
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **June 30, 2018**

Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: **000-21202**

Textmunication Holdings, Inc.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction
of incorporation or organization)

58-1588291

(IRS Employer
Identification No.)

1940 Contra Costa Blvd. Pleasant Hill, CA 94523

(Address of principal executive offices)

925-777-2111

(Registrant's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company.

Large accelerated filer
 Non-accelerated filer

Accelerated filer
 Smaller reporting company
 Emerging growth company

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

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 3,975,519,454
common shares as of August 14, 2018

TEXTMUNICATION

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Our consolidated financial statements included in this Form 10-Q are as follows:

Consolidated Balance Sheets as of June 30, 2018 (unaudited) and December 31, 2017;	F-1
Consolidated Statements of Operations for the three and six months ended June 30, 2018 and 2017 (unaudited);	F-2
Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017 (unaudited); and	F-3
Notes to Consolidated Financial Statements.	F-4

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-Q. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended June 30, 2018 are not necessarily indicative of the results that can be expected for the full year.

TEXTMUNICATION HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 50,333	\$ 10,158
Receivables	15,623	2,849
Prepaid	2,613	-
Total current assets	<u>68,569</u>	<u>13,007</u>
Fixed assets, net		
Software	85,092	45,229
Investment in equity method investee	451,215	452,336
Total assets	<u><u>604,876</u></u>	<u><u>510,572</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities	\$ 167,033	\$ 480,719
Due to related parties	11,750	11,750
Convertible notes payable, net of discount	67,393	172,230
Derivative liability	75,959	319,041
Total current liabilities	<u>322,135</u>	<u>983,740</u>
Total liabilities	<u>322,135</u>	<u>983,740</u>
Stockholders' equity (deficit)		
Preferred stock, 5,933,333 shares authorized, \$0.0001 par value, 4,000,000 issued and outstanding	400	400
Series B - Preferred stock, 66,667 shares authorized, \$0.0001 par value, 66,667 issued and outstanding	7	7
Series C - Preferred stock, 2,000,000 shares authorized, \$0.0001 par value, 2,000,000 issued and outstanding	200	200
Common stock; \$0.0001 par value; 4,000,000,000 shares authorized; issued and outstanding 3,975,519,454 and 2,435,179 as of June 30, 2018 and December 31, 2017, respectively.	399	244
Additional paid-in capital	15,273,072	14,676,221
Accumulated deficit	(14,991,337)	(15,150,240)
Total stockholders' equity (deficit)	<u>282,741</u>	<u>(473,168)</u>
Total liabilities and stockholders' equity (deficit)	<u><u>\$ 604,876</u></u>	<u><u>\$ 510,572</u></u>

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

TEXTMUNICATION HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	The Three Months Ended		The Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenues	\$ 227,232	\$ 307,788	\$ 491,124	\$ 536,548
Cost of revenues	61,966	84,047	117,404	157,466
Gross profit	165,266	223,741	373,720	379,082
Operating expenses				
Officer compensation	35,500	227,016	75,000	6,301,516
General and administrative expenses	143,127	83,081	435,700	171,832
Total operating expenses	178,627	310,097	510,700	6,473,348
Loss from operations	(13,361)	(86,356)	(136,980)	(6,094,266)
Other income (expense)				
Interest expense	(1,855)	(7,064)	(6,015)	(39,747)
Gain (loss) on change of derivative liability		4,032,108	100,108.51	(613,463)
Amortization of debt discount	(14,178)	(26,703)	(42,534)	(111,414)
Gain on settlement of notes payable	148,725	87,375	245,444	93,620
Total other income (expense)	132,692	4,085,716	297,005	(671,004)
Income (loss) from investment in equity method investee	(852)	-	(1,121)	(1,726)
Net income (loss)	\$ 118,479	\$ 3,999,360	\$ 158,903	\$ (6,766,996)
Basic weighted average common shares outstanding	3,975,519	1,227,993,542	3,641,249	1,227,993,542
Net loss per common share: basic and diluted	\$ 0.03	\$ 0.00	\$ 0.04	\$ (0.01)

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

TEXTMUNICATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended	
	June 30, 2018	June 30, 2017
Cash Flows from Operating Activities		
Net income (loss)	158,903	\$ (6,766,995)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of debt discount	42,534	96,926
(Gain) loss on derivative liability	(100,109)	627,952
Non cash interest expense		50,000
Depreciation		304
Share based compensation		6,115,100
Gain on the settlement of debt	(227,840)	(87,375)
Income from equity method investee	1,121	1,726
Changes in assets and liabilities		
Receivables	(12,774)	(22,135)
Accounts payable and accrued expenses	145,816	(64,659)
Prepaid expenses	(2,613)	-
Net cash provided by operating activities	<u>5,038</u>	<u>(49,156)</u>
Distribution from equity method investee		(12,349)
Capitalized cost for internal use software	(39,863)	-
Net cash used in investing activities	<u>(39,863)</u>	<u>(12,349)</u>
Cash Flows from Financing Activities		
Proceeds on loans payable	-	11,500
Payments on loans payable	-	(3,712)
Proceeds from convertible notes payable	-	129,489
Payments on convertible notes payable		(22,408)
Payments on convertible notes payable	(25,000)	-
Proceeds on issuance of common stock	100,000	
Net cash used in financing activities	<u>75,000</u>	<u>114,869</u>
Net increase in cash	<u>40,175</u>	<u>53,364</u>
Cash, beginning of period	<u>10,158</u>	<u>-</u>
Cash, end of period	<u>\$ 50,331</u>	<u>\$ 53,364</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 3,223</u>	<u>\$ -</u>
Cash paid for tax	<u>\$ -</u>	<u>\$ -</u>
Non-Cash investing and financing transactions		
Conversion of debt		<u>\$ -</u>
Conversion of convertible notes payable		
Settlement of derivative liability		

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

TEXTMUNICATION HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

NOTE 1 – ORGANIZATION AND BUSINESS OPERATIONS

Textmunication Holdings, Inc. (Company) was incorporated on May 13, 2010 under the laws of the State of California. Textmunication is an online mobile marketing platform service that will connect merchants with their customers and allow them to drive loyalty and repeat business in a non-intrusive, value added medium. For merchants we provide a mobile marketing platform where they can always send the most up-to-date offers/discounts/alerts/events schedule, such as happy hours, trivia night, and other campaigns. The consumer can also access specials and promotions that merchants choose to distribute through Textmunication by opting in to keywords designated to the merchant's keywords.

