. The wholesale e-commerce platform is easily accessed through the secure app interface – similar to a website. We believe what makes this sales platform unique is that it also offers the merchant the ability to order wholesale consumable goods at a significant discount from traditional distributors with one touch ease. We are able to sell products at a significant discount by using on demand Direct Store Delivery (DSD). Our platform is connected directly to manufacturers, who ship products direct to the store while cutting out the middleman. The goal of the SurgePays Portal is to leverage the competitive advantage and efficiencies of e-commerce to provide as many commonly sold consumable products as possible to convenience stores, corner markets, bodegas, and supermarkets while increasing profit margins for these stores.

LogicsIQ, Inc.

LogicsIQ, Inc. is a lead generation and case management solutions company primarily serving law firms in the mass tort industry. LogicsIQ's CRM "Intake Logics" facilitates the entire life cycle of converting a lead into a signed retainer client integrated into the law firms case management software. Our proven strategy of delivering cost-effective retained cases to our attorney and law firm clients means those clients are better able to manage their media and advertising budgets and reach targeted audiences more quickly and effectively when utilizing our proprietary data driven analytics dashboards. Our ability to deliver transparent results through our integrated Business Intelligence (B.I.) dashboards has bolstered our reputation as an industry leader in the mass tort client acquisition field.

Centercom

Since 2019, we have owned a 40% equity interest in Centercom Global, S.A. de C.V. ("Centercom"). Centercom is a bilingual operations center providing the Company with sales support, customer service, IT infrastructure design, graphic media, database programming, software development, revenue assurance, lead generation, and other various operational support services. Centercom is based in El Salvador.

COMPARISON OF THREE MONTHS ENDED JUNE 30, 2023 AND 2022

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the consolidated results of operations, stockholders' deficit, or cash flows.

Revenues during the three months ended June 30, 2023 and 2022 consisted of the following:

	2023	2022

Revenue	$	35,886,433	$	28,005,144
Cost of revenue (exclusive of depreciation and amortization)		(25,860,705)		(25,814,153)
General and administrative		(3,823,227)		(3,038,529)
Income (loss) from operations	$	6,202,501	$	(847,538)

Revenue increased overall by $7,881,289 (28.1%) from the three months ended June 30, 2022 to the three months ended June 30, 2023. The breakout was as follows:

	For the Three Months Ended June 30,			
	2023		2022	
Revenues:				
Surge Phone and Torch Wireless	$	30,214,830	$	20,068,656
Surge Blockchain, LLC		9,433		17,842
LogicsIQ, Inc.		2,791,585		3,631,943
Surge Fintech & ECS		2,870,585		4,286,703
Total	$	35,886,433	$	28,005,144

SurgePhone and Torch Wireless revenues (as detailed in Notes 2 and 11 of the financial statements) increased by $10,146,174 related to the additional revenue stream generated by the increase in subscribers to over 275,000 at the end of June 30, 2023 from over 130,000 at the end of June 30, 2022 for the ACP replacing the Emergency Broadband Benefit Program started in August of 2021. LogicsIQ revenues decreased by $840,358 related to the slowing of Camp Lejeune litigation cases requested by our clients. The overall case count went from 1,115 in the three months ended June 30, 2022 to 1,792 in the three months ended June 30, 2023. Surge Fintech (ECS) revenues decreased by $1,416,118 due to the shifting of customers to the ACP from wireless prepaid services at our stores.

We expect revenues to grow for each segment of the Company in future periods, specifically our subscriber base and active store count.

	For the Three Months Ended June 30,			
	2023		2022	
Income (loss) from operations:				
Surge Phone and Torch Wireless	$	8,973,651	$	1,341,046
Surge Blockchain, LLC		6,761		(36,259)
LogicsIQ, Inc.		578,564		520,048
Surge Fintech & ECS		(273,575)		(403,507)
SurgePays, Inc.		(3,082,900)		(2,268,866)
Total	$	6,202,501	$	(847,538)

Operations income improved overall by $7,050,039 from the three months ended June 30, 2022 to the three months ended June 30, 2023, primarily as a result of an increase in operating profit of $7,632,605 in SurgePhone and Torch Wireless, an increase in operating profit of $58,516 in LogicsIQ, and an increase in operating profit of $129,932 in Surge Fintech. Most of these changes are related to the change in revenue for each stream. Overall margins remained consistent for both three-month periods ended June 30, 2022 and 2023.

Cost of Revenue, Gross Profit and Gross Margin

	For the Three Months Ended June 30,			
	2023		2022	
Cost of Revenue:				
Surge Phone and Torch Wireless	$	21,127,883	$	18,659,046
Surge Blockchain, LLC		45		1,500
LogicsIQ, Inc.		1,932,731		2,763,592
Surge Fintech & ECS		2,800,046		4,390,015
Total	$	25,860,705	$	25,814,153

Cost of revenue for services primarily consists of tablet, phone and SIM cards and associated freight, shipping and handling costs, marketing services, data plan expenses, royalties, and out-sourced call center expenses.

We expect that our cost of revenue will increase or decrease to the extent that our revenue increases and decreases and depends on our subscriber base and store count.

Gross profit is calculated as revenue less cost of revenue. Gross profit margin is gross profit expressed as a percentage of revenue. Our gross profit in future periods will depend on a variety of factors, including market conditions that may impact our pricing, sales mix among devices, sales mix changes among consumables, excess and obsolete inventories, and our cost structure for manufacturing operations relative to volume. Our gross profit in future periods will vary based upon our revenue stream mix and may increase based upon our distribution channels.

We expect that our gross profit margin for products and service will increase over the long term as our sales and production volumes increase and our cost per unit decreases due to efficiencies of scale. We intend to use our design, information systems, and sales force capabilities to further advance and improve the efficiency of our revenue streams, which we believe will reduce costs and increase our gross margin.

General and administrative during the three months ended June 30, 2023 and 2022 consisted of the following:

	2023		2022	
Depreciation and amortization	$	266,025	$	191,561
Selling, general and administration		3,557,202		2,846,968
Total	$	3,823,227	$	3,038,529

The increase in depreciation and amortization costs for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 is the result of amortizing internal-use software development costs capitalized in 2022 associated with software enhancements to our various software platforms continuing in 2023. There were no such costs incurred in the second quarter of 2022.

