DIGERATI TECHNOLOGIES, INC.

FORM 10-Q
(Quarterly Report)

Filed 12/13/19 for the Period Ending 10/31/19

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Telephone	(210) 775-0888
CIK	0001014052
Symbol	DTGI
SIC Code	7374 - Services-Computer Processing and Data Preparation
Industry	Integrated Telecommunications Services
Sector	Telecommunication Services
Fiscal Year	07/31

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

FORM 10-Q

(Mark One)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended October 31, 2019
or

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

For the transition period from ____________ to ___________

Commission File Number 001-15687

DIGERATI TECHNOLOGIES, INC.
(Exact Name of Registrant as Specified in Its Charter)

Nevada	**74-2849995**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
825 W. Bitters, Suite 104 **San Antonio, Texas**	**78216**
(Address of Principal Executive Offices)	(Zip Code)

(210) 614-7240
(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

Indicate by check mark 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 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 such files).

Yes ☒ No ☐

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

Large accelerated filer ☐
Accelerated filer ☐
Non-accelerated filer ☒
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 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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Number of Shares	Class:	As of:
35,585,663	Common Stock $0.001 par value	December 13, 2019

DIGERATI TECHNOLOGIES, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED OCTOBER 31, 2019

INDEX

DIGERATI TECHNOLOGIES, INC.
CONTENTS

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DIGERATI TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, unaudited)

	October 31, 2019	July 31, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 469	$ 406
Accounts receivable, net	277	262
Prepaid and other current assets	114	107
Right-of-use asset	139	-
Total current assets	999	775
LONG-TERM ASSETS:		
Intangible assets, net	1,736	1,832
Goodwill, net	810	810
Property and equipment, net	536	579
Other assets	73	58
Investment in Itellum	185	185
Right-of-use asset	144	-
Total assets	$ 4,483	$ 4,239
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 1,307	$ 1,264
Accrued liabilities	1,570	1,493
Equipment financing	66	65
Convertible note payable, current, net $460 and $547, respectively	1,162	1,005
Note payable, current, related party, net of $6 and $7, respectively	366	383
Note payable, current, net $0 and $0, respectively	1,218	1,218
Deferred income	243	285
Derivative liability	1,302	927
Lease liability	139	-
Total current liabilities	7,373	6,640
LONG-TERM LIABILITIES:		
Convertible debenture, net $0 and $29, respectively	-	21
Notes payable, related party, net $15 and $17, respectively	122	136
Equipment financing	83	100
Lease liability	144	-
Total long-term liabilities	349	257
Total liabilities	7,722	6,897
Commitments and contingencies		
STOCKHOLDERS' DEFICIT:		
Preferred stock, $0.001, 50,000,000 shares authorized, 225,000 and 0 issued and outstanding, respectively	-	-
Common stock, $0.001, 150,000,000 shares authorized, 33,212,707 and 23,740,406 issued and outstanding, respectively (6,000,000 reserved in Treasury)	33	24
Additional paid in capital	83,903	82,972
Accumulated deficit	(86,828)	(85,320)
Other comprehensive income	1	1
Total Digerati's stockholders' deficit	(2,891)	(2,323)
Noncontrolling interest	(348)	(335)
Total stockholders' deficit	(3,239)	(2,658)
Total liabilities and stockholders' deficit	$ 4,483	$ 4,239

See accompanying notes to consolidated financial statements

DIGERATI TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts, unaudited)

	Three months ended October 31, 2019	Three months ended October 31, 2018
OPERATING REVENUES:		
Cloud software and service revenue	$ 1,589	$ 1,522
Total operating revenues	1,589	1,522
OPERATING EXPENSES:		
Cost of services (exclusive of depreciation and amortization)	803	757
Selling, general and administrative expense	1,192	887
Legal and professional fees	102	124
Bad debt	-	(3)
Depreciation and amortization expense	163	170
Total operating expenses	2,260	1,935
OPERATING LOSS	(671)	(413)
OTHER INCOME (EXPENSE):		
Loss on derivative instruments	(465)	(139)
Income (tax) benefit	39	(13)
Interest expense	(424)	(376)
Total other expense	(850)	(528)
NET LOSS INCLUDING NONCONTROLLING INTEREST	(1,521)	(941)
Less: Net loss attributable to the noncontrolling interests	13	27
NET LOSS ATTRIBUTABLE TO DIGERATI’S SHAREHOLDERS	(1,508)	(914)
Deemed dividend on Series A Convertible preferred stock	-	-
NET LOSS ATTRIBUTABLE TO DIGERATI’S COMMON SHAREHOLDERS	$ (1,508)	$ (914)
LOSS PER COMMON SHARE - BASIC	$ (0.06)	$ (0.07)
LOSS PER COMMON SHARE - DILUTED	$ (0.06)	$ (0.07)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC	25,061,210	12,905,639
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED	25,061,210	12,905,639

See accompanying notes to consolidated financial statements

DIGERATI TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
For the Three Months Ended October 31, 2019
(In thousands, except for share amounts, unaudited)

	Equity Digerati's Shareholders									
	Convertible Preferred		Common		Additional Paid-in	Accumulated	Other Comprehensive	Stockholders	Noncontrolling	
	Shares	Par	Shares	Par	Capital	Deficit	Income	Deficit	Interest	Totals
BALANCE, July 31, 2019	225,000	-	23,740,406	$ 24	$ 82,972	$ (85,320)	$ 1	$ (2,323)	$ (335)	$ (2,658)
Stock issued for services, to employees	-		5,289,420	5	365	-	-	370	-	370
Amortization of employee stock options	-		-	-	141	-	-	141	-	141
Stock issued for convertible debt	-		3,782,881	4	153	-	-	157	-	157
Derivative liability resolved to APIC due to note conversion	-	-	-	-	240	-	-	240	-	240
Stock issued, extension of debt	-		400,000	-	40	-	-	40	-	40
Dividends declared	-		-	-	(8)	-	-	(8)	-	(8)
Net loss	-		-	-	-	(1,508)	-	(1,508)	(13)	(1,521)
BALANCE, October 31, 2019	225,000	-	33,212,707	$ 33	$ 83,903	$ (86,828)	$ 1	$ (2,891)	$ (348)	$ (3,239)

See accompanying notes to consolidated financial statements

DIGERATI TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
For the Three Months Ended October 31, 2018
(In thousands, except for share amounts, unaudited)

	Equity Digerati's Shareholders							
	Common		Additional Paid-in	Accumulated	Other Comprehensive	Stockholders	Noncontrolling	
	Shares	Par	Capital	Deficit	Income	Deficit	Interest	Totals
BALANCE, July 31, 2018	12,775,143	$ 13	$ 79,993	$ (80,800)	$ 1	$ (793)	$ (207)	$ (1,000)
Amortization of employee stock options	-	-	95	-	-	95	-	95
Stock issued for AP settlement	21,672	-	6	-	-	6	-	6
Stock issued for cash	80,000	-	47	-	-	47	-	47
Stock issued, for debt	240,000	-	36	-	-	36	-	36
Value of warrants issued	-	-	79	-	-	79	-	79
Net Ioss	-	-	-	(914)	-	(914)	(27)	(941)
BALANCE, October 31, 2018	13,116,815	$ 13	$ 80,256	$ (81,714)	$ 1	$ (1,444)	$ (234)	$ (1,678)