On November 16, 2013, the Company entered into a Share Exchange Agreement (SEA) with Textmunication Holdings (Holdings), a Nevada corporation, whereby the sole shareholder of the Company received 65,640 (post split) new shares of common stock of Holdings in exchange for 100% of the Company's issued and outstanding shares.

Basis of Presentation

The accompanying unaudited interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto contained in the Company's most recent Annual Financial Statements filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim period presented have been reflected herein. The results of operations for the interim period are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosures contained in the audited financial statements for the most recent fiscal period, as reported in the Form 10-K, have been omitted.

Going concern

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. As of June 30, 2018, the Company has an accumulated deficit of \$14,991,335. The company's ability to continue as a going concern is contingent upon the successful completion of additional financing arrangements and its ability to achieve and maintain profitable operations. While the Company is expanding its best efforts to achieve the above plans, there is no assurance that any such activity will generate funds that will be available for operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments that might arise from this uncertainty.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. At June 30, 2018, no cash balances exceeded the federally insured limit.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are stated at the amount management expects to collect. The Company generally does not require collateral to support customer receivables. The Company provides an allowance for doubtful accounts based upon a review of the outstanding accounts receivable, historical collection information and existing economic conditions. As of the reporting date no allowance for bad debts necessary.

TEXTMUNICATION HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

Revenue Recognition

Revenues are recognized when control of the promised is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

The Company currently derives a substantial majority of its revenue from fees associated with our subscription services, which generally include mobile marketing platform services. Customers are billed for the subscription on a monthly basis. For all of the Company's customers, regardless of the method, the Company uses to bill them, subscription revenue is recorded as deferred revenue in the accompanying consolidated balance sheets. As services are performed, the Company recognizes subscription revenue on a monthly basis over the applicable service period. When the Company provides a free trial period, the Company does not begin to recognize subscription revenue until the trial period has ended and the customer has been billed for the services.

Professional services revenues are generated from SMS and RCS packages where client logs into a cloud based application to send targeted SMS messages to their subscribers base . Our custom web application SMS/RCS platform is typically billed on a fixed-price bas ed on the number of SMS/RCS allocated for each package our client purchases . Generally, revenue for SMS/RCS services is recognized immediately as our clients have instant access to their web-based application to send out messages, the number of SMS/RCS messages allocated to a client expires at the end of each month and renews beginning of each month . The Company offers whereby control of the product passes to the customer when delivered and revenue is recognized at the time of delivery.

Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605

We did not have a cumulative impact as of January 1, 2018 due to the adoption of Topic 606 and there was not an impact to our consolidated statement of operations for the six months ended June 30, 2018 as a result of applying Topic 606.

Software Development Costs

The Company applies the principles of FASB ASC 985-20, Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed ("ASC 985-20"). ASC 985-20 requires that software development costs incurred in conjunction with product development be charged to research and development expense until technological feasibility is established. Thereafter, until the product is released for sale, software development costs must be capitalized and reported at the lower of unamortized cost or net realizable value of the related product.

The Company also applies the principles of FASB ASC 350-40, Accounting for the Cost of Computer Software Developed or Obtained for Internal Use ("ASC 350-40"). ASC 350-40 requires that software development costs incurred before the preliminary project stage be expensed as incurred. We capitalize development costs related to these software applications once the preliminary project stage is complete and it is probable that the project will be completed, and the software will be used to perform the function intended.

As of June 30, 2018, and December 31, 2017, the Company capitalized software development costs in the amount of \$85,092 and \$45,229 respectively.

Fair Value of Financial Instruments

The carrying amounts reflected in the balance sheets for cash, accounts payable and accrued expenses approximate the respective fair values due to the short maturities of these items.

TEXTMUNICATION HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

As required by the Fair Value Measurements and Disclosures Topic of the FASB ASC, fair value is measured based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs that is observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The fair value of the accounts receivable, accounts payable, notes payable are considered short term in nature and therefore their value is considered fair value.

Financial assets and liabilities measured at fair value on a recurring basis are summarized below for the three months ended June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities				
Derivative Financial Instruments	\$ —	\$ —	\$ 75,959	\$ 75,959

Financial assets and liabilities measured at fair value on a recurring basis are summarized below for the year ended December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities				
Derivative Financial Instruments	\$ —	\$ —	\$ 319,041	\$ 319,041

Net income (loss) per Common Share

Basic net income (loss) per share is computed by dividing the net loss attributable to the common stockholders by the weighted average number of shares of common stock outstanding during the period. Fully diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TEXTMUNICATION HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

Stock-Based Compensation

The Company accounts for employee stock-based compensation in accordance with the guidance of FASB ASC Topic 718, Compensation – Stock Compensation which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The fair value of the equity instrument is charged directly to compensation expense and credited to additional paid-in capital over the period during which services are rendered.

The Company follows ASC Topic 505-50, formerly EITF 96-18, “Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling Goods and Services,” for stock options and warrants issued to consultants and other non-employees. In accordance with ASC Topic 505-50, these stock options and warrants issued as compensation for services provided to the Company are accounted for based upon the fair value of the services provided or the estimated fair market value of the option or warrant, whichever can be more clearly determined. The fair value of the equity instrument is charged directly to compensation expense and additional paid-in capital over the period during which services are rendered.

Investments in Securities

Investments in securities are accounted for using the equity method if the investment provides the Company the ability to exercise significant influence, but not control, over an investee. Significant influence is generally deemed to exist if the Company has an ownership interest in the voting stock of the investee between 20% and 50%, although other factors, such as representation on the investee’s Board of Directors, are considered in determining whether the equity method is appropriate.

Recent Accounting Pronouncements

In November 2016, the FASB issued ASU 2016-18, “Statement of Cash Flows (Topic 230)”, requiring that the statement of cash flows explain the change in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This guidance is effective for fiscal years, and interim reporting periods therein, beginning after December 15, 2017 with early adoption permitted. Management evaluated ASU 2016-18 and determined that the adoption of this new accounting standard did not have a material impact on the Company’s consolidated financial statements.

NOTE 3 – RELATED PARTY TRANSACTIONS

As of March 31, 2018, the Company had advances due to a related party. The loans are due on demand and have no interest. Amounts outstanding as of March 31, 2018 and December 31, 2017 were approximately \$11,750 and \$11,750, respectively

NOTE 4 - CONVERTIBLE NOTE PAYABLE

Convertible notes payable consists of the following as of March 31, 2018 and December 31, 2016:

	2018	2017
Total convertible notes payable	67,393	214,764
Less discounts	-	(42,534)
Convertible notes net of discount	\$ 67,393	\$ 172,230

The Company accounts for the fair value of the conversion features of its convertible debt in accordance with ASC Topic No. 815-15 “Derivatives and Hedging; Embedded Derivatives” (“Topic No. 815-15”). Topic No. 815-15 requires the Company to bifurcate and separately account for the conversion features as an embedded derivative contained in the Company’s convertible debt. The Company is required to carry the embedded derivative on its balance sheet at fair value and account for any unrealized change in fair value as a component of results of operations. The Company values the embedded derivatives using the Black-Scholes pricing model.