Selling, general and administrative expenses during the three months ended June 30, 2023 and 2022 consisted of the following:

	2023	2022
Contractors and consultants	$ 562,521	$ 421,560
Professional services	469,478	500,247
Compensation	1,637,254	853,960
Computer and internet	192,552	63,499
Advertising and marketing	16,528	52,524
Insurance	329,990	444,756
Other	348,879	510,422
Total	$ 3,557,202	$ 2,846,968

Selling, general and administrative costs (S, G & A) increased by $710,234 (24.9%). The changes are discussed below:

- Contractors and consultants expense increased by $140,961 or 33.4% from $421,560 in the three months ended June 30, 2022 to $562,521 in the three months ended June 30, 2023.
- Professional services decreased $30,769 in the three months ended June 30, 2023 primarily due to a decrease in legal fees of $131,718. Legal proceedings are in various stages resulting in less expense for the quarter ended June 30, 2023.
- Compensation increased by $783,294 in the three months ended June 30, 2022 to $1,637,254 in the three months ended June 30, 2023 primarily as a result of one-time bonuses paid to various management personnel. The bonuses in 2022 were in the quarter ended March 31, 2022.
- Computer and internet costs increased by 203.2% to $192,552 in the three months June 30, 2023 from $63,499 in the three months ended June 30, 2022. The increase is primarily due to the acquisition of ShockWave CRM™ and the continued expenses related to the maintenance of the software.
- Advertising and marketing costs decreased to $16,528 in the three months ended June 30, 2023 from $52,524 in the three months ended June 30, 2022 primarily due to the change in vendors and reduced overall expenses.
- Insurance expense decreased to $329,990 in the three months ended June 30, 2023 from $444,756 in the three months ended June 30, 2022 primarily as a result of lower premiums related to Directors and Officers coverage.
- Other costs decreased to $348,879 in the three months ended June 30, 2023 from $510,422 in the three months ended June 30, 2022. Travel expenses decreased by $44,486 and other expenses decreased by $63,405.

Other (expense) income during the three months ended June 30, 2023 and 2022 consisted of the following:

	2023	2022
Interest, net	$ (156,267)	$ (566,999)
PPP loan forgiveness	-	524,143
Amortization of debt discount	-	(37,069)
Gain (loss) on equity investment in Centercom	10,713	35,519
Total other (expense) income	$ (145,554)	$ (44,405)

Interest expense decreased to $156,267 in the three months ended June 30, 2023 from $566,999 in the three months ended June 30, 2022.

The equity investment in Centercom increased by $10,713 in the three months ended June 30, 2023 compared to an increase of $35,519 in the three months ended June 30, 2022.

Equity Transactions for the Three Months Ended June 30, 2023

Stock Issued for Services

The Company issued 64,627 shares of common stock for services rendered, having a fair value of $311,186 ($4.19 - $9.40/share), based upon the quoted closing trading price.

Exercise of Warrants

The Company issued 43,814 shares of common stock in connection with an exercise of $4.73 warrants for $207,240.

COMPARISON OF SIX MONTHS ENDED JUNE 30, 2023 and 2022

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the consolidated results of operations, stockholders' deficit, or cash flows.

Revenues during the six months ended June 30, 2023 and 2022 consisted of the following:

	2023	2022
Revenue	$ 70,662,876	$ 49,146,515
Cost of revenue (exclusive of depreciation and amortization)	(52,942,665)	(44,321,894)
General and administrative	(6,812,648)	(6,722,310)

Income (loss) from operations	$ 10,907,563	$ (1,897,689)

Revenue increased overall by $21,516,361 (43.8%) from the six months ended June 30, 2022 to the six months ended June 30, 2023. The breakout was as follows:

	For the Six Months Ended June 30,	
	2023	**2022**
Revenues:		
Surge Phone and Torch Wireless	$ 58,874,214	$ 34,116,686
Surge Blockchain, LLC	21,301	47,671
LogicsIQ, Inc.	5,962,430	5,925,016
Surge Fintech & ECS	5,804,931	9,057,142
Total	$ 70,662,876	$ 49,146,515

SurgePhone and Torch Wireless revenues (as detailed in Notes 2 and 11 of the financial statements) increased by $24,757,528 related to the additional revenue stream generated by the increase in subscribers to over 275,000 at the end of June 30, 2023 from over 75,000 at the end of June 30, 2022 for the ACP replacing the Emergency Broadband Benefit Program started in August of 2021. LogicsIQ revenues increased by $37,414. The overall case count went from 3,071 in the six months ended June 30, 2022 to 3,001 in the six months ended June 30, 2023. Surge Fintech (ECS) revenues decreased by $3,252,211 due to the shifting of customers to the ACP from wireless prepaid services at our stores.

We expect revenues to grow for each segment of the Company in future periods, specifically our subscriber base and active store count.

	For the Six Months Ended June 30,	
	2023	**2022**
Income (loss) from operations:		
Surge Phone and Torch Wireless	$ 16,271,304	$ 3,447,749
Surge Blockchain, LLC	18,224	(6,800)
LogicsIQ, Inc.	583,028	152,807
Surge Fintech & ECS	(556,518)	(603,511)
SurgePays, Inc.	(5,408,475)	(4,887,934)
Total	$ 10,907,563	$ (1,897,689)

Operations income improved overall by $12,805,252 from the six months ended June 30, 2022 to the six months ended June 30, 2023, primarily as a result of an increase in operating profit of $12,823,555 in SurgePhone and Torch Wireless, an increase in operating profit of $430,221 in LogicsIQ, and an increase in operating profit of $46,993 in Surge Fintech. Most of these changes are related to the change in revenue for each stream. Overall margins remained consistent for both six month periods ended June 30, 2022 and 2023.

Cost of Revenue, Gross Profit and Gross Margin

	For the Six Months Ended June 30,	
	2023	**2022**
Cost of Revenue:		
Surge Phone and Torch Wireless	$ 42,440,138	$ 30,538,048
Surge Blockchain, LLC	150	1,500
LogicsIQ, Inc.	4,810,719	4,764,012
Surge Fintech & ECS	5,691,658	9,018,334
Total	$ 52,942,665	$ 44,321,894

Cost of revenue for services primarily consists of tablet, phone and SIM cards and associated freight, shipping and handling costs, marketing services, data plan expenses, royalties, and out-sourced call center expenses.

We expect that our cost of revenue will increase or decrease to the extent that our revenue increases and decreases and depends on our subscriber base and store count.

Gross profit is calculated as revenue less cost of revenue. Gross profit margin is gross profit expressed as a percentage of revenue. Our gross profit in future periods will depend on a variety of factors, including market conditions that may impact our pricing, sales mix among devices, sales mix changes among consumables, excess and obsolete inventories, and our cost structure for manufacturing operations relative to volume. Our gross profit in future periods will vary based upon our revenue stream mix and may increase based upon our distribution channels.

We expect that our gross profit margin for products and service will increase over the long term as our sales and production volumes increase and our cost per unit decreases due to efficiencies of scale. We intend to use our design, information systems, and sales force capabilities to further advance and improve the efficiency of our revenue streams, which we believe will reduce costs and increase our gross margin.