See accompanying notes to consolidated financial statements

DIGERATI TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Three months ended October 31, 2019	Three months ended October 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,521)	$ (941)
Adjustments to reconcile net loss to cash used in by operating activities:		
Depreciation and amortization	163	170
Stock compensation and warrant expense	511	144
Stock issued for extension of debt	-	-
Bad debt recovery	-	(3)
Amortization of ROU - operating	89	-
Amortization of debt discount	324	259
Loss (Gain) on derivative liabilities	465	139
Changes in operating assets and liabilities:		
Accounts receivable	(15)	39
Prepaid expenses and other current assets	(21)	42
Right of use operating lease liability	(49)	-
Accounts payable	42	26
Accrued expenses	80	153
Deferred income	(42)	128
Net cash provided by operating activities	26	156
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid in acquisition of equipment	(24)	(15)
Net cash used in investing activities	(24)	(15)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of stock and warrants	-	40
Borrowings from convertible debt, net of original issuance cost and discounts	150	-
Borrowings from 3rd party promissory notes, net	-	100
Payments on ROU - liability	(40)	-
Principal payments on convertible notes, net	-	(40)
Principal payments on related party notes, net	(33)	(31)
Principal payment on equipment financing	(16)	(7)
Net cash provided by financing activities	61	62
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	63	203
CASH AND CASH EQUIVALENTS, beginning of period	406	388
CASH AND CASH EQUIVALENTS, end of period	$ 469	$ 591
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$ 66	$ 89
Income tax paid	$ -	$ -
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Debt discount from warrants issued with debt	$ -	$ 38
Debt discount from common stock issued with debt	$ -	$ 36
Debt discount from derivative liabilities	$ 150	$ -
Capitalization of ROU assets and liabilities - operating	$ 372	$ -
Common Stock issued for debt conversion	$ 157	$ -
Common Stock issued for debt extension	$ 40	$ -
Common Stock issued to settle accounts payable	$ -	$ 5
Dividends	$ 8	$ -
Derivative liability resolved to APIC due to debt conversion	$ 240	$ -

See accompanying notes to consolidated financial statements

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of Digerati Technologies, Inc. ("we;" "us," "our," or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the United States Securities and Exchange Commission. In the opinion of management, these interim financial statements contain all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of financial position and the results of operations for the interim periods presented. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the consolidated financial statements, which would substantially duplicate the disclosure contained in the audited consolidated financial statements for the year ended July 31, 2019 contained in the Company's Form 10-K filed on October 28, 2019 have been omitted.

Customers and Suppliers

We rely on various suppliers to provide services in connection with our VOIP and UCaaS offerings. Our customers include businesses in various industries including Healthcare, Banking, Financial Services, Legal, Real Estate, and Construction. We are not dependent upon any single supplier or customer.

During the three months ended October 31, 2019 and 2018, the Company did not derive a significant amount of revenue from one single customer.

As of the three months ended October 31, 2019 and 2018, the Company did not derive a significant amount of accounts receivable from one single customer.

Sources of revenue:

Cloud Software and Service Revenue. The Company recognizes cloud software and service revenue, mainly from subscription services for its cloud telephony applications that includes hosted IP/PBX services, SIP trunking, call center applications, auto attendant, voice and web conferencing, call recording, messaging, voicemail to email conversion, integrated mobility applications that are device and location agnostic, and other customized applications. Other services include enterprise-class data and connectivity solutions through multiple broadband technologies including cloud WAN or SD-WAN (Software-defined Wide Area Network), fiber, and Ethernet over copper. We also offer remote network monitoring, data backup and disaster recovery services. The Company applies a five-step approach in determining the amount and timing of revenue to be recognized: (1) identifying the contract with a customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations in the contract and (5) recognizing revenue when the performance obligation is satisfied. Substantially all of the Company's revenue is recognized at the time control of the products transfers to the customer.

Service Revenue

Service revenue from subscriptions to the Company's cloud-based technology platform is recognized over time on a ratable basis over the contractual subscription term beginning on the date that the platform is made available to the customer. Payments received in advance of subscription services being rendered are recorded as a deferred revenue. Usage fees, either bundled or not bundled, are recognized when the Company has a right to invoice. Professional services for configuration, system integration, optimization, customer training and/or education are primarily billed on a fixed-fee basis and are performed by the Company directly. Alternatively, customers may choose to perform these services themselves or engage their own third-party service providers. Professional services revenue is recognized over time, generally as services are activated for the customer.

Product Revenue

The Company recognizes product revenue for telephony equipment at a point in time, when transfer of control has occurred, which is generally upon delivery. Sales returns are recorded as a reduction to revenue estimated based on historical experience.

Disaggregation of Cloud software and service revenue

Summary of disaggregated revenue is as follows (in thousands):

	Three months ended October 31,	
	2019	2018
Cloud software and service revenue	$ 1,555	$ 1,474
Product revenue	34	48
Total operating revenues	$ 1,589	$ 1,522

Contract Assets

Contract assets are recorded for those parts of the contract consideration not yet invoiced but for which the performance obligations are completed. The revenue is recognized when the customer receives services or equipment for a reduced consideration at the onset of an arrangement; for example, when the initial month's services or equipment are discounted. Contract assets are included in prepaid and other current assets in the consolidated balance sheets, depending on if their reduction is recognized during the succeeding 12-month period or beyond. Contract assets as of October 31, 2019 and July 31, 2019, were $13,725 and $22,967, respectively.

Deferred Income

Deferred income represents billings or payment received in advance of revenue recognition and is recognized upon transfer of control. Balances consist primarily of annual plan subscription services, for services not yet provided as of the balance sheet date. Deferred revenues that will be recognized during the succeeding 12-month period are recorded as current deferred revenues in the consolidated balance sheets, with the remainder recorded as other noncurrent liabilities in the consolidated balance sheets. Deferred income as of October 31, 2019 and July 31, 2019, were $243,000 and $285,000, respectively.

Costs to Obtain a Customer Contract

Sales commissions are paid upon collections of related revenue and are expensed during the same period. Sales commissions for the period ended October 31, 2019 and October 31, 2018, were $16,253 and $10,621, respectively.

Direct Costs - Cloud software and service

We incur bandwidth and colocation charges in connection with our UCaaS or cloud communication services. The bandwidth charges are incurred as part of the connectivity between our customers to allow them access to our various services. We also incur costs from underlying providers for fiber, Internet broadband, and telecommunication circuits in connection with our data and connectivity solutions.

Noncontrolling interest. The Company follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810, *Consolidation,* which governs the accounting for and reporting of non-controlling interests ("NCIs") in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCIs be treated as a separate component of equity, not as a liability, that increases and decreases in the parent's ownership interest that leave control intact be treated as equity transactions rather than as step acquisitions or dilution gains or losses, and that losses of a partially owned consolidated subsidiary be allocated to the NCI even when such allocation might result in a deficit balance.