TEXTMUNICATION HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

The following table presents details of the Company's derivative liabilities associated with its convertible notes as of June 30, 2018 and December 31, 2017:

	Amount
Balance December 31, 2017	\$ 319,041
Adjustment to derivative liability due to debt conversion	(142,973)
Change in fair market value of derivative liabilities	(100,109)
Balance June 30, 2018	\$ 75,959

During the three months ended March 31, 2018, the Company issued 647,458 shares of common stock with a fair value of \$54,631 for the partial conversion of convertible notes payable. The converted portion of the notes also had associated derivative liabilities with fair values on the date of conversion of 866,361. The conversion of the derivative liabilities has been recorded through additional paid-in capital.

The Black-Scholes model utilized the following inputs to value the derivative liability at the date of issuance of the convertible note and at March 31, 2018:

Fair value assumptions – derivative notes:	June 30, 2018
Risk free interest rate	1.27-1.63%
Expected term (years)	0.01-0.01
Expected volatility	397%
Expected dividends	0%

Settlement Agreements

During the six months ended June 30, 2018, the Company entered into certain cancellation agreements with the holder of a certain notes payable in the amounting to \$96,721, including accrued interest issued from December 10, 2015 through August 27, 2017. The face value of the canceled debt of \$96,721 has been recorded as a gain on settlement of notes payable as of June 30, 2018.

NOTE 5 – INVESTMENT IN ASPIRE CONSULTING GROUP, LLC

On January 5, 2016, the Company entered into a Share Exchange Agreement with Aspire Consulting Group, LLC, a Maryland limited liability company and certain members of Aspire. Pursuant to the terms of the Exchange Agreement, the Company agreed to acquire 49% of all of the issued and outstanding membership units of Aspire in exchange for the issuance of 66,667 shares of the Company's newly created Series B Convertible Preferred Stock to the Members valued at \$460,002.

The Company has concluded that it has the ability to exercise significant influence, but not control, over an Aspire through its acquired 49% equity interest and therefore has accounted for the acquisition of the interest under the equity method.

The following table presents details of the Company's investment in Aspire as of June 30, 2018 and December 31, 2017:

	Amount
Balance December 31, 2017	\$ 452,336
Income (loss) from equity method investee	(1,121)
Distributions received from Aspire	-
Balance June 30, 2018	\$ 451,215

TEXTMUNICATION HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Office Lease

On January 6, 2015 the Company signed an amendment to its lease originally signed on May 9, 2008. The amended lease commenced January 1, 2015 and expires on thirty days' notice. Rent expense was approximately \$5,268 for the three months ended June 30, 2018 and 2017, respectively.

Executive Employment Agreement

The Company has an employment agreement with the CEO/Chairman to perform duties and responsibilities as may be assigned by the Board of Directors. The base salary is in the amount of \$120,000 per annum plus an annual discretionary bonus plus benefits commencing on December 17, 2013 and ending May 1, 2017 with an automatic renewal on each anniversary date (May 1) thereafter.

NOTE 7 – STOCKHOLDERS' EQUITY

During the six months ended June 30, 2018, the Company issued 892,882 shares of common stock (post-split) valued at \$299,469 for the settlement of debt related to a 3a10 settlement.

During the six months ended June 30, 2018, the Company issued 647,459 shares of common stock (post-split) for the settlement of \$54,541 in notes payable.

On June 8, 2018 the Company entered into a subscription agreement for 9.98% of the company common shares outstanding for \$100,000.

During the three months ended June 30, 2018, the Company's Board of Directors approved a one to one thousand (1:1000) reverse stock split, which became effective July 9, 2018. The Company consolidated financial statements have been retroactively restated to the reflect the effect of the stock split

NOTE 8 – SUBSEQUENT EVENTS

The 1 – 1,000 Reverse Split of "Textmunication Holdings, Inc." (TXHD) was announced 7/6/2018. This corporate action from FINRA took effect at the open of business 7/9/2018.

Textmunication Holdings, Inc. ("TXHD") entered into Advisory Agreements with Mr. Thomas DiBenedetto and Mr. Joseph Griffin on July 9th, 2018. Mr. DiBenedetto will advise Textmunication on business execution, growth initiatives and strategic investment opportunities. Mr. Joseph Griffin will join Textmunication as a financial investment advisor. In his role, he will advise the company on strategic investment opportunities and investment execution.

The company has evaluated subsequent events for recognition and disclosure through August 11, 2018 which is the date the financial statements were available to be issued. No other matters were identified affecting the accompanying financial statements and related disclosures.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words “believes,” “project,” “expects,” “anticipates,” “estimates,” “intends,” “strategy,” “plan,” “may,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. We intend such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Further information concerning our business, including additional factors that could materially affect our financial results, is included herein and in our other filings with the SEC.

Company Overview

We are a developing player in the mobile marketing and loyalty industry, providing cutting-edge mobile marketing solutions, rewards and loyalty to our clients. With a powerful yet intuitive suite of services, clients are able to reach more customers faster and reward them for repeat business. We help clients reach their marketing and revenue goals by educating clients with the most effective tools in mobile marketing, rewards, paperless redemption and loyalty.

In the past 4 years, we have grown to over 500 clients and more than 800 different locations in the United States and Canada. We have achieved this with an expanded focus on a variety of industries, including restaurants, retailers, entertainment venues and other partnership opportunities. We have decided to focus our energy on the gym, health and fitness club market. However, we are also working with Quick Service Restaurants (QSR), Beauty/Tanning salons, hospitality, entertainment, digital marketing and sporting events

We have also entered into the IT consulting business through our acquisition of a minority interest in Aspire Consulting, LLC. We plan to assist our controlling partner in the development of this consulting business in addition to improving the market position of our mobile marketing business.

Our principal executive office is located at 1940 Contra Costa Blvd. Pleasant Hill, CA 94523 and our telephone number is (925-777-2111).

Results of Operation for Three Months Ended June 30, 2018 and 2017

Revenues

For the three months ended June 30, 2018, we earned revenues in the amount of \$227,232, as compared with revenues of 307,788 for the three months ended June 30, 2017. For the six months ended June 30, 2018, we earned revenues in the amount of \$491,124, as compared with revenues of \$536,548 for the six months ended June 30, 2017.