General and administrative during the six months ended June 30, 2023 and 2022 consisted of the following:

	2023	**2022**
Depreciation and amortization	$ 532,050	$ 360,839
Selling, general and administration	6,280,598	6,361,471
Total	$ 6,812,648	$ 6,722,310

The increase in depreciation and amortization costs for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 is the result of amortizing internal-use software development costs capitalized in 2022 associated with software enhancements to our various software platforms continuing in 2023. There were no such costs incurred in the first six months of 2022.

Selling, general and administrative expenses during the six months ended June 30, 2023 and 2022 consisted of the following:

		2023		2022
Contractors and consultants	$	1,112,155	$	971,150
Professional services		838,036		666,537
Compensation		2,491,272		2,582,442
Computer and internet		351,114		157,499
Advertising and marketing		48,864		136,006
Insurance		651,256		881,495
Other		787,901		966,342
Total	$	6,280,598	$	6,361,471

Selling, general and administrative costs (S, G & A) decreased by $80,823 (1.3%). The changes are discussed below:

- Contractors and consultants expense increased by $141,005 from $971,150 in the six months ended June 30, 2022 to $1,112,155 in the six months ended June 30, 2023.
- Professional services increased $171,499 in the six months ended June 30, 2023 primarily due to an increase in legal fees of $112,000. Legal proceedings are the main reason for the higher spending on professional services in 2023.
- Compensation decreased from $2,582,442 in the six months ended June 30, 2022 to $2,491,272 in the six months ended June 30, 2023.
- Computer and internet costs increased by 122.99% to $351,114 in the six months June 30, 2023 from $157,499 in the six months ended June 30, 2022. The increase is primarily due to the acquisition of ShockWave CRM™ and the on-going expense to maintain the software.
- Advertising and marketing costs decreased to $48,864 in the six months ended June 30, 2023 from $136,006 in the six months ended June 30, 2022 primarily due to vendor changes related to investor relations.
- Insurance expense decreased to $651,256 in the six months ended June 30, 2023 from $881,495 in the six months ended June 30, 2022 primarily as a result of lower premiums related to Directors and Officers coverage.
- Other costs decreased to $787,901 in the six months ended June 30, 2023 from $966,342 in the six months ended June 30, 2022.

Other (expense) income during the six months ended June 30, 2023 and 2022 consisted of the following:

		2023		2022
Interest, net	$	(348,593)	$	(736,644)
PPP loan forgiveness		-		524,143
Amortization of debt discount		-		(37,068)
Gain (loss) on equity investment in Centercom		43,742		10,336
Total other (expense) income	$	(304,851)	$	(239,233)

Interest expense decreased to $348,593 in the six months ended June 30, 2023 from $736,644 in the six months ended June 30, 2022.

The equity investment in Centercom increased by $43,742 in the six months ended June 30, 2023 compared to an increase of $10,336 in the six months ended June 30, 2022.

Equity Transactions for the Six Months Ended June 30, 2023

Stock Issued for Services

The Company issued 125,009 shares of common stock for services rendered, having a fair value of 618,644 ($4.19 - $9.40/share), based upon the quoted closing trading price.

Exercise of Warrants

The Company issued 43,814 shares of common stock in connection with an exercise of $4.73 warrants for $207,240.

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 loss. Segment information for the three and six months ended June 30, 2023 and 2022, are as follows:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
		2023 (unaudited)		2022 (unaudited)		2023 (unaudited)		2022 (unaudited)
Revenues:								
SurgePhone & Torch Wireless	$	30,214,830	$	20,068,656	$	58,874,214	$	34,116,686
Surge Blockchain		9,433		17,842		21,301		47,671
LogicsIQ		2,791,585		3,631,943		5,962,430		5,925,016
Surge Fintech & ECS		2,870,585		4,286,703		5,804,931		9,057,142
Total	$	35,886,433	$	28,005,144	$	70,662,876	$	49,146,515

Cost of revenues (exclusive of depreciation and amortization):				
SurgePhone & Torch Wireless	$ 21,127,883	$ 18,659,046	$ 42,440,138	$ 30,538,048
Surge Blockchain	45	1,500	150	1,500
LogicsIQ	1,932,731	2,763,592	4,810,719	4,764,012
Surge Fintech & ECS	2,800,046	4,390,015	5,691,658	9,018,334
Total	$ 25,860,705	$ 25,814,153	$ 52,942,665	$ 44,321,894
Operating expenses:				
SurgePhone & Torch Wireless	$ 113,296	$ 68,564	$ 162,772	$ 130,889
Surge Blockchain	2,627	52,601	2,927	52,971
LogicsIQ	280,290	348,303	568,683	1,008,197
Surge Fintech & ECS	344,114	300,195	669,791	642,319
SurgePays	3,082,900	2,268,866	5,408,475	4,887,934
Total	$ 3,823,227	$ 3,038,529	$ 6,812,648	$ 6,722,310
Operating income (loss):				
SurgePhone & Torch Wireless	$ 8,973,651	$ 1,341,046	$ 16,271,304	$ 3,447,749
Surge Blockchain	6,761	(36,259)	18,224	(6,800)
LogicsIQ	578,564	520,048	583,028	152,807
Surge Fintech & ECS	(273,575)	(403,507)	(556,518)	(603,511)
SurgePays	(3,082,900)	(2,268,866)	(5,408,475)	(4,887,934)
Total	$ 6,202,501	$ (847,538)	$ 10,907,563	$ (1,897,689)

Segment information for the Company's assets and liabilities at June 30, 2023 and December 31, 2022, are as follows:

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Total Assets:		
SurgePhone & Torch Wireless	$ 40,793,701	$ 27,239,365
Surge Blockchain	(532,558)	(550,782)
LogicsIQ	2,092,814	2,500,499
Surge Fintech & ECS	1,342,290	1,906,212
SurgePays	(3,752,975)	2,908,212
Total	$ 39,943,272	$ 34,003,506
Total Liabilities:		
SurgePhone & Torch Wireless	$ 12,767,029	$ 15,484,392
Surge Blockchain	198,198	198,197
LogicsIQ	1,635,834	2,619,521
Surge Fintech & ECS	51,518	58,919
SurgePays	8,725,256	10,524,224
Total	$ 23,377,835	$ 28,885,253

SurgePhone Wireless and Torch Wireless

The ACP revenue for the three months ended June 30, 2023 increased by $10,146,174 as compared to the three months ended June 30, 2022. The increase was a result of increasing the subscriber bases to over 270,000 as of June 30, 2023. Cost of revenues for the three months ended June 30,2023, increased by $2,468,837 from the same period ended June 30, 2022, as a result of the device expense ($7,378,089), data usage expenses ($6,548,593) and marketing services paid of ($4,882,564) for the ACP. The operating income increased $7,632,605 from the three months ended June 30,2022, to operating income of $8,973,651 as of three months ended June 30,2023.