The net income (loss) attributed to the NCI is separately designated in the accompanying consolidated statements of operations and other comprehensive income (loss). For the three months ended October 31, 2019 and 2018, the Company recognized a noncontrolling deficits of $13,000 and $27,000, respectively.

Recently issued accounting pronouncements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The amendments under this pronouncement will change the way all leases with a duration of one year or more are treated. Under this guidance, lessees will be required to capitalize virtually all leases on the balance sheet as a right-of-use asset and an associated financing lease liability or capital lease liability. The right-of-use asset represents the lessee's right to use, or control the use of, a specified asset for the specified lease term. The lease liability represents the lessee's obligation to make lease payments arising from the lease, measured on a discounted basis. Based on certain characteristics, leases are classified as financing leases or operating leases. Financing lease liabilities, those that contain provisions similar to capitalized leases, are amortized like capital leases are under current accounting, as amortization expense and interest expense in the statement of operations. Operating lease liabilities are amortized on a straight-line basis over the life of the lease as lease expense in the statement of operations. This update is effective for annual reporting periods, and interim periods within those reporting periods, beginning after December 15, 2018. In July 2018 the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases and ASU 2018-11, Leases (Topic 842), Targeted Improvements, which provided additional implementation guidance on the previously issued ASU. The Company evaluated this amendment and it was adopted as of August 1, 2019, and concluded that did not have a material effect on the presentation of our consolidated financial statements (See footnote 8).

NOTE 2 – GOING CONCERN

Financial Condition

Digerati's consolidated financial statements for the three months ending October 31, 2019 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. Since the Company's inception in 1993, Digerati has incurred net losses and accumulated a deficit of approximately $86,828,000 and a working capital deficit of approximately $6,374,000 which raises substantial doubt about Digerati's ability to continue as a going concern.

Management Plans to Continue as a Going Concern

Management believes that current available resources will not be sufficient to fund the Company's operations over the next 12 months. The Company's ability to continue to meet its obligations and to achieve its business objectives is dependent upon, among other things, raising additional capital or generating sufficient revenue in excess of costs. At such time as the Company requires additional funding, the Company will seek to secure such additional funding from various possible sources, including the public equity market, private financings, sales of assets, collaborative arrangements and debt. If the Company raises additional capital through the issuance of equity securities or securities convertible into equity, stockholders will experience dilution, and such securities may have rights, preferences or privileges senior to those of the holders of common stock or convertible senior notes. If the Company raises additional funds by issuing debt, the Company may be subject to limitations on its operations, through debt covenants or other restrictions. If the Company obtains additional funds through arrangements with collaborators or strategic partners, the Company may be required to relinquish its rights to certain technologies. There can be no assurance that the Company will be able to raise additional funds or raise them on acceptable terms. If the Company is unable to obtain financing on acceptable terms, it may be unable to execute its business plan, the Company could be required to delay or reduce the scope of its operations, and the Company may not be able to pay off its obligations, if and when they come due.

The Company will continue to work with various funding sources to secure additional debt and equity financings. However, Digerati cannot offer any assurance that it will be successful in executing the aforementioned plans to continue as a going concern.

Digerati's consolidated financial statements as of October 31, 2019 do not include any adjustments that might result from the inability to implement or execute Digerati's plans to improve our ability to continue as a going concern.

NOTE 3 – INTANGIBLE ASSETS

Below are summarized changes in intangible assets at October 31, 2019 and July 31, 2019:

October 31, 2019	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
NetSapiens - license, 10 years	$ 150,000	$ (150,000)	$ -
Customer relationships, 5 years	40,000	(14,672)	25,328
Customer relationships, 7 years	1,480,000	(328,934)	1,151,066
Marketing & Non-compete, 5 years	800,000	(240,000)	560,000
Total Define-lived Assets	2,470,000	(733,606)	1,736,394
Goodwill, Indefinite	810,353	-	810,353
Balance, October 31, 2019	$ 3,280,353	$ (733,606)	$ 2,546,748

July 31, 2019	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
NetSapiens - license, 10 years	$ 150,000	$ (150,000)	$ -
Customer relationships, 5 years	40,000	(12,672)	27,328
Customer relationships, 7 years	1,480,000	(276,077)	1,203,923
Marketing & Non-compete, 5 years	800,000	(200,000)	600,000
Total Define-lived Assets	2,470,000	(638,749)	1,831,251
Goodwill, Indefinite	810,353	-	810,353
Balance, July 31, 2019	$ 3,280,353	$ (638,749)	$ 2,641,605

Total amortization expense for the three months ended October 31, 2019 and 2018 was approximately $94,857 and $94,857, respectively.

NOTE 4 – STOCK-BASED COMPENSATION

In November 2015, Digerati adopted the Digerati Technologies, Inc. 2015 Equity Compensation Plan (the "Plan"). The Plan authorizes the grant of up to 7.5 million stock options, restricted common shares, non-restricted common shares and other awards to employees, directors, and certain other persons. The Plan is intended to permit Digerati to retain and attract qualified individuals who will contribute to the overall success of Digerati. Digerati's Board of Directors determines the terms of any grants under the Plan. Exercise prices of all stock options and other awards vary based on the market price of the shares of common stock as of the date of grant. The stock options, restricted common stock, non-restricted common stock and other awards vest based on the terms of the individual grant.

During the three months ended October 31, 2019, we issued:

- 3,972,055 common shares to members of the Management team for services in lieu of cash compensation. The Company recognized stock-based compensation expense of approximately $278,044 equivalent to the value of the shares calculated based on the share's closing price at the grant dates.
- 1,317,365 shares of common stock to the Executive Officers, with a market value at time of issuance of $92,216, the stock was issued as payment for outstanding compensation.
- 60,000 options to purchase common shares to an employee with an exercise price of $0.12 per share and a term of 5 years. The options vest equally over a period of three years. The options have a fair market value of $7,158.

The fair market value of all options issued was determined using the Black-Scholes option pricing model which used the following assumptions:

Expected dividend yield	0.00%
Expected stock price volatility	317.52%
Risk-free interest rate	1.47%
Expected term	3.0 year

During the three months ended October 31, 2018 we issued the following to settle accounts payables:

- In September 2018, the Company issued an aggregate of 21,672 shares of common stock with a market value at time of issuance of $5,794. The shares were issued to settle accounts payables of $5,287 to a professional, the Company recognized a loss of $507 upon issuance of the shares. This loss is immaterial, thus presented in stock-based compensation expense on the statement of cash flows.

Digerati recognized approximately $141,647 and $95,000 in stock-based compensation expense to employees during the three months ended October 31, 2019 and 2018, respectively. Unamortized compensation cost totaled $299,118 and $294,000 at October 31, 2019 and October 31, 2018, respectively.