The decrease in revenues for the three and six months ended June 30, 2018 over the prior year period is due to focusing on launching a new platform that we are hopeful will increase revenues in future quarters. We expect to achieve greater revenues for the rest of 2018 over 2017.

Cost of Revenues

Cost of revenues was \$61,966 for the three months ended June 30, 2018, as compared with \$84,047 for the same period ended June 30, 2017. Cost of revenues was \$117,404 for the six months ended June 30, 2018, as compared with \$157,466 for the same period ended June 30, 2017.

Our gross profit was \$165,266 for the three months ended June 30, 2018 or approximately 73% of revenues, as compared with \$223,741 for the same period ended June 30, 2017, or approximately 73% of revenues. Our gross profit was \$373,720 for the six months ended June 30, 2018 or approximately 76% of revenues, as compared with \$379,082 for the same period ended June 30, 2017, or approximately 71% of revenues.

Our cost of revenues decreased for 2018 compared with the 207 and was mainly attributable to less spent on subcontracted labor and servers. We expect a similar or increased cost of revenues for the rest of 2018.

Operating Expenses

Our operating expenses were \$178,627 for the three months ended June 30, 2018, as compared with \$310,097 for the three months ended June 30, 2017. Our operating expenses were \$510,700 for the six months ended June 30, 2018, as compared with \$6,473,348 for the six months ended June 30, 2017.

The main reason for our decreased operating expenses in 2018 was a result of less spent on officer compensation and general and administrative expenses. In 2017, we expensed \$6,000,000 as a result of stock-based compensation to our CEO, Wais Asefi. We expect that our operating expenses for the rest of 2018 will remain similar to that in the present quarter, provided that we do not have to issue stock for services. Given our lack of operating capital, we have been forced to issue shares for services rendered to the company. We hope that increase revenues will lessen that trend for 2018 and beyond.

Other Income/Expenses

We had other income of \$132,692 for the three months ended June 30, 2018 compared with other income of \$4,085,716 for the same period ended June 30, 2017. We had other income of \$297,005 for the six months ended June 30, 2018 compared with other expenses of \$671,004 for the same period ended June 30, 2017.

Other income for the three months ended June 30, 2018 consisted mainly of a \$148,725 gain on the settlement of notes payable, offset mainly by the amortization of debt discount of \$14,178. Other income for the three months ended June 30, 2017 consisted mainly of \$4,032,108 change in the fair value of derivative liabilities based on Black Scholes.

Other income for the six months ended June 30, 2018 consisted mainly of a \$245,444 gain on the settlement of notes payable and \$100,108 on the gain on change of derivative liability, offset mainly by the amortization of debt discount of \$42,534. Other expenses for the six months ended June 30, 2017 consisted mainly of \$613,463 due to the loss on change of derivative liabilities and \$111,414 in amortization of debt discount, offset by \$93,620 in gain on the settlement of notes.

Net Income/Loss

We had net income of \$118,479 for the three months ended June 30, 2018, as compared with net income of \$3,999,360 for the three months ended June 30, 2017. We had net income of \$158,903 for the six months ended June 30, 2018, as compared with a net loss of \$6,766,996 for the three months ended June 30, 2017.

Liquidity and Capital Resources

As of June 30, 2018, we had total current assets of \$68,569, consisting of cash, receivables and prepaid expenses. Our total current liabilities as of June 30, 2018 were \$322,135. We had a working capital deficit of \$253,566 as of June 30, 2018.

Cash Flows from Operating Activities

Operating activities provided \$5,038 in cash for the six months ended June 30, 2018, compared with cash used of \$49,156 for the six months ended June 30, 2017. Our positive operating cash flow for the six months ended June 30, 2018 was largely the result of our net income of \$158,903 and changes in accounts payable and accrued expenses of \$145,816, offset mainly by the gain on settlement of debt of \$227,840 and the loss on derivative liability of 100,109. Our negative operating cash flow for the six months ended June 30, 2017 was largely the result of our net loss for the period of \$6,766,995, offset by share based compensation of \$6,115,100 and loss on derivative liabilities of \$627,952.

Cash Flows from Investing Activities

Investing activities used \$39,863 in cash for the six months ended June 30, 2018, compared with cash used of \$12,349 for the six months ended June 30, 2017. Cash flows used in investing activities for the six months ended June 30, 2018 resulted from the capitalized cost for internal use software. Cash flows used in investing activities for the six months ended June 30, 2017 resulted from distributions from Aspire under the equity method.

Cash Flows from Financing Activities

Cash flows used by financing activities during the six months ended June 30, 2018 amounted to \$75,000, compared with cash flows provided by financing activities of \$114,869 for the six months ended June 30, 2017. Our positive cash flows for the six months ended June 30, 2018 consisted of proceeds from the issuance of equity securities. Our positive cash flows for the six months ended June 30, 2017 consisted mainly of proceeds from convertible notes payable.

The features of the debt instruments and payables concerning our financing activities are detailed in the footnotes to our financial statements.

Our optimum level of growth for success will be achieved if we are able to raise \$250,000 in the next twelve months. However, funds are difficult to raise in today's economic environment. If we are unable to raise \$250,000 our ability to implement our business plan and achieve our goals will be significantly diminished.

We have experienced a history of losses. With our revenues increasing, however, we are less reliant on outside capital as we have been in the past. We will need at a minimum \$120,000 in capital to operate in the next 12 months.

We are dependent on investment capital to continue our survival. We have raised money through convertible debt, almost always on unfavorable terms. There is no guarantee that these small convertible loans will be available to us in the future or on terms acceptable to us.

We do not have any formal commitments or arrangements for the sales of stock or the advancement or loan of funds at this time. There can be no assurance that such additional financing will be available to us on acceptable terms, or at all.

Going Concern

As of June 30, 2018, we have an accumulated deficit of \$14,991,337. Our ability to continue as a going concern is contingent upon the successful completion of additional financing arrangements and our ability to achieve and maintain profitable operations. While we are expanding our best efforts to achieve the above plans, there is no assurance that any such activity will generate funds that will be available for operations. These conditions raise substantial doubt about our ability to continue as a going concern. These financial statements do not include any adjustments that might arise from this uncertainty.

Off Balance Sheet Arrangements

As of June 30, 2018, there were no off balance sheet arrangements.