The ACP revenue for the six months ended June 30,2023 increased by $24,757,528 as compared to the six months ended June 30 2022. The increase was a result of increasing the subscriber bases to over 270,000 as of June 30, 2023. Cost of revenues for the six months ended June 30,2023, increased by $11,902,090 from the same period ended June 30, 2022, as a result of the device expense ($13,603,492), data usage expenses ($14,273,689) and marketing services paid of ($10,401,244) for the ACP. The operating income increased 12,823,555 from the six months ended June 30,2022, to operating income of $16,271,304 as of six months ended June 30,2023.

Surge Blockchain

The revenue for the three months ended June 30, 2023 decreased by $8,409 compared to the three months ended June 30, 2022. The operating income for the three months ended June 30, 2023 increased by $43,020 compared to the same period in 2022.

The revenue for the six months ended June 30, 2023 decreased by $26,370 compared to the six months ended June 30, 2022. The operating income for the six months ended June 30, 2023 increased by $25,024 compared to the same period in 2022.

LogicsIQ

The revenue for the three months ended June 30, 2023 decreased by $840,358 compared to the three months ended June 30, 2022. The revenue changed due to the maturity curve of the various litigation cases as older litigation (Roundup) slowed down and newer litigation (Camp Lejeune) is sourced. Operating income increased by $58,516 for comparable periods of 2023 to 2022. LogicsIQ ended with an operating income of $578,564 for the three months ended June 30, 2023 compared to an operating income of $520,048 for the same period in 2022.

The revenue for the six months ended June 30, 2023 increased by $37,414 compared to the six months ended June 30, 2022. The revenue changed due to the maturity curve of the various litigation cases as older litigation (Roundup) slowed down and newer litigation (Camp Lejeune) is sourced. Operating income increased by $430,221 for comparable periods of 2023 to 2022. LogicsIQ ended with an operating income of $583,028 for the six months ended June 30, 2023 compared to an operating income of $152,807 for the same period in 2022.

Surge Fintech and ECS

The revenue for the three months ended June 30, 2023 was $2,870,585 compared to $4,286,703 for the same period in 2022. The decrease of 33% was a continuing result of the impact of COVID-19 and our strategic plan to move our salesforce from independent contractors to employed salespersons.

The revenue for the six months ended June 30, 2023 was $5,804,931 compared to $9,057,142 for the same period in 2021. The decrease of 36% was a continuing result of the residual impact of COVID-19 and the shifting of customers to the ACP from wireless prepaid services at our stores.

Overall

The overall increase in revenue of $21,516,361 from 2022 to 2023 for the six months ended June 30, can be attributable to opening of some markets and the new revenue stream of the EBB program. The net operating income improved by $12,805,202 from the six months ended June 30, 2022 to the six months ended June 30, 2023.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

At June 30, 2023 and December 31, 2022, our current assets were $33,732,048 and $27,563,785 respectively, and our current liabilities were $18,475,535 and $23,464,062, respectively, which resulted in a working capital surplus of $15,256,513 on June 30, 2023 and a working capital surplus of $4,099,723 on December 31, 2022.

Total assets at June 30, 2023 and December 31, 2022 amounted to $39,943,272 and $34,003,506, respectively. At June 30, 2023, assets consisted of current assets of $33,732,048, net property and equipment of $502,607, net intangible assets of $2,453,224, goodwill of $1,666,782, equity investment in Centercom of $397,948, note receivable of $176,851, internal use software of $603,954, and net operating lease right of use asset of $409,858, as compared to current assets of $27,563,785, net property and equipment of $643,373, net intangible assets of $2,779,977, goodwill of $1,666,782, equity investment in Centercom of $354,206, notes receivable of $176,851, internal use software of $387,180, and net operating lease right of use asset of $431,352 at December 31, 2022.

At June 30, 2023, our total liabilities of $23,377,835 decreased by $5,507,418 from $28,885,253 at December 31, 2022.

At June 30, 2023, our total stockholders' equity was $16,565,437 as compared to $5,118,253 at December 31, 2022. The principal reason for the decrease in stockholders' equity was the impact of the net income for the period.

The following table sets forth the major sources and uses of cash for the three months ended June 30, 2023 and 2022.

	June 30, 2023		June 30, 2022	
Net cash used in operating activities	$	224,060	$	(3,148,073)
Net cash used in investing activities		(281,304)		(1,111,401)
Net cash provided by financing activities		(1,790,312)		6,680,504
Net change in cash and cash equivalents	$	(1,847,556)	$	2,421,030

At June 30, 2023, the Company had the following material commitments and contingencies.

Notes payable – related party - See Note 6 to the Consolidated Financial Statements.

Notes payable and long-term debt - See Note 6 to the Consolidated Financial Statements.

Related party transactions - See Note 2 to the Consolidated Financial Statements for additional discussion.

Cash requirements and capital expenditures –At the current level of operations, the Company does not anticipate borrowing funds to meet basic operating costs. The Company may need to borrow funds to meet the hyper-growth expected to occur in the ACP in 2024.

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

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which were prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions for the reported amounts of assets, liabilities, revenue, and expenses. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and any such differences may be material.

While our significant accounting policies are more fully described in *Note 2—Summary of Significant Accounting Policies* of the Notes to Consolidated Financial Statements included in *Item 8, Financial Statements and Supplementary Data* of this Annual Report on Form 10-K, we believe the following discussion addresses our most critical accounting policies, which are those that are most important to our financial condition and results of operations and which require our most difficult, subjective and complex judgments.

Use of Estimates

Preparing 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 the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates, and those estimates may be material.

Significant estimates during the years ended December 31, 2022 and 2021, respectively, include, allowance for doubtful accounts and other receivables, inventory reserves and classifications, valuation of loss contingencies, valuation of derivative liabilities, valuation of stock-based compensation, estimated useful lives related to intangible assets, capitalized internal-use software development costs, and property and equipment, implicit interest rate in right-of-use operating leases, uncertain tax positions, and the valuation allowance on deferred tax assets.

Fair Value of Financial Instruments

The Company accounts for financial instruments under Financial Accounting Standards Board ("FASB") ASC 820, *Fair Value Measurements*. ASC 820 provides a framework for measuring fair value and requires disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on the Company's principal or, in absence of a principal, most advantageous market for the specific asset or liability.

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. The hierarchy requires the Company to use observable inputs when available, and to minimize the use of unobservable inputs, when determining fair value.

The three tiers are defined as follows:

- Level 1 - Observable inputs that reflect quoted market prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2 - Observable inputs other than quoted prices in active markets that are observable either directly or indirectly in the marketplace for identical or similar assets and liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market data, which require the Company to develop its own assumptions.