A summary of the stock options as of October 31, 2019 and July 31, 2019 and the changes during the three months ended October 31, 2019 are presented below:

	Options	Weighted-average exercise price	Weighted-average remaining contractual term (years)
Outstanding at July 31, 2019	4,940,000	$ 0.27	3.65
Granted	60,000	$ 0.12	4.82
Exercised	-	-	-
Forfeited and cancelled	-	-	-
Outstanding at October 31, 2019	5,000,000	$ 0.27	3.41
Exercisable at October 31, 2019	4,018,038	$ 0.27	3.22

The aggregate intrinsic value (the difference between the Company's closing stock price on the last trading day of the period and the exercise price, multiplied by the number of in-the-money options) of the 5,000,000 and 4,940,000 stock options outstanding at October 31, 2019 and July 31, 2019 was $0 and $0, respectively.

The aggregate intrinsic value of 4,018,038 and 3,452,405 stock options exercisable at October 31, 2019 and July 31, 2019 was $0 and $0, respectively.

NOTE 5 – WARRANTS

During the three months ended October 31, 2019, the we did not issue any warrants.

During the three months ended October 31, 2018, we issued the following warrants:

In August 2018, Digerati secured $40,000 from an investor under a private placement and issued 80,000 shares of its common stock at a price of $0.50 per share and warrants to purchase an additional 15,000 shares of its common stock at an exercise price of $0.50 per share. We determined that the warrants issued in connection with the private placement were equity instruments and did not represent derivative instruments. The Company adopted a sequencing policy and determined that the warrants with fixed exercise price were excluded from derivative consideration.

In October 2018, Digerati issued 200,000 warrants under an extension of payments to existing promissory notes, with a combined current principal balance of $75,000, the warrants vested at time of issuance. The warrants have a term of 3 years, with an exercise price of $0.10. Under a Black-Scholes valuation the relative fair market value of the warrants at time of issuance was approximately $31,000 and was recognized as a discount on the promissory note, the Company amortized the fair market value as interest expense over 3 months.

The fair market value of all warrants issued was determined using the Black-Scholes option pricing model which used the following assumptions:

Expected dividend yield	0.00%
Expected stock price volatility	153.99% - 237.00%
Risk-free interest rate	2.05% -2.93%
Expected term	3.0 - 5.0 years

A summary of the warrants as of October 31, 2019 and July 31, 2019 and the changes during the three months ended October 31, 2019 are presented below:

	Warrants	Weighted-average exercise price	Weighted-average remaining contractual term (years)
Outstanding at July 31, 2019	2,700,000	$ 0.32	2.19
Granted	-	-	-
Exercised	-	-	-
Forfeited and cancelled	-	-	-
Outstanding at October 31, 2019	2,700,000	$ 0.32	1.93
Exercisable at October 31, 2019	2,400,000	$ 0.24	1.83

The aggregate intrinsic value (the difference between the Company's closing stock price on the last trading day of the period and the exercise price, multiplied by the number of in-the-money warrants) of the 2,700,000 and 2,700,000 warrants outstanding at October 31, 2019 and July 31, 2019 was $15,180 and $63,602, respectively.

The aggregate intrinsic value of 2,400,000 and 2,400,000 warrants exercisable at October 31, 2019 and July 31, 2019 was $15,180 and $64,000, respectively.

In December 2017, Digerati issued 100,000 warrants to a consultant for services, the warrants vested at time of issuance. The warrants have a term of 5 years, with an exercise price of $0.50. Under a Black-Scholes valuation the fair market value of the warrants at time of issuance was approximately $49,000, the Company will amortize the fair market value as warrant expense over 12 months. Additionally, Digerati committed to issue 100,000 warrants if the Company's stock price traded at $0.75 per share for 10 consecutive days, to issue 100,000 warrants if the Company's stock price traded at $1.00 per share for 10 consecutive days, and to issue 100,000 warrants if the Company's stock price traded at $1.25 per share for 10 consecutive days. Under a Black-Scholes valuation the fair market value of the warrants at time of issuance was approximately $143,000, the Company amortized the fair market value as warrant expense over 12 months.

NOTE 6 - DEBT

Non-convertible - debt

On April 30, 2018, T3 Communications, Inc., a Nevada corporation ("T3") entered into a secured promissory note for $650,000 with an effective annual interest rate of 0% and a maturity date of May 14, 2018, provided, however, the Maturity Date will automatically be extended by one (1) additional period of thirty (30) days, until June 14, 2018. In addition, T3 entered into a Security Agreement, whereby T3 agreed to pledge one third of the outstanding shares of its Florida operations, T3 Communications, Inc., the secured interest will continue until the principal balance is paid in full. Furthermore, a late fee of $3,000 per calendar week will be accessed beginning on May 15, 2018 and will continue until he principal balance is paid in full. The lender agreed to extend the maturity date until January 31, 2020, we are currently paying a $3,000 per week late fee. As of October 31, 2019 and July 31, 2019, the outstanding principal balance was $650,000.

On April 30, 2018, T3 entered into a credit facility under a secured promissory note of $500,000, interest payment for the first twenty-three months with a balloon payment on the twenty-fourth month and a maturity date of April 30, 2020. Collateralized by T3's accounts receivables and with an effective annual interest rate of prime plus 5.25%, adjusted quarterly on the first day of each calendar quarter. However, the rate will never be less than 9.50% per annum. In the event of default, the interest rate will be the maximum non-usurious rate of interest per annum permitted by whichever of applicable United States federal law or Louisiana law permits the higher interest rate. T3 agreed to pay the lender a commitment fee of 1.00% upon payment of the first interest payment under the credit facility and 1.00% on the first anniversary of the credit facility. In addition, T3 agreed to pay a monitoring fee of 0.33% of the credit facility, payable in arrears monthly. T3 also agreed to pay an over-advance fee of 3.00% of the amount advanced in excess of the borrowing base or maximum amount of the credit facility, payable in arrears monthly. T3 is required to maintain the following financial covenants: 1) A consolidated debt service coverage ratio, as of the last day of each fiscal quarter, of at least 1.25 to 1.00, 2) A fixed charge coverage ratio, as of the last day of each fiscal quarter, of at least 1.25 to 1.00, and 3) A tangible net worth, at all times of at least $100,000. As of October 31, 2019 and July 31, 2019, the outstanding principal balance was $500,000.

On October 22, 2018, the Company issued a secured promissory note for $50,000, bearing interest at a rate of 8% per annum, with maturity date of December 31, 2018. The promissory note is secured by a Pledge and Escrow Agreement, whereby the Company agreed to pledge rights to a collateral due under certain Agreement. In June 2019, the maturity date was extended to July 31, 2019. As of the date of this filing, we are working with the lender to extend the maturity date on the note. The outstanding balance as of October 31, 2019 was $50,000.

On June 14, 2019, the Company, entered into a Stock Purchase Agreement (the "Agreement") to acquire a 12% minority interest in Itellum Comunicacions Costa Rica, S.R.L. In conjunction with this transaction, we entered into a non-recourse promissory note for $17,500 with an effective annual interest rate of 8% and an initial maturity date of September 14, 2019. As of the date of this filing, we are working with the lender to extend the maturity date on the note. The outstanding balance as of October 31, 2019 was $17,500.