Critical Accounting Policies

In December 2001, the SEC requested that all registrants list their most “critical accounting policies” in the Management Discussion and Analysis. The SEC indicated that a “critical accounting policy” is one which is both important to the portrayal of a company’s financial condition and results, and requires management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our critical accounting policies are disclosed in Note 2 of our audited financial statements included in the Form 10-K filed with the Securities and Exchange Commission.

Recent Accounting Pronouncements

No new accounting pronouncements issued or effective during the fiscal year has had or is expected to have a material impact on the financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

A smaller reporting company is not required to provide the information required by this Item.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We conducted an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of June 30, 2018, to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities Exchange Commission’s rules and forms, including to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of June 30, 2018, our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses identified and described below.

Our principal executive officers do not expect that our disclosure controls or internal controls will prevent all error and all fraud. Although our disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives and our principal executive officers have determined that our disclosure controls and procedures are effective at doing so, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented if there exists in an individual a desire to do so. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Remediation Plan to Address the Material Weaknesses in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Management identified the following three material weaknesses that have caused management to conclude that, as of June 30, 2018, our disclosure controls and procedures, and our internal control over financial reporting, were not effective at the reasonable assurance level:

1. We do not have written documentation of our internal control policies and procedures. Written documentation of key internal controls over financial reporting is a requirement of Section 404 of the Sarbanes-Oxley Act as of the period ending June 30, 2018. Management evaluated the impact of our failure to have written documentation of our internal controls and procedures on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.
2. We do not have sufficient segregation of duties within accounting functions, which is a basic internal control. Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, the initiation of transactions, the custody of assets and the recording of transactions should be performed by separate individuals. Management evaluated the impact of our failure to have segregation of duties on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.
3. Effective controls over the control environment were not maintained. Specifically, a formally adopted written code of business conduct and ethics that governs our employees, officers, and directors was not in place. Additionally, management has not developed and effectively communicated to employees its accounting policies and procedures. This has resulted in inconsistent practices. Further, our Board of Directors does not currently have any independent members and no director qualifies as an audit committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K. Since these entity level programs have a pervasive effect across the organization, management has determined that these circumstances constitute a material weakness.

To address these material weaknesses, management performed additional analyses and other procedures to ensure that the financial statements included herein fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented. Accordingly, we believe that the financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

To remediate the material weakness in our documentation, evaluation and testing of internal controls we plan to engage a third-party firm to assist us in remedying this material weakness once resources become available.

We intend to remedy our material weakness with regard to insufficient segregation of duties by hiring additional employees in order to segregate duties in a manner that establishes effective internal controls once resources become available.

Changes in Internal Control over Financial Reporting

No change in our system of internal control over financial reporting occurred during the period covered by this report, the period ended June 30, 2018, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

As of June 30, 2018, all litigation has been resolved except for the following case:

Lester Einhaus vs. Textmunication
United States District Court – Northern District
Filed on 6/14/2017
Case: 1:17-cv-04478

Item 1A: Risk Factors

For our mobile marketing business, see risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2014 filed on April 15, 2015.

For our interest in Aspire Consulting Group, LLC, see risk factors included in our Current Report on Form 8-K filed on January 1, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The information set forth below relates to our issuances of securities without registration under the Securities Act of 1933.

During the six months ended June 30, 2018, we issued 892,882 shares of common stock (post-split) valued at \$299,469 for the settlement of debt related to a 3a10 settlement.

During the six months ended June 30, 2018, we issued 647,459 shares of common stock (post-split) for the settlement of \$54,541 in notes payable.

On June 8, 2018 we entered into a subscription agreement for 9.98% of the company common shares outstanding for \$100,000.

These securities were issued pursuant to Section 4(2) of the Securities Act and/or Rule 506 promulgated thereunder. The holders represented their intention to acquire the securities for investment only and not with a view towards distribution. The investors were given adequate information about us to make an informed investment decision. We did not engage in any general solicitation or advertising. We directed our transfer agent to issue the stock certificates with the appropriate restrictive legend affixed to the restricted stock.

Item 3. Defaults upon Senior Securities

None

Item 4. Mine Safety Disclosures

N/A

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Number	Description of Exhibit
3.1	<u>Certificate of Designation, dated May 15, 2017</u>
10.1	<u>Debt Settlement Agreement, dated August 4, 2017</u>
31.1	<u>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</u>
31.2	<u>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</u>
32.1	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101**	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 formatted in Extensible Business Reporting Language (XBRL).

**Provided 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.

Textmunication Holdings, Inc.

Date: August 14, 2018

By: /s/ Wais Asefi

Wais Asefi

Title: President, Chief Executive Officer, and Director

STATE OF NEVADA

BARBARA K. CEGAVSKE
Secretary of State



Commercial Recordings Division

*202 N. Carson Street
Carson City, NV 89701-4201
Telephone (775) 684-5708
Fax (775) 684-7138*

KIMBERLEY PERONDI
*Deputy Secretary
for Commercial Recordings*

**OFFICE OF THE
SECRETARY OF STATE**

TEXTMUNICATION HOLDINGS, INC.

Job: C20170516-1242

May 18, 2017

NV

Special Handling Instructions:

IFSC, EMAIL, DRR, 5/18/17

Charges

Description	Document Number	Filing Date/Time	Qty	Price	Amount
Designation	20170213770-90	5/15/2017 6:01:34 AM	1	\$175.00	\$175.00
Total					\$175.00

Payments

Type	Description	Amount
Credit	4951210258796272303072	\$175.00
Total		\$175.00

Credit Balance: \$0.00

Job Contents:

File Stamped Copy(s): 1

TEXTMUNICATION HOLDINGS, INC.

NV



150103



BARBARA K. CEGAVSKE
Secretary of State
202 North Carson Street
Carson City, Nevada 89701-4201
(775) 684-5708
Website: www.nvsoe.gov

Filed in the office of <i>Barbara K. Cegavske</i>	Document Number 20170213770-90
Barbara K. Cegavske Secretary of State State of Nevada	Filing Date and Time 05/15/2017 6:01 AM
	Entity Number E0524932013-3

Certificate of Designation
(PURSUANT TO NRS 78.1955)

USE BLACK INK ONLY - DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

Certificate of Designation For
Nevada Profit Corporations
(Pursuant to NRS 78.1955)

1. Name of corporation:

Textmunication Holdings, Inc.

2. By resolution of the board of directors pursuant to a provision in the articles of incorporation this certificate establishes the following regarding the voting powers, designations, preferences, limitations, restrictions and relative rights of the following class or series of stock.