The determination of fair value and the assessment of a measurement's placement within the hierarchy requires judgment. Level 3 valuations often involve a higher degree of judgment and complexity. Level 3 valuations may require the use of various cost, market, or income valuation methodologies applied to unobservable management estimates and assumptions. Management's assumptions could vary depending on the asset or liability valued and the valuation method used. Such assumptions could include estimates of prices, earnings, costs, actions of market participants, market factors, or the weighting of various valuation methods. The Company may also engage external advisors to assist us in determining fair value, as appropriate.

Impairment of Long-lived Assets including Internal Use Capitalized Software Costs

Management evaluates the recoverability of the Company's identifiable intangible assets and other long-lived assets when events or circumstances indicate a potential impairment exists, in accordance with the provisions of ASC 360-10-35-15 *"Impairment or Disposal of Long-Lived Assets."* Events and circumstances considered by the Company in determining whether the carrying value of identifiable intangible assets and other long-lived assets may not be recoverable include but are not limited to significant changes in performance relative to expected operating results; significant changes in the use of the assets; significant negative industry or economic trends; and changes in the Company's business strategy. In determining if impairment exists, the Company estimates the undiscounted cash flows to be generated from the use and ultimate disposition of these assets.

If impairment is indicated based on a comparison of the assets' carrying values and the undiscounted cash flows, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Inventory Valuation

Inventory is stated at the lower of cost or net realizable value (average cost). For items manufactured by third parties, cost is determined using the weighted average cost method (WAC). We write-down inventory when it has been determined that conditions exist that may not allow the inventory to be sold for at the intended price or the inventory is determined to be obsolete based on assumption about future demand and market conditions. The charge related to inventory write-downs is recorded as cost of goods sold. We evaluate inventory at least annually and at other times during the year. We have incurred and may in the future incur charges to write-down inventory.

Internal Use Software Development Costs

We capitalize certain internal use software development costs associated with creating and enhancing internally developed software related to our technology infrastructure. These costs include personnel and related employee benefits expenses for employees who are directly associated with and who devote time to software projects, and external direct costs of materials and services consumed in developing or obtaining the software. Software development costs that do not meet the qualification for capitalization, as further discussed below, are expensed as incurred and recorded in general and administrative expenses in the consolidated results of operations.

Revenue from Contracts with Customers

We account for revenue earned from contracts with customers under ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), and ASC 842, *Leases* ("ASC 842"). The core principle of ASC 606 is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when, or as, the company satisfies a performance obligation.

Stock-Based Compensation

The Company accounts for our stock-based compensation under ASC 718 *"Compensation – Stock Compensation"* using the fair value-based method. Under this method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. This guidance establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments.

The Company uses the fair value method for equity instruments granted to non-employees and use the Black-Scholes model for measuring the fair value of options.

The fair value of stock-based compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

Stock Warrants

In connection with certain financing (debt or equity), consulting and collaboration arrangements, the Company may issue warrants to purchase shares of its common stock. The outstanding warrants are standalone instruments that are not puttable or mandatorily redeemable by the holder and are classified as equity awards. The Company measures the fair value of warrants issued for compensation using the Black-Scholes option pricing model as of the measurement date. However, for warrants issued that meet the definition of a derivative liability, fair value is determined based upon the use of a binomial pricing model.

Warrants issued in conjunction with the issuance of common stock are initially recorded at fair value as a reduction in additional paid-in capital of the common stock issued. All other warrants (for services) are recorded at fair value and expensed over the requisite service period or at the date of issuance if there is not a service period.

Recent Accounting Pronouncements

In the normal course of business, we evaluate all new accounting pronouncements issued by the Financial Accounting Standards Board, SEC, or other authoritative accounting bodies to determine the potential impact they may have on our Consolidated Financial Statements. Refer to Note 2 - *Summary of Significant Accounting Policies* of the Notes to Consolidated Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

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

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act). Our management has determined that, as of June 30, 2022, the Company's disclosure controls are effective, but the Company lacks segregation of duties similar to other companies our size.

PART II - OTHER INFORMATION

ITEM 1: 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 a summary of threatened, pending, asserted or un-asserted claims against us or any of our wholly owned subsidiaries for which there have been material developments since December 31, 2021.

(1) Juno Financial v. AATAC and Surge Holdings Inc. AND Surge Holdings Inc. v. AATAC; Circuit Court of Hillsborough County, Florida, Case # 20-CA-2712 DIV A: Breach of Contract, Account Stated and Open Account claims against Surge by a factoring company. Surge has filed a cross-complaint against defendant AATAC for Breach of Contract, Account Stated, Open Account and Common Law Indemnity. Case is in discovery. Following analysis by our litigation counsel stating that there is a good defense, management has decided that a reserve is not necessary.

(2) *Blue Skies Connections, LLC, and True Wireless, Inc. v. SurgePays, Inc., et. al.*: In the District Court of Oklahoma County, OK, CJ-2021-5327, filed on December 13, 2021. Plaintiffs petition alleges breach of a Stock Purchase Agreement by SurgePays, SurgePhone Wireless, LLC, and Kevin Brian Cox, and makes other allegations related to SurgePays' consulting work with Jonathan Coffman, a True Wireless employee. Blue Skies believes the Defendants are in violation of their non-competition and non-solicitation agreements related to the sale of True Wireless from SurgePays to Blue Skies. Oklahoma state law does not recognize non-compete agreements and non-solicitation agreements in the manner alleged by Plaintiffs, as such we believe SurgePays, SurgePhone, and Cox have a strong defense against the claims asserted by Blue Skies and True Wireless. The matter continues in the discovery process. Mr. Coffman is no longer working for True Wireless. An attempt at mediation in July, 2022 did not achieve a settlement. The petition requests injunctive relief, general damages, punitive damages, attorney fees and costs for alleged breach of contract, tortious interference with a business relationship, and fraud. Plaintiffs have made a written demand for damages and the parties continue to discuss a potential resolution. This matter is an anti-competitive attempt by Blue Skies and True Wireless to damage SurgePays, SurgePhone, and Cox. Written discovery is winding down and depositions are anticipated to begin in the third quarter of 2023.

(3) *Robert Aliotta and Steve Vasquesz, on behalf of themselves and others similarly situated v. SurgePays, Inc. d/b/a Surge Logics*, filed January 4, 2023, in the U.S. District Court for the Northern District of Illinois, Case No. 1:23-cv-00042. Plaintiffs allege violations of the Telephone Consumer Protection Act (TCPA) and the Florida Telephone Solicitations Act (FTSA) based on telephone solicitations allegedly made by or on behalf of SurgePays, Inc. Plaintiffs seek damages for themselves and seek certification of a class action on behalf of others similarly situated. Defendants intend to vigorously defend the action however most similar cases are eventually resolved by an out-of-court settlement. At this time, it is impossible to estimate the amount or range of potential loss, but similar matters are usually settled for $100,000.00 or less. SurgePays, Inc has been removed from the case following a Motion to Dismiss and LogicsIQ, Inc. has been named as the defendant. The case remains in the pleadings stage.