Notes payable, related party

On April 30, 2018, T3 entered into a convertible secured promissory note for $525,000 with an effective annual interest rate of 8% and a maturity date of April 30, 2020. With a principal payment of $100,000 due on June 1, 2018 and a principal payment of $280,823 due on April 30, 2020. Payment are based on a 60-month repayment schedule. At any time while this Note is outstanding, but only upon: (i) the occurrence of an Event of Default under the Note or the Pledge and Escrow Agreement; or (ii) mutual agreement between the Borrower and the Holder, the Holder may convert all or any portion of the outstanding principal, accrued and unpaid interest, Premium, if applicable, and any other sums due and payable hereunder (such total amount, the "Conversion Amount") into shares of Common Stock (the "Conversion Shares") at a price equal to: (i) the Conversion Amount (the numerator); *divided by* (ii) a conversion price of $1.50 per share of Common Stock, which price shall be indicated in the conversion notice (the denominator) (the "Conversion Price"). The Holder shall submit a Conversion Notice indicating the Conversion Amount, the number of Conversion Shares issuable upon such conversion, and where the Conversion Shares should be delivered. The promissory note is secured by a Pledge and Escrow Agreement, whereby T3 agreed to pledge 51% of the securities owned in its Florida operations, T3 Communications, Inc., until the principal payment is paid in full. In conjunction with the promissory note, the Company issued 3-year warrants to purchase 75,000 shares of common stock at an exercise price of $0.50 per share. Under a Black-Scholes valuation the relative fair market value of the warrants at time of issuance was $19,267 and was recognized as a discount on the promissory note. The Company amortized $1,475 as interest expense during the three months ended October 31, 2019. The total unamortized discount as of October 31, 2019 and July 31, 2019 were $5,823 and $7,298, respectively. In addition, during the three months ended October 31, 2019, the Company paid $19,236 of the principal outstanding balance. The total principal outstanding as of October 31, 2019 and July 31, 2019 were $313,749 and $332,985, respectively. One of the note holders also serves as President, CEO and Board Member of T3 Communications, Inc., the Florida entity that is one of our operating subsidiaries.

On May 1, 2018, T3 entered into a secured promissory note for $275,000 with an effective annual interest rate of 0% with an interest and principal payment of $6,000 per month and shall continue perpetuity until the entire principal amount is paid in full. The promissory note is guaranteed to the lender by 15% of the stock owned by T3 in its Florida operations, T3 Communications, Inc., the secured interest will continue until the principal balance is paid in full. In conjunction with the promissory note, the Company issued 3-year warrants to purchase 100,000 shares of common stock at an exercise price of $0.50 per share. Under a Black-Scholes valuation the relative fair market value of the warrants at time of issuance was approximately $26,543 and was recognized as a discount on the promissory note, the company amortized $1,731 as interest expense during the three months ended October 31, 2019. The total unamortized discount as of October 31, 2019 and July 31, 2019 were $14,955 and $16,686, respectively. During the three months ended October 31, 2019, the Company paid $13,823, of the principal balance. The total principal outstanding as of October 31, 2019 and July 31, 2019 were $195,909 and $209,732, respectively. The note holder also serves as Board Member of T3 Communications, Inc., the Florida entity that is one of our operating subsidiaries.

Convertible debt non-derivative

In March 2018, the Company entered into two (2) Promissory Notes (the "Notes") for $250,000 each, bearing interest at a rate of 12% per annum. The Notes have a maturity date of September 15, 2018, provided, however, the Company shall have the right to request that the maturity date to be extended by one (1) additional period of ninety (90) days, until December 14, 2018. The Notes are payable every month, commencing April 15, 2018, in monthly payments of interest only and a single payment of the principal amount outstanding plus accrued interest on September 15, 2018. The Company agreed to repay the Notes from the proceeds from the Company's current private placement. As proceeds from the Private Placement are received, the Company shall direct all funds to the Note Holders until the principal amount outstanding and accrued interest are paid in full. In addition, on March 15, 2018, the Company entered into a Note Conversion Agreement (the "Agreement") with the Note holders, whereby, the holders may elect to convert up to 50% of the principal amount outstanding on the Notes into Common Stock of Digerati at any time after 90 days of funding the Notes. The Conversion Price shall be the greater of: (i) the Variable Conversion Price (as defined herein) or (ii) the Fixed Conversion Price (as defined herein). The ***"Variable Conversion Price"*** shall be equal to the average closing price for Digerati's Common Stock (the "***Shares***") for the ten (10) Trading Day period immediately preceding the Conversion Date. "Trading Day" shall mean any day on which the Common Stock is tradable for any period on the OTCQB, or on the principal securities exchange or other securities market on which the Common Stock is then being traded. The ***"Fixed Conversion Price"*** shall mean $0.50. In conjunction with the notes, the Company issued 300,000 warrants, the warrants vested at time of issuance. The warrants have a term of 3 years, with an exercise price of $0.10. Under a Black-Scholes valuation the relative fair market value of the warrants at time of issuance was approximately $126,538 and was recognized as a discount on the promissory notes. The Company amortized the total discount of $126,433 during the years ended July 31, 2019 and 2018. Additionally, during the year ended July 31, 2019 the Company issued 375,000 shares of common stock for payment of $60,000 in accrued interest for the notes. On December 27, 2018, the Company entered into an Amendment to the Loan Agreements, under the amendments the note holders agreed to extend the maturity date until September 14, 2019. In addition, as part of the amendment, the Company agreed to modify the ***"Fixed Conversion Price"*** to $0.35, all other terms under the Promissory Notes remained the same. We accounted for the extensions to the Notes as debt modifications and not extinguishment of debt since the changes in fair value are not substantial in accordance with ASC 470-50. Subsequently, on October 7, 2019, the holders agreed to extend the maturity date until March 30, 2020. In addition, as part of the amendments, the Company agreed to issue 400,000 shares of common stock. Under a Black-Scholes valuation the relative fair market value of the shares of common at time of issuance was approximately $40,000 and was recognized as a discount on the promissory notes. The Company amortized the total discount of $13,334 during the three months ended October 31, 2019. The total unamortized discount as of October 31, 2019 and July 31, 2019 were $26,666 and $0, respectively. The total principal outstanding balance as of October 31, 2019 and July 31, 2019 was $500,000.

On June 19, 2018, the Company entered into various Promissory Notes (the "Notes") for $272,000, bearing interest at a rate of 10% per annum, with an initial maturity date of April 10, 2019. In conjunction with the Notes, the Company issued 255,000 warrants under the promissory notes, the warrants vested at time of issuance. The warrants have a term of 3 years, with an exercise price of $0.10. Under a Black-Scholes valuation the relative fair market value of the warrants at time of issuance was approximately $118,400 and was recognized as a discount on the promissory notes. The Company amortized $109,552 and $8,848 as a non-cash interest during the years ended July 31, 2019 and 2018, respectively. The total unamortized discount as of July 31, 2019 and 2018 were $0 and $109,552, respectively. On March 29, 2019, the Company entered into a First Amendment to the Promissory Notes, under the amendments the note holders agreed to extend the maturity date until June 30, 2019. In addition, as part of the amendments, the Company agreed to issue 85,000 shares of common stock. The shares were recorded as debt discount of $17,425 and amortized over the remaining term of the notes. The Company amortized $17,425 as a non-cash interest during the years ended July 31, 2019. On June 30, 2019, the Company entered into a Second Amendment to the Promissory Notes, under the amendments the note holders agreed to extend the maturity date until November 30, 2019. In addition, as part of the amendments, the Company agreed to issue 85,000 shares of common stock. The shares were recorded as debt discount of $14,450 and amortized over the remaining term of the notes. The Company amortized $8,662 as a non-cash interest during the three months ended October 31, 2019. The total unamortized discount as October 31, 2019 and July 31, 2019 for the issuance of the second amendment shares were $2,898 and $11,560, respectively. As of the date of this filing, we are working with the lenders to extend the maturity date on the notes. The total principal outstanding balance as of October 31, 2019 and July 31, 2019 was $272,000.