SERIES C CONVERTIBLE PREFERRED STOCK


On behalf of Textmunication Holdings, Inc., a Nevada corporation (the "Corporation"), the undersigned hereby certifies that the following resolution has been duly adopted by the board of directors of the Corporation (the "Board"):

RESOLVED, that, pursuant to the authority granted to and vested in the Board by the provisions of the articles of incorporation of the Corporation (the "Articles of Incorporation"), there hereby is created, out of the ten million (10,000,000) shares of preferred stock, par value \$0.0001 per share, of the Corporation authorized by Article III of the Articles of Incorporation ("Preferred Stock"), a series of Series C Convertible Preferred Stock, consisting of two million (2,000,000) shares,
SEE ATTACHED

3. Effective date of filing: (optional)

(must not be later than 90 days after the certificate is filed)

4. Signature: (required)

X 

Signature of Officer

Filing Fee: \$175.00

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.

Nevada Secretary of State Stock Designation
Revised: 1-5-15

CERTIFICATE OF DESIGNATION

OF

TEXTMUNICATION HOLDINGS, INC.

Pursuant to Section 78.1955 of the

Nevada Revised Statutes

SERIES C CONVERTIBLE PREFERRED STOCK

On behalf of Textmunication Holdings, Inc., a Nevada corporation (the "Corporation"), the undersigned hereby certifies that the following resolution has been duly adopted by the board of directors of the Corporation (the "Board"):

RESOLVED, that, pursuant to the authority granted to and vested in the Board by the provisions of the articles of incorporation of the Corporation (the "Articles of Incorporation"), there hereby is created, out of the ten million (10,000,000) shares of preferred stock, par value \$0.0001 per share, of the Corporation authorized by Article III of the Articles of Incorporation ("Preferred Stock"), a series of Series C Convertible Preferred Stock, consisting of two million (2,000,000) shares, which series shall have the following powers, designations, preferences and relative participating, optional and other special rights, and the following qualifications, limitations and restrictions:

The specific powers, preferences, rights and limitations of the Series C Convertible Preferred Stock are as follows:

1. Designation; Rank. This series of Preferred Stock shall be designated and known as "Series C Convertible Preferred Stock." The number of shares constituting the Series C Convertible Preferred Stock shall be two million (2,000,000) shares. Except as otherwise provided herein, the Series C Convertible Preferred Stock shall, with respect to rights on liquidation, winding up and dissolution, rank *pari passu* to the common stock, par value \$0.0001 per share (the "Common Stock"), the Series A Convertible Preferred Stock, par value \$0.0001 per share (the "Series A Preferred Stock") and the Series B Convertible Preferred Stock, par value \$0.0001 per share (the "Series B Preferred Stock").

2. Dividends. The holders of shares of Series C Convertible Preferred Stock have no dividend rights except as may be declared by the Board in its sole and absolute discretion, out of funds legally available for that purpose.

3. Liquidation Preference.

(a) In the event of any dissolution, liquidation or winding up of the Corporation (a "Liquidation"), whether voluntary or involuntary, the Holders of Series C Convertible Preferred Stock shall be entitled to participate in any distribution out of the assets of the Corporation on an equal basis per share with the holders of the Common Stock, the Series A Preferred Stock and the Series B Preferred Stock.

(b) A sale of all or substantially all of the Corporation's assets or an acquisition of the Corporation by another entity by means of any transaction or series of related transactions (including, without limitation, a reorganization, consolidated or merger) that results in the transfer of fifty percent (50%) or more of the outstanding voting power of the Corporation (a "Change in Control Event"), shall not be deemed to be a Liquidation for purposes of this Designation.

4. Voting. The holders of Series C Convertible Preferred Stock shall have the right to cast eight hundred and seventy five (875) votes for each share held of record on all matters submitted to a vote of holders of the Corporation's common stock and Series A Preferred Stock, including the election of directors, and all other matters as required by law. There is no right to cumulative voting in the election of directors. The holders of Series C Preferred Stock shall vote together with all other classes and series of common stock and Series A Preferred Stock of the Corporation as a single class on all actions to be taken by the common stock and Series A Preferred Stock holders of the Corporation except to the extent that voting as a separate class or series is required by law.

5. Optional Conversion of Series C Convertible Preferred Stock. The Holders of Series C Convertible Preferred Stock shall have conversion rights as follows:

(a) Conversion Right. Each share of Series C Convertible Preferred Stock shall be convertible at the option of the Holder thereof and without the payment of additional consideration by the Holder thereof, at any time, into shares of Common Stock on the Optional Conversion Date (as hereinafter defined) at a conversion rate of eight hundred and seventy five (875) shares of Common Stock (the "Conversion Rate") for every one (1) share of Series C Convertible Preferred Stock, subject to adjustment as provided in Section 5 of this Designation.

(b) Mechanics of Optional Conversion. To effect the optional conversion of shares of Series C Convertible Preferred Stock in accordance with Section 5(a) of this Designation, any Holder of record shall make a written demand for such conversion (for purposes of this Designation, a "Conversion Demand") upon the Corporation at its principal executive offices setting forth therein (i) the certificate or certificates representing such shares, and (ii) the proposed date of such conversion, which shall be a business day not less than fifteen (15) nor more than thirty (30) days after the date of such Conversion Demand (for purposes of this Designation, the "Optional Conversion Date"). Within five days of receipt of the Conversion Demand, the Corporation shall give written notice (for purposes of this Designation, a "Conversion Notice") to the Holder setting forth therein (i) the address of the place or places at which the certificate or certificates representing any shares not yet tendered are to be converted are to be surrendered; and (ii) whether the certificate or certificates to be surrendered are required to be endorsed for transfer or accompanied by a duly executed stock power or other appropriate instrument of assignment and, if so, the form of such endorsement or power or other instrument of assignment. The Conversion Notice shall be sent by first class mail, postage prepaid, to such Holder at such Holder's address as may be set forth in the Conversion Demand or, if not set forth therein, as it appears on the records of the stock transfer agent for the Series C Convertible Preferred Stock, if any, or, if none, of the Corporation. On or before the Optional Conversion Date, each Holder of the Series C Convertible Preferred Stock so to be converted shall surrender the certificate or certificates representing such shares, duly endorsed for transfer or accompanied by a duly executed stock power or other instrument of assignment, if the Conversion Notice so provides, to the Corporation at any place set forth in such notice or, if no such place is so set forth, at the principal executive offices of the Corporation. As soon as practicable after the Optional Conversion Date and the surrender of the certificate or certificates representing such shares, the Corporation shall issue and deliver to such Holder, or its nominee, at such Holder's address as it appears on the records of the stock transfer agent for the Series C Convertible Preferred Stock, if any, or, if none, of the Corporation, a certificate or certificates for the number of whole shares of Common Stock issuable upon such conversion in accordance with the provisions hereof.