(4) SurgePays, Inc. et al. v. Fina et al., Case No. CJ-2022-2782, District Court of Oklahoma County, Oklahoma. Plaintiffs SurgePays, Inc. and Kevin Brian Cox initiated this case against its former officer Mike Fina, his companies Blue Skies Connections, LLC, True Wireless, Inc., Government Consulting Solutions, Inc., Mussell Communications LLC and others. This case also arises from the June 2021 transaction by which SurgePays sold True Wireless to Blue Skies. During the litigation of CJ-2021-5327 described above, SurgePays learned information that showed Mike Fina breached his duties owed to True Wireless during his employment and consulting work for True Wireless prior to SurgePays' sale of True Wireless to Blue Skies. SurgePays alleges that Mike Fina conspired with the other defendants to damage True Wireless thereby harming the value of the company and causing its eventual sale at a greatly reduced price. SurgePays asserts claims for (i) breach of contract; (ii) breach of fiduciary duty; (iii) fraud; (iv) tortious interference; and (v) unjust enrichment. At this stage, no defendant has asserted a counter-claim against SurgePays.

The case is still at the early pleadings stage. SurgePays filed a Second Amended Petition on January 27, 2023. Defendants Fina, Blue Skies, True Wireless, and Government Consulting Solutions filed a Motion to Dismiss on March 10, 2023. It is SurgePays' present intent to vigorously prosecute this case. At this early stage, no attempts at settlement have been made.

ITEM 1A: RISK FACTORS

Not applicable.

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

During the three-month period ended June 30, 2023, the Company did not issue any shares not previously reported in a Current Report on Form 8-K or a Quarterly Report on Form 10-Q except as follows. The shares were issued in reliance on the exemption from registration pursuant to Section 4(a)(2) of the Securities Act.

The Company issued 64,627 shares of common stock for services rendered, having a fair value of $311,186 ($4.19 - $9.40 per share), based upon the quoted closing trading price.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES.

None

ITEM 4: MINE SAFETY DISCLOSURES.

Not applicable

ITEM 5: OTHER INFORMATION.

We are reporting the following information in lieu of reporting on a Current Report on Form 8-K under Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On August 8, 2023, the Compensation Committee of the Company's Board of Directors (the "Board") approved the following one-time cash bonus payments to the following executives: (i) $475,000 to Mr. Cox (our CEO and Chairman); (ii) $337,500 to Mr. Evers (our CFO); and (iii) $125,000 to David C. Ansani (our Chief Administrative Officer). These one-time cash bonus payments shall be divided amongst two payments to be paid in August and September 2023 in accordance with the Company's regular payroll schedule.

In addition, on August 8, 2023, the Board approved the Company issuing the independent members of the Board, pursuant to the provisions of the SurgePays, Inc. 2022 Omnibus Securities and Incentive Plan (the "2022 Plan"), common stock in the form of restricted share awards (the "Awards"). The Awards are being granted pursuant to a Restricted Share Award Agreement (the "RSA Agreement"). Mr. Keys is receiving 32,000 shares and each of Ms. Weisberg and Mr. Schurfeld is receiving 24,000 shares. The RSA Agreement provides that the shares will not vest until the earliest to occur of (a) the director no longer serves on the Board for any reason (including, but not limited to, upon death or disability that renders the director incapable of providing services to the Company) other than a Termination of Service for Cause; (b) upon the occurrence of a Change in Control (as defined in the 2022 Plan; or (c) the fifth anniversary of the award date. The RSA Agreement defines "Cause", in part, as: (i) embezzlement or misappropriation of Company funds; (ii) any acts resulting in a conviction for, or plea of guilty or nolo contendere to, a felony charge; (iii) misconduct resulting in injury to the Company; (iv) activities harmful to the reputation of the Company; (v) a violation of Company guidelines or policies; or (vi) a violation of any contractual, statutory or common law fiduciary duty to the Company.

The foregoing description of the RSA Agreement is not complete and is qualified in its entirety by reference to the full text of the form of RSA Agreement, which is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q and is incorporated by reference herein.

ITEM 6: EXHIBITS

Exhibit Number	Exhibit Description
10.1*+	Form of Restricted Share Award Agreement
31.1*	Certification pursuant to 18 U.S.C. Section 1350 Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Executive Officer
31.2*	Certification pursuant to 18 U.S.C. Section 1350 Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Financial Officer
32.1**	Certification pursuant to 18 U.S.C. Section 1350 Section 906 of the Sarbanes-Oxley Act of 2002 - Chief Executive Officer
32.2**	Certification pursuant to 18 U.S.C. Section 1350 Section 906 of the Sarbanes-Oxley Act of 2002 - Chief Financial Officer
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

+ Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.

*Filed herewith.

** Furnished herewith

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, thereunto duly authorized.

SURGEPAYS, INC.

Date: August 10, 2023

By: */s/ Kevin Brian Cox*

Kevin Brian Cox
Chief Executive Officer
(Principal Executive Officer)

Date: August 10, 2023

/s/ Anthony Evers

Anthony Evers
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 10.1

SURGEPAYS, INC.

RESTRICTED SHARE AWARD AGREEMENT

THIS RESTRICTED SHARE AWARD AGREEMENT (the "Agreement") is made and entered into as of the [__] day of [__], 2023 (the "Effective Date") by and between SurgePays, Inc., a Nevada corporation (the "Company"), having an address at 3124 Brother Blvd., Suite 104, Bartlett, TN 38133 and [ ] ("Holder"), having an address at ____.

NOW, THEREFORE, in consideration of the premises, the covenants contained herein, and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Grant of Restricted Shares. Pursuant to this Agreement, the Company grants to Holder a Restricted Share award (the "Restricted Share Award") of [ ] ([ ]) shares of the Company's common stock, par value $0.001 per share (the "Common Stock"). The Restricted Share Award is granted pursuant to the SurgePays, Inc. 2022 Omnibus Securities and Incentive Plan (the "Plan") and is subject to the terms, conditions and restrictions of the Plan and this Agreement. The shares of Common Stock subject to the Restricted Share Award are referred to collectively as the "Restricted Shares." Capitalized terms used and not otherwise defined in this Agreement have the meanings given such terms in the Plan.