Convertible debt - derivative

On January 12, 2018, the Company entered into a securities purchase agreement with Peak One Opportunity Fund, L.P., a Delaware limited partnership ("Peak One"). Under the agreement, Peak One agreed to purchase from us up to $600,000 aggregate principal amount of our convertible debentures (together the "Debentures" and each individual issuance a "Debenture"), bearing interest at a rate of 0% per annum, with maturity on the third anniversary of the respective date of issuance. On July 25, 2018, the securities purchase agreement was amended to increase to $620,000 the aggregate principal amount of the convertible debentures.

Peak One - First Debenture

The Company issued the first debenture (the "Debenture") to Peak One on January 17, 2018 in the principal amount of $200,000 for a purchase price of $180,000 and 0% percent stated interest rate. The Company paid Peak One $6,000 for legal and compliance fees. In addition, the Company paid $14,400 in other closing costs, these fees were deducted from the proceeds at time of issuance. The Company recorded these discounts and cost of $40,400 as a discount to the Debenture was amortized to interest expense.

On July 17, 2018, the Company redeemed $120,000 of the principal outstanding, at a redemption price of $156,000. The Company recognized the redemption price as interest expense during the period.

The Company analyzed the Debenture for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. Therefore, the Company recognized derivative liability of $112,000 at July 31, 2018, of which $80,000 was recorded as debt discount and was amortized during the term of the note, and $32,000 was recorded as derivative loss. In connection with the execution of the Debenture, we issued 250,000 shares of our common stock to Peak One, the shares were recorded with a relative fair value of $0, the Company also recorded debt discount of $80,000 and amortized to interest expense.

On August 2, 2018, the Company redeemed $40,000 of the principal outstanding under the convertible debenture, dated January 12, 2018 with Peak One Opportunity Fund, L. P., at a redemption price of $56,000. The Company recognized the difference between the redemption price and principal balance paid as interest expense of $16,000. On November 26, 2018, the Company issued 139,860 shares of common stock for the conversion of $20,000 of the principal outstanding under the convertible debenture. On December 20, 2018, the Company issued 356,007 shares of common stock for the conversion of $20,000 of the principal outstanding under the convertible debenture.

During the years ended July 31, 2019, the Company amortized $80,000 of the debt discount as interest expense related to the convertible debenture. The total unamortized discount as of October 31, 2019 and July 31, 2019 was $0. The total principal outstanding balance as of October 31, 2019 and July 31, 2019 was $0.

Peak One - Second Debenture

The Company issued a second debenture (the “Debenture”) to Peak One on July 31, 2018 in the principal amount of $220,000 for a purchase price of $198,000 and 0% percent stated interest rate. The Company paid Peak One $5,000 for legal and compliance fees, these fees were deducted from the proceeds at time of issuance. The Company recorded these discounts and cost of $22,000 as a discount to the Debenture and amortized to interest expense.

The Company analyzed the Debenture for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. Therefore, the Company recognized derivative liability of $189,171. In connection with the execution of the Debenture, we issued 130,000 shares of our common stock to Peak One, the shares were recorded with a relative fair value of $3,627 and $192,798 was recorded as debt discount and amortized during the term of the note.

The following conversion were recognized by the Company:

On February 12, 2019, the Company issued 475,511 shares of common stock for the conversion of $20,000 of the principal outstanding under the convertible debenture.

On March 8, 2019, the Company issued 356,633 shares of common stock for the conversion of $25,000 of the principal outstanding under the convertible debenture.

On April 9, 2019, the Company issued 356,633 shares of common stock for the conversion of $25,000 of the principal outstanding under the convertible debenture.

On May 10, 2019, the Company issued 713,266 shares of common stock for the conversion of $50,000 of the principal outstanding under the convertible debenture.

On June 19, 2019, the Company issued 713,266 shares of common stock for the conversion of $50,000 of the principal outstanding under the convertible debenture.

On August 26, 2019, the Company issued 416,666 shares of common stock for the conversion of $25,000 of the principal outstanding under the convertible debenture.

On October 31, 2019, the Company issued 831,669 shares of common stock for the conversion of $25,000 of the principal outstanding under the convertible debenture.

During the three months ended October 31, 2019, the Company amortized $29,214 of the debt discount as interest expense. The total unamortized discount as October 31, 2019 and July 31, 2019, were $0 and $29,214. The total principal outstanding balance as of October 31, 2019 and July 31, 2019 were $0 and $50,000, respectively.

The convertible debentures dated January 17, 2018 and July 31, 2018 with Peak One provide the option to the holder to convert at any time on or after the 180th calendar day after the issue date, to convert all or any portion of the then outstanding and unpaid principal amount and interest under the Promissory notes into shares of Common Stock of the Company at a conversion price for each share of Common Stock equal to the lower of (i) $0.50 (the “Fixed Conversion Price”) , or (ii) 70% of the lowest closing bid price of the Company’s Common Stock during the twenty (20) Trading Days immediately preceding the date of the date of conversion of the Debentures (provided, further, that if either the Company is not DWAC Operational at the time of conversion or the Common Stock is traded on the OTC Pink (“OTCP”) at the time of conversion, then seventy percent (70%) shall automatically adjust to sixty-five percent (65%) of the lowest closing bid price (as reported by Bloomberg LP) of the Common Stock for the twenty (20) Trading Days immediately preceding the date of conversion of the Debentures), subject in each case to equitable adjustments resulting from any stock splits, stock dividends, recapitalizations or similar events. (the “Alternate Conversion Price”)

The Debentures called for redemption shall be redeemable by the Company, upon not more than two (2) days written notice, for an amount (the "Redemption Price") equal to: (i) if the Redemption Date (as defined below) is ninety (90) days or less from the date of issuance of this Debenture, One Hundred Ten percent (110%) of the sum of the Principal Amount so redeemed plus accrued interest, if any; (ii) if the Redemption Date is greater than or equal to one ninety-one (91) days from the date of issuance of this Debenture and less than or equal to one hundred twenty (120) days from the date of issuance of this Debenture, One Hundred Fifteen percent (115%) of the sum of the Principal Amount so redeemed plus accrued interest, if any; (iii) if the Redemption Date is greater than or equal to one hundred twenty one (121) days from the date of issuance of this Debenture and less than or equal to one hundred fifty (150) days from the date of issuance of this Debenture, One Hundred Twenty percent (120%) of the sum of the Principal Amount so redeemed plus accrued interest, if any; (iv) if the Redemption Date is greater than or equal to one hundred fifty one (151) days from the date of issuance of this Debenture and less than or equal to one hundred eighty (180) days from the date of issuance of this Debenture, One Hundred Thirty percent (130%) of the sum of the Principal Amount so redeemed plus accrued interest, if any; and (v) if the Redemption Date is greater than or equal to one hundred eighty one (181) days from the date of issuance of this Debenture, One Hundred Forty percent (140%) of the sum of the Principal Amount so redeemed plus accrued interest, if any. The date upon which the Debentures are redeemed and paid shall be referred to as the "Redemption Date".