(c) No Fractional Shares. No fractional shares of Common Stock or scrip shall be issued upon conversion of shares of Series C Convertible Preferred Stock. In lieu of any fractional share to which the Holder would be entitled but for the provisions of this Section 5(c) based on the number of shares of Series C Convertible Preferred Stock held by such Holder, the Corporation shall issue a number of shares to such Holder rounded up to the nearest whole number of shares of Common Stock. No cash shall be paid to any Holder of Series C Convertible Preferred Stock by the Corporation upon conversion of Series C Preferred Convertible Stock by such Holder.

(d) Reservation of Stock. The Corporation shall at all times when any shares of Series C Preferred Convertible Stock shall be outstanding, reserve and keep available out of its authorized but unissued Common Stock, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Series C Convertible Preferred Stock. If at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all outstanding shares of the Series C Convertible Preferred Stock, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

(e) Stock Dividends, Splits, Combinations and Reclassifications. If the Corporation shall (i) declare a dividend or other distribution payable in securities, (ii) split its outstanding shares of Common Stock into a larger number, (iii) combine its outstanding shares of Common Stock into a smaller number, or (iv) increase or decrease the number of shares of its capital stock in a reclassification of the Common Stock including any such reclassification in connection with a merger, consolidation or other business combination in which the Corporation is the continuing entity (any such corporate event, an "Event"), then in each instance the Conversion Rate shall be proportionately adjusted to take into account such Event.

(f) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Rate pursuant to Section 5 of this Designation, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and cause its principal financial officer to verify such computation and prepare and furnish to each Holder of Series C Convertible Preferred Stock a certificate setting forth such adjustment or readjustment and setting forth in reasonable detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any Holder of Series C Convertible Preferred Stock, furnish or cause to be furnished to such Holder a like certificate setting forth: (i) such adjustments and readjustments; (ii) the Conversion Rate in effect at such time for the Series C Convertible Preferred Stock; and (iii) the number of shares of Common Stock and the amount, if any, of other property that at such time would be received upon the conversion of the Series C Convertible Preferred Stock.

(g) Issue Taxes. The converting Holder shall pay any and all issue and other non-income taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of shares of Series C Convertible Preferred Stock.

6. No Preemptive Rights. No holder of the Series C Convertible Preferred Stock shall be entitled to rights to subscribe for, purchase or receive any part of any new or additional shares of any class, whether now or hereinafter authorized, or of bonds or debentures, or other evidences of indebtedness convertible into or exchangeable for shares of any class, but all such new or additional shares of any class, or any bond, debentures or other evidences of indebtedness convertible into or exchangeable for shares, may be issued and disposed of by the Board of Directors on such terms and for such consideration (to the extent permitted by law), and to such person or persons as the Board of Directors in their absolute discretion may deem advisable.

7. Vote to Change the Terms of or Issue Preferred Stock. The affirmative vote at a meeting duly called for such purpose or the written consent without a meeting, of the majority holders (in addition to any other corporate approvals then required to effect such action), shall be required for any change to this Certificate of Designation or the Company's Articles of Incorporation which would amend, alter, change or repeal any of the powers, designations, preferences and rights of the Series C Convertible Preferred Stock.

8. Lost or Stolen Certificates. Upon receipt by the Company of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of any Preferred Stock Certificates representing the shares of Series C Convertible Preferred Stock, and, in the case of loss, theft or destruction, of any indemnification undertaking by the holder to the Company and, in the case of mutilation, upon surrender and cancellation of the Preferred Stock Certificate(s), the Company shall execute and deliver new preferred stock certificate(s) of like tenor and date; provided, however, that the Company shall not be obligated to re-issue Preferred Stock Certificates if the holder contemporaneously requests the Company to convert such shares of Series C Convertible Preferred Stock into Common Stock.

9. Failure or Indulgence Not Waiver. No failure or delay on the part of a holder of Series C Convertible Preferred Stock in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

IN WITNESS WHEREOF the undersigned has signed this Designation this 9th day of May 2017.

TEXTMUNICATION HOLDINGS, INC.

By:



Name: Wais Asefi
Title: CEO

DEBT SETTLEMENT AGREEMENT

This DEBT SETTLEMENT AGREEMENT (this "Agreement") is dated August 4, 2017 (the "Effective Date"), by and between Carebourn Capital, L.P. ("HOLDER"), and Textmunication Holdings, Inc., a Nevada corporation ("TXHD").

RECITALS:

WHEREAS, TXHD issued a convertible promissory note in the principal amount of \$30,500.00 to the HOLDER (the "Note") on November 5, 2015, which was amended on July 12, 2016 to reflect an addition of \$15,250.00 in principal to the balance of the Note;

WHEREAS, HOLDER sold an interest in the Note worth \$30,500.00 to a third party, but retained the remaining \$15,250.00 interest in the Note; and

WHEREAS, HOLDER and TXHD desire to settle all of the outstanding obligations under the remaining amounts due under the Note, as further provided herein.

NOW, THEREFORE, in consideration of the premises and of the terms and conditions herein contained, the parties mutually agree as follows:

1. Settlement of Note.

1.1 **Settlement.** TXHD and HOLDER agree to settle all of the outstanding principal, interest, and penalties owed under the Note as follows: the HOLDER shall be entitled to convert all amounts owed under the Note, pursuant to the terms of the Note, provided, however, that all remaining amounts owed under the Note shall be deemed forgiven by the HOLDER after TXHD's issuance of an aggregate total of 70,000,000 shares of its common stock (the "Settlement Shares") to HOLDER pursuant to such conversion(s). For the avoidance of doubt, the HOLDER shall be entitled to effectuate such conversion(s) under the Note in the amounts and at such times as the HOLDER desires in HOLDER's sole discretion, provided, however, that the aggregate amount of shares of common stock to be issued to HOLDER pursuant to such conversion(s) shall not exceed the Settlement Shares. Further, TXHD's current transfer agent is Worldwide Stock Transfer, LLC ("Worldwide"), and TXHD shall not terminate Worldwide as TXHD's transfer agent until the HOLDER has sold all of the Settlement Shares.

2. Representations and Warranties of TXHD.

2.1 **Authorization.** The execution, delivery and performance by TXHD of this Agreement and the performance of all of TXHD's obligations hereunder have been duly authorized by all necessary corporate action, and this Agreement has been duly executed and delivered by TXHD. This Agreement constitutes the valid and binding obligation of TXHD enforceable in accordance with its terms. The execution and performance of the transactions contemplated by this Agreement and compliance with its provisions by TXHD will not conflict with or result in any breach of any of the terms, conditions, or provisions of, or constitute a default under, its Certificate of Incorporation or Bylaws or any agreement to which TXHD is a party or by which it or any of its properties is bound.