2. Basic Terms of Restricted Shares.

(a) Restrictions. (i) The Restricted Shares granted hereby are non-transferable and subject to forfeiture until they become Vested as set forth herein. Upon any attempt to Transfer Unvested Restricted Shares, the Restricted Shares and all rights and privileges given hereby shall immediately terminate and the Restricted Shares shall be forfeited to the Company. Restricted Shares, once Vested, shall be fully tradable, subject to applicable federal and state securities laws.

(ii) As used in this Agreement:

(A) "Restrictions" means the Transfer restrictions and forfeiture conditions applicable to Restricted Shares under this Agreement and the Plan;

(B) "Transfer" means a transfer, assignment, pledge, hypothecation or other disposition of the Restricted Shares or any right or privilege pertaining thereto, otherwise than by will or by the laws of descent and distribution, or upon the levy of any execution, attachment or similar process thereupon;

(C) "Unvested" means Restricted Shares that have not yet become Vested (as defined herein); and

(D) "Vest" or "Vested" means the lapse or removal of the Restrictions (as defined above).

(b) Vesting. Except as otherwise provided in this Agreement, and subject to the continuous service of Holder as a Director of the Company until the date on which the Restricted Shares are scheduled to Vest, the Restricted Shares shall become fully Vested upon the earliest to occur of:

i. subject to Section 2(d), the date upon which the Holder no longer serves as a Director for any reason (including, but not limited to, upon the death of Holder or the occurrence of a disability that renders Holder incapable of providing services to the Company) other than a Termination of Service for Cause;

ii. upon the occurrence of a Change of Control (as defined in the Plan); or

iii. the fifth (5th) anniversary of the Effective Date.

(c) Certificates. Holder agrees that upon receipt of any stock certificates for Unvested Restricted Shares, Holder shall deposit each certificate with the Company, or other escrow agent as the Company may appoint, together with a stock power endorsed in blank or other appropriate instrument of Transfer, to be held by the Company or escrow holder until the time at which the Company delivers unrestricted shares of Common Stock to Holder. If at any time Holder forfeits any Unvested Restricted Shares pursuant to this Agreement or the Plan, the Holder agrees to return the certificate or certificates for such Unvested Restricted Shares to the Company duly endorsed in blank or accompanied by a stock power duly executed in blank.

(d) Termination of Service for Cause. Unvested Restricted Shares are subject to forfeiture upon Holder's termination of service for Cause (as defined below) ("Termination of Service for Cause"). If Holder incurs a Termination of Service for Cause, all Restricted Shares that have not Vested prior to such Termination of Service for Cause shall be immediately forfeited to the Company without payment of any consideration or amount to Holder or any other "person" (as such term is defined in Section 3(a)(9) and as used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) in connection with such forfeiture. For purposes of this Agreement, "Cause" shall mean, to the extent that there is an employment or other agreement governing the relationship between Holder and the Company that contains a definition of "cause," Cause shall have the meaning as defined therein. Otherwise, "Cause" shall mean any of the following acts by the Grantee: (i) embezzlement or misappropriation of Company funds; (ii) any acts resulting in a conviction for, or plea of guilty or nolo contendere to, a charge of commission of a felony; (iii) misconduct resulting in injury to the Company; (iv) activities harmful to the reputation of the Company; (v) a violation of Company guidelines or policies; or (vi) a violation of any contractual, statutory or common law fiduciary duty to the Company.

3. Transfer of the Unvested Shares upon Forfeiture. Holder hereby authorizes and directs the Committee to take such steps as may be necessary to cause the Transfer to the Company of the Unvested Shares that have been forfeited by Holder.

4. Issuance of Shares. Restricted Shares shall be evidenced by stock certificates, which certificates shall be registered in the name of Holder and shall bear the restrictive legends described in Section 8 hereof.

5. Rights as a Stockholder. Except as otherwise provided in this Agreement or the Plan, Holder shall have all rights of a stockholder with respect to the Restricted Shares (including Unvested Shares), including, without limitation, the right to receive dividends and the right to vote the Restricted Shares, for record dates occurring on or after the Effective Date and prior to the date, if any, on which the Restricted Shares are forfeited in accordance with the Plan and this Agreement. With respect to Unvested Restricted Shares, property that Holder is entitled to receive with respect to such Unvested Restricted Shares shall be subject to the Restrictions. Notwithstanding the foregoing, nothing herein or in the Plan shall be deemed to confer on Holder any right to continued employment with the Company or limit in any way the right of the Company to terminate such employment at any time.

6. Adjustment Transactions. In the event of that any special or extraordinary dividend or other extraordinary distribution is declared (whether in the form of cash, Common Stock, or other property), or there occurs any recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange or

other similar corporate transaction or event, an appropriate and proportionate equitable adjustment shall be made in accordance with Article XIV of the Plan in the number and kind of Restricted Shares subject to this Agreement. Any additional or different shares or securities issued as the result of such an adjustment will be held or delivered in accordance with this Agreement and will be deemed to be included within the term "Restricted Shares." The Company will make cash payments in lieu of any fractional shares.

7. Withholding Taxes. The Company's obligation to issue Restricted Shares and to recognize the Vesting of any such Shares is subject to Holder's satisfaction of all applicable federal, state and local income and employment tax withholding requirements in connection with such issuance or Vesting (the "Withholding Amount"). If Holder fails to timely remit to the Company an amount in cash equal to the Withholding Amount, the Company shall have the right and is hereby authorized to withhold from Holder's Vested Restricted Shares or from any compensation or other amount otherwise payable by the Company to Holder in an amount up to, but not to exceed, the Withholding Amount.

8. Legend; Transfer Restrictions.

(a) Legend. Holder consents to the placing on the certificate for any Restricted Shares (including shares received as a result of stock dividends, stock splits or other forms of recapitalization) prior to the Vesting of the Restricted Shares relating thereto of the following legend (in addition to any other legend or legends required under the Securities Act of 1933, as amended, and other applicable federal and state securities laws):

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS UPON TRANSFER AND VESTING REQUIREMENTS (THE "RESTRICTIONS") AS SET FORTH IN THE SURGEPAYS, INC. 2022 OMNIBUS SECURITIES AND INCENTIVE PLAN AND AN AGREEMENT ENTERED INTO BETWEEN THE REGISTERED OWNER AND SURGEPAYS, INC., COPIES OF WHICH ARE ON FILE WITH THE COMPANY. ANY ATTEMPT TO DISPOSE OF THESE SHARES IN CONTRAVENTION OF THE RESTRICTIONS, INCLUDING BY WAY OF SALE, ASSIGNMENT, TRANSFER, ALIENATION, PLEDGE, HYPOTHECATION OR OTHERWISE, SHALL BE NULL AND VOID AND WITHOUT EFFECT.