In the Event of Default to the Holders of all Debentures then outstanding, and in each and every such case, unless such Event of Default shall have been waived in writing by a majority in interest of the Holders of the Debentures (which waiver shall not be deemed to be a waiver of any subsequent default), then at the option of a majority in interest of the Holders and in the discretion of a majority in interest of the Holders, take any or all of the following actions: (i) pursue remedies against the Company in accordance with any of the Holder's rights, (ii) increase the interest rate applicable to the Debentures to the lesser of eighteen percent (18%) per annum and the maximum interest rate allowable under applicable law, (iii) in the case of an Event of Default under Section 10(e)(ii)(1) based on the Company's failure to be DWAC Operational, increase the Principal Amount to an amount equal to one hundred ten percent (110%) of the then-outstanding Principal Amount, (iv) in the case of an Event of Default under Section 10(d)(i), increase the Principal Amount to an amount equal to one hundred twenty percent (120%) of the then-outstanding Principal Amount and an additional ten percent (10%) discount shall be factored into the Conversion Price until this Debenture is no longer outstanding, (v) in the case of an Event of Default under Section 10(d)(i) through (v), increase the Principal Amount of the relevant Holder's Debenture by One Thousand Dollars and 00/100 ($500.00) for each day the related failure continues, (vi) in the case of an Event of Default under Section 10(d)(ii) through (v) arising from an untimely delivery to the Holder of Conversion Shares or shares of Common Stock in de-legended form, if the closing bid price of the Common Stock on the Trading Day immediately prior to the actual date of delivery of Conversion Shares or de-legended shares, as the case may be, is less than the closing bid price on the Trading Day immediately prior to the date when Conversion Shares or de-legended shares were required to be delivered, increase the Principal Amount of the relevant Holder's Debenture by an amount per share equal to such difference, and (vii) following the expiration of the applicable grace period (if any), at the option and discretion of the Holder, accelerate the full indebtedness under this Debenture, in an amount equal to one hundred forty percent (140%) of the outstanding Principal Amount and accrued and unpaid interest (the "Acceleration Amount"), whereupon the Acceleration Amount shall be immediately due and payable, without presentment, demand, protest or notice of any kinds, all of which are hereby expressly waived, anything contained herein, in the Securities Purchase Agreement or in any other note or instruments to the contrary notwithstanding. In the case of an Event of Default under Section 10(d)(ii), the Holder may either (i) declare the Acceleration Amount to exclude the Conversion Amount that is the subject of the Event of Default, in which case the Acceleration Amount shall be based on the remaining Principal Amount and accrued interest (if any), in which case the Company shall continue to be obligated to issue the Conversion Shares, or (ii) declare the Acceleration Amount to include the Conversion Amount that is the subject of the Event of Default, in which case the Acceleration Amount shall be based on the full Principal Amount, including the Conversion Amount, and accrued interest (if any), whereupon the Notice of Conversion shall be deemed withdrawn.

Convertible Promissory Notes with four (4) investors - January 2019

On January 16, 2019, the Company entered into various Securities Purchase Agreements (the SPAs") with four (4) different investors (each an "Investor", and together the "Investors") pursuant to which each Investor purchased a 10% unsecured convertible promissory note (each a "Note", and together the "Notes") from the Company. Three of the notes are in the aggregate principal amount of $140,000 each and a maturity date of October 16, 2019. One of the notes is in the aggregate principal amount of $57,750 and a maturity date of January 24, 2020. The purchase price of $140,000 of each of three Notes were paid in cash on January 16, 2019. After payment of transaction-related expenses of $51,000, net proceeds to the Company from the three Notes totaled $369,000. The purchase price of $57,750 Note was paid in cash on January 24, 2019. After payment of transaction-related expenses of $7,750, net proceeds to the Company from Note totaled $50,000. The Company recorded these discounts and cost of $58,750 as a discount to the Notes and fully amortized as interest expense during the period. In connection with the execution of the Notes, we issued 500,000 shares of our common stock to the Note holders, the shares were recorded with a relative fair value of $0 as the notes were fully discounted by derivative liability.

The Company analyzed the Notes for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. As a result, at the time of issuance, the Company recognized derivative liability for the four (4) new convertible notes of $655,345, of which $419,000 was recorded as debt discount and will be amortized during the term of the Notes, and $236,345 was recorded as day 1 derivative loss.

On July 12, 2019, the Company redeemed the full outstanding principal balance on two of the convertible notes for $280,000, at a redemption price of $382,726. The Company recognized the difference between the redemption price and principal balance paid as interest expense of $102,726.

On July 12, 2019, the Company redeemed $70,000 of the principal outstanding on one of the convertible notes, at a redemption price of $91,000. The Company recognized the difference between the redemption price and principal balance paid as interest expense of $21,000.

On July 19, 2019, the Company issued 156,202 shares of common stock for the conversion of $9,500 of the principal outstanding and $500 in fees under one of the convertible notes.

On July 25, 2019, the Company issued 312,500 shares of common stock. The shares were issued in conjunction with a conversion of $20,000 of the principal outstanding under a convertible debenture.

On August 6, 2019, the Company entered into an Assignment Agreement whereby Jefferson Street Capital LLC (the "Assignor") assigned a principal amount of $25,000, representing a portion of a Convertible Promissory Note dated January 24, 2019 to Armada Investment Fund LLC (the "Assignee"). The note is in the aggregate principal amount of $25,000 and a maturity date of January 24, 2020.

On August 26, 2019, the Company issued 250,000 shares of common stock for the conversion of $14,500 of the principal outstanding and $500 in fees under one of the convertible notes.

On August 27, 2019, the Company issued 277,291 shares of common stock for the conversion of $12,750 of the principal outstanding and $3,888 in fees under one of the convertible notes.

On September 23, 2019, the Company issued 342,466 shares of common stock for the conversion of $14,500 of the principal outstanding and $500 in fees under one of the convertible notes.

On October 29, 2019, the Company issued 465,736 shares of common stock for the conversion of $13,500 of the principal outstanding and $500 in fees under one of the convertible notes.

The total unamortized discount on the Notes as of October 31, 2019 and July 31, 2019 were $0 and $29,765, respectively. The total principal balance outstanding as of October 31, 2019 and July 31, 2019, were $18,000 and $98,250. The Company amortized $29,765 of debt discount as interest expense during the three months ended October 31, 2019.