2.3 **Binding Obligation**. As summing the due execution and delivery of this Agreement, this Agreement constitutes the valid and binding obligation of TXHD, enforceable against TXHD in accordance with its terms.

2.4 **Holder Release**. TXHD, on behalf of itself and its agents, heirs, representatives, successors and assigns, agrees to fully release, acquit and forever discharge the HOLDER, and its respective officers, directors, agents, employees, attorneys, owners, members, affiliates, predecessors, successors and assigns and all past, present and future officers, directors, agents, employees, attorneys, owners, members, affiliates, successors, predecessors and assigns, any one of them, or any combination of them, and anyone or any entity related thereto from all known or unknown, revealed and concealed, contingent and non-contingent claims, actions, causes of action, and suits for damages, at law or in equity, filed or otherwise, and all other claims whatsoever, in law or in equity, contract or tort, which TXHD ever had or now has against any of the aforementioned, by reason of any matter that is related to or arising from the acts and events underlying or giving rise to the Note, the dispute and the claims asserted therein. This waiver and release does not include TXHD's rights to enforce this Agreement and any action or claim that cannot be waived as a matter of law.

2.5 **TXHD Release**. The HOLDER, on behalf of itself and its agents, heirs, representatives, successors and assigns, agrees to fully release, acquit and forever discharge TXHD and its respective agents, employees, attorneys, predecessors, successors and assigns and all past, present and future agents, employees, attorneys, successors, predecessors and assigns, any one of them, or any combination of them, and anyone or any entity related thereto from all known or unknown, revealed and concealed, contingent and non-contingent claims, actions, causes of action, and suits for damages, at law or in equity, filed or otherwise that the HOLDER ever had or now has against any of the aforementioned, by reason of any matter that is related to or arising from the acts and events underlying or giving rise to the Note, the dispute and the claims asserted therein. This waiver and release does not include HOLDER's rights to enforce this Agreement and any action or claim that cannot be waived as a matter of law.

2.6 HOLDER and TXHD further acknowledge that they may hereafter discover claims or facts in addition to or different from those which they now know or believe to exist with respect to the subject matter of the Note, which, if known or suspected at the time of the execution of this Agreement, may have materially affected their decision. Nevertheless, the parties hereby waive any rights, claim or cause of action that existed at the time of the execution of this Agreement. The parties acknowledge that they understand the significance and consequence of their release and the specific waiver of all such known and unknown claims.

3. Representations and Warranties of the HOLDER

3.1 **Authorization**. The HOLDER has full power and authority to enter into this Agreement, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. This Agreement constitutes a valid and legally binding obligation of the HOLDER, enforceable in accordance with the terms.

3.2 Bona Fide Interest. The HOLDER has not assigned or in any way conveyed any portion of the remaining principal amount of \$15,250.00 under the Note.

4. Miscellaneous.

4.1 No Third Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any persons other than the parties and their respective successors and permitted assigns.

4.2 Entire Agreement. This Agreement (including the documents referred to herein) constitutes the entire agreement among the parties and supersedes any prior understanding, agreements, or representations by or among the parties, written or oral, to the extent they related in any way to the subject matter hereof.

4.3 Counterparts. This agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

4.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada (without regard to conflict of laws).

4.5 No Waiver/Amendments. Any waiver by any party to this Agreement of any provision of this Agreement shall not be construed as a waiver of any other provision of this Agreement, nor shall such waiver be construed as a waiver of such provision respecting any future event or circumstance. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the HOLDER and TX HD.

4.6 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offering term or provision in any other situation or in any other jurisdiction.

4.7 Costs. Each party will bear the costs and expenses incurred by it in connection with this Agreement and the transaction contemplated thereby.

4.8 Survival of Terms. All representations, warranties and covenants contained in this Agreement or in any certificates or other instruments delivered by or on behalf of the parties hereto shall be continuous and survive the execution of this Agreement.

4.9 Non-Assignment. This Agreement and the obligations hereunder shall not be assignable.

4.10 Notices. Notices hereunder shall be given only by personal delivery, registered or certified mail, return receipt requested, overnight courier service, or telex, telegram, facsimile or other form of electronic mail and shall be deemed transmitted when personally delivered or deposited in the mail or delivered to a courier service or a carrier for electronic transmission or electronically transmitted by facsimile (as the case may be), postage or charges prepaid, and properly addressed to the particular party to whom the notice is to be sent.

4.11 Headings. The headings used in this Agreement are for convenience only and shall not by themselves determine the interpretation, construction or meaning of this Agreement.

4.12 Attorney's Fees and Costs. In the event any party to this Agreement shall be required to initiate legal proceedings to enforce performance of any term or condition of this Agreement, including, but not limited to, the interpretation of any term or provision hereof, the payment of monies or the enjoinder of any action prohibited hereunder, the prevailing party shall be entitled to recover such sums in addition to any other damages or compensation received, as will reimburse the prevailing party for reasonable attorneys' fees and court costs incurred on account thereof (including, without limitation, the costs of any appeal) notwithstanding the nature of the claim or cause of action asserted by the prevailing party.

[Signature page to follow]

IN WITNESS WHEREOF, the HOLDER and TXHD have caused this Agreement to be executed as of the Effective Date.

HOLDER :

CAREBOURN CAPITAL, L.P.

**By: Carebourn Partners, LLC
a Minnesota limited liability company,
its General Partner**

By: _____

Name: Chip Rice

Title: Managing Member

THE ISSUER :

TEXTMUNICATION HOLDINGS, INC.

By: _____



Name: Wais Asefi

Title: Chief Executive Officer

CERTIFICATIONS

I, Wais Asefi, certify that;

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2018 of Texmunication Holdings, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 14, 2018

/s/ Wais Asefi

By: Wais Asefi

Title: Chief Executive Officer

CERTIFICATIONS

I, Wais Asefi, certify that;

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2018 of Texmunication Holdings, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 14, 2018

/s/ Wais Asefi

By: Wais Asefi

Title: Chief Executive Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly Report of Textmunication Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2018 filed with the Securities and Exchange Commission (the "Report"), I, Wais Asefi, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the consolidated financial condition of the Company as of the dates presented and the consolidated result of operations of the Company for the periods presented.

By: /s/ Wais Asefi

Name: Wais Asefi

Title: Chief Executive Officer

Date: August 14, 2018

This certification has been furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