(b) Transfer Restrictions. The Restricted Shares that have Vested may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. Holder agrees that the Company (i) may refuse to cause the Transfer of Restricted Shares that have Vested to be registered on the applicable stock transfer records if such proposed Transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable securities law and (ii) may give related instructions to the transfer agent to stop registration of the transfer of the Vested Restricted Shares.

9. Miscellaneous.

(a) Except as provided herein, this Agreement may not be amended or otherwise modified unless evidenced in writing and signed by the Company and Holder.

(b) Any notices or other communications required or permitted under this Agreement ("Notices") shall be in writing and shall be either personally delivered, sent by express or first class mail (postage prepaid), return receipt requested, sent by nationally recognized overnight courier service (overnight delivery, charges prepaid) or by facsimile delivery as follows:

If to the Company:

SurgePays, Inc.
3124 Brother Blvd.
Suite 104
Bartlett, TN 38133
Attn: Kevin Brian Cox

If to Holder: To Holder's address as set forth herein.

Either party hereto may change its address for Notices by written Notice to the other given in accordance with this Section 9(b). Notices shall be deemed given when delivered personally, three days after deposit in the U.S. mail, two business days after deposit with a nationally recognized overnight courier service and upon receipt of confirmation of facsimile transmission, as applicable.

(c) The Restricted Share Award and the rights and obligations of the Company and Holder hereunder are subject to the terms and conditions of the Plan. In the event of any conflict between the terms of the Plan and the terms of this Agreement, the terms of the Plan shall govern. Any Committee interpretation of the provisions of the Plan or this Agreement shall be final and binding on all parties.

(d) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

(e) In the event that one or more of the provisions of this Agreement is invalidated for any reason by a court of competent jurisdiction, any provision so invalidated will be deemed to be separable for the other provisions thereof and the remaining provisions hereof will continue to be valid and fully enforceable.

(f) The provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of Holder, and the successors and assigns of the Company.

(g) It is intended that this Agreement will comply with or be exempt from Section 409A of the Code and any regulations and guidelines issued thereunder, and the Agreement shall be interpreted on a basis consistent with such intent. This Agreement may be amended in any respect deemed necessary by the Committee in order to preserve compliance with Section 409A of the Code and the following shall be construed accordingly:

(1) For the purposes of Section 409A of the Code, the entitlement to a series of installment payments will be treated as the entitlement to a single payment.

(2) Other provisions of the Plan notwithstanding, if, upon the written application of the Holder, the Committee determines that the Holder has an "Unforeseeable Emergency" within the meaning of Section 409A of the Code, the Committee may, in its sole discretion, direct the payment to the Holder of all or a portion of the balance of his or her vested interest in a Restricted Share Award in a lump sum payment, provided that any such withdrawal shall be limited by the Committee to the amount reasonably necessary to meet the emergency, including amounts needed to pay any income taxes or penalties reasonably anticipated to result from the payment. No payment may be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Holder's assets or to the extent the liquidation of such assets would not cause severe financial hardship.

(3) Except as otherwise provided for in this paragraph (3), the Committee may not otherwise permit the acceleration of the time or schedule of any vesting of a Restricted Share Award scheduled to be paid pursuant to the Plan, unless such acceleration of the time or schedule is (i) necessary to fulfill a domestic relations order (as defined in section 414(p)(1)(B) of the Code) or to comply with a certificate of divestiture (as defined in section 1043(b)(2) of the Code), (ii) de minimis in nature (as defined in regulations

promulgated under section 409A of the Code), (iii) to be used for the payment of FICA taxes on amounts deferred under the Plan, or (iv) equal to amounts included in the federal personal taxable income of the Holder under section 409A of the Code.

(4) An election to defer the lapse of restrictions on a Restricted Share Award shall not take effect until at least 12 months after the date on which the election is made and in the event that an election to defer the lapse of restrictions is made other than in the event of death, disability or the occurrence of an Unforeseeable Emergency, payment of such award must be deferred for a period of not less than 5 years from the date that restrictions would have otherwise lapsed. For purposes of this Agreement, the term "Unforeseeable Emergency" shall mean a severe financial hardship to the Holder resulting from an illness or accident of the Holder, the Holder's spouse, or a dependent (as defined in Code section 152(a)) of the Holder, loss of the Holder's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Holder.

(5) The Company may, in its sole discretion, terminate the Plan (in whole or in part) with respect to one or more Holders and distribute to such affected Holders their vested interest in any Restricted Share Award in a lump sum as soon as reasonably practicable following such termination, but if, and only if, (i) all nonqualified defined contribution deferred compensation plans maintained by the Company are terminated, (ii) no payments other than payments that would be payable under the terms of the Plan if the termination had not occurred are made within 12 months of the termination of the Plan, (iii) all payments of the vested interest in Restricted Share Awards are made within 24 months of the termination of the Plan, and (iv) the Company acknowledges to the Holders that it will not adopt any new nonqualified defined contribution deferred compensation plans at any time within five (5) years following the date of the termination of the Plan.

(h) Holder shall keep the terms of this Agreement strictly confidential, other than as may be necessary to enforce his or her rights hereunder or as otherwise required by law.

(i) This Agreement may be executed in counterparts, all of which together shall constitute one and the same instrument.

[*Signatures Begin on Next Page*]

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

COMPANY:

SURGEPAYS, INC., a Nevada corporation

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

HOLDER:

____
[ ]

Exhibit 31.1

SURGEPAYS, INC. FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2023
CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-a15(f) and 15d-15(f) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, is made known to me by others, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal controls over financial reporting that occurred during the registrant's current fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;

5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

   a. All significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

August 10, 2023

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

Exhibit 31.2

SURGEPAYS, INC. FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2023
CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Anthony Evers, Chief Financial Officer, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-a15(f) and 15d-15(f) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, is made known to me by others, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal controls over financial reporting that occurred during the registrant's current fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;

5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

   a. All significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

August 10, 2023

/s/ Anthony Evers
Anthony Evers
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

SURGEPAYS, INC. FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2023
CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin Brian Cox, certify that:

1. I am the Chief Executive Officer of SurgePays, Inc.

2. Attached to this certification is Form 10-Q for the quarter ended June 30, 2023, a periodic report (the “periodic report”) filed by the issuer with the Securities Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 (the “Exchange Act”), which contains financial statements.

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

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

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

August 10, 2023

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

Exhibit 32.2

SURGEPAYS, INC. FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2023
CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Anthony Evers, certify that

1. I am the Chief Financial Officer of SurgePays, Inc.

2. Attached to this certification is Form 10-Q for the quarter ended June 30, 2023, a periodic report (the “periodic report”) filed by the issuer with the Securities Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 (the “Exchange Act”), which contains financial statements.

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

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

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

August 10, 2023

/s/ Anthony Evers
Anthony Evers
Chief Financial Officer
(Principal Financial and Accounting Officer)