Each Investor is entitled to, at its option, convert all or any amount of the principal amount and any accrued but unpaid interest of the Note into shares of the Company's Common Stock, at any time, at a conversion price for each share of Common Stock equal to (i) the lowest trading price of the Common Stock (as defined in the Note) as reported on the National Quotations Bureau OTC Marketplace exchange upon which the Company's shares are traded during the twenty (20) consecutive Trading Day period immediately preceding the issuance date of each Note; or (ii) 60% multiplied by the lowest traded price of the Common Stock during the twenty (20) consecutive Trading Day period immediately preceding the Trading Day that the Company receives a notice of conversion (the "Variable Conversion Price"). The Variable Conversion Price may further be adjusted in connection with the terms of the Notes.

The Company shall at all times reserve a minimum of six (6) times the number of its authorized and unissued common stock (the "Reserved Amounts"), free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of the Notes. Upon full conversion of each Note, any shares remaining in such reserve shall be cancelled. The Company will, from time to time, increases the Reserved Amount in accordance with the Company's obligations under the Notes.

Pursuant to the terms of the SPAs, for so long as any of the Investors owns any shares of Common Stock issued upon conversion of a Note (the “Conversion Shares”), the Company covenants to secure and maintain the listing of such shares of Common Stock. The Company is also subject to certain customary negative covenants under the Notes and the SPAs, including but not limited to the requirement to maintain its corporate existence and assets, subject to certain exceptions, and not to make any offers or sales of any security under circumstances that would require registration of or stockholder approval for the Notes or the Conversion Shares.

Convertible Promissory Note - February 2019

On February 22, 2019, the Company entered into a Securities Purchase Agreement (the SPA”) with an investor (an “Investor”) the Investor purchased a 10% unsecured convertible promissory note (the “Note”) from the Company. The note is in the aggregate principal amount of $57,750 and a maturity date of February 22, 2020. After payment of transaction-related expenses of $7,750, net proceeds to the Company from the Note totaled $50,000. The Company recorded these discounts and cost of $7,750 as a discount to the Note and fully amortized as interest expense during the period.

The Company analyzed the Note for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. As a result, at the time of issuance, the Company recognized derivative liability for the convertible note of $79,729, of which $50,000 was recorded as debt discount and will be amortized during the term of the Note, and $29,729 was recorded as day 1 derivative loss.

On October 27, 2019, the Company issued 332,667 shares of common stock for the conversion of $9,500 of the principal outstanding and $500 in fees under one of the convertible notes.

The total unamortized discount on the Notes as of October 31, 2019 and July 31, 2019 were $13,924 and $29,166, respectively. The total principal balance outstanding as of October 31, 2019 and July 31, 2019, were $48,250 and $57,750. The Company amortized $15,242 of debt discount as interest expense during the three months ended October 31, 2019.

The Investor is entitled to, at its option, convert all or any amount of the principal amount and any accrued but unpaid interest of the Note into shares of the Company’s Common Stock, at any time, at a conversion price for each share of Common Stock equal to (i) the lowest trading price of the Common Stock (as defined in the Note) as reported on the National Quotations Bureau OTC Marketplace exchange upon which the Company’s shares are traded during the twenty (20) consecutive Trading Day period immediately preceding the issuance date of each Note; or (ii) 60% multiplied by the lowest traded price of the Common Stock during the twenty (20) consecutive Trading Day period immediately preceding the Trading Day that the Company receives a notice of conversion (the “Variable Conversion Price”). The Variable Conversion Price may further be adjusted in connection with the terms of the Note.

The Company shall at all times reserve a minimum of six (6) times the number of its authorized and unissued common stock (the “Reserved Amounts”), free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of the Note. Upon full conversion of each Note, any shares remaining in such reserve shall be cancelled. The Company will, from time to time, increases the Reserved Amount in accordance with the Company’s obligations under the Note.

Pursuant to the terms of the SPAs, for so long as any of the Investors owns any shares of Common Stock issued upon conversion of a Note (the “Conversion Shares”), the Company covenants to secure and maintain the listing of such shares of Common Stock. The Company is also subject to certain customary negative covenants under the Notes and the SPAs, including but not limited to the requirement to maintain its corporate existence and assets, subject to certain exceptions, and not to make any offers or sales of any security under circumstances that would require registration of or stockholder approval for the Notes or the Conversion Shares.

Convertible Promissory Note - April 2019

On April 20, 2019, the Company entered into a Securities Purchase Agreement (the SPA”) with an investor (an “Investor”) the Investor purchased a 10% unsecured convertible promissory note (the “Note”) from the Company. The note is in the aggregate principal amount of $44,000 and a maturity date of January 19, 2020. After payment of transaction-related expenses of $4,000, net proceeds to the Company from the Note totaled $40,000. The Company recorded these discounts and cost of $4,000 as a discount to the Note and fully amortized as interest expense during the period. In connection with the execution of the Note, we issued 50,000 shares of our common stock to the Note holder, the shares were recorded with a relative fair value of $0 as the notes were fully discounted by derivative liability.

The Company analyzed the Note for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. As a result, at the time of issuance, the Company recognized derivative liability for the convertible note of $55,592, of which $40,000 was recorded as debt discount and will be amortized during the term of the Note, and $15,592 was recorded as day 1 derivative loss.

On October 31, 2019, the Company issued 310,527 shares of common stock for the conversion of $6,500 of the principal outstanding and $2,834 in fees under one of the convertible notes.

The total unamortized discount on the Notes as of October 31, 2019 and July 31, 2019 were $11,366 and $26,668, respectively. The total principal balance outstanding as of October 31, 2019 and July 31, 2019, were $37,500 and $44,000. The Company amortized $15,302 of debt discount as interest expense during the three months ended October 31, 2019.

The Investor is entitled to, at its option, convert all or any amount of the principal amount and any accrued but unpaid interest of the Note into shares of the Company's Common Stock, at any time, at a conversion price for each share of Common Stock equal to (i) the lowest trading price of the Common Stock (as defined in the Note) as reported on the National Quotations Bureau OTC Marketplace exchange upon which the Company's shares are traded during the twenty (20) consecutive Trading Day period immediately preceding the issuance date of each Note; or (ii) 60% multiplied by the lowest traded price of the Common Stock during the twenty (20) consecutive Trading Day period immediately preceding the Trading Day that the Company receives a notice of conversion (the "Variable Conversion Price"). The Variable Conversion Price may further be adjusted in connection with the terms of the Note.

The Company shall at all times reserve a minimum of six (6) times the number of its authorized and unissued common stock (the "Reserved Amounts"), free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of the Note. Upon full conversion of each Note, any shares remaining in such reserve shall be cancelled. The Company will, from time to time, increases the Reserved Amount in accordance with the Company's obligations under the Note.

Pursuant to the terms of the SPAs, for so long as any of the Investors owns any shares of Common Stock issued upon conversion of a Note (the "Conversion Shares"), the Company covenants to secure and maintain the listing of such shares of Common Stock. The Company is also subject to certain customary negative covenants under the Notes and the SPAs, including but not limited to the requirement to maintain its corporate existence and assets, subject to certain exceptions, and not to make any offers or sales of any security under circumstances that would require registration of or stockholder approval for the Notes or the Conversion Shares.

Convertible Promissory Notes with four (4) investors - July 2019

In July 2019, the Company entered into various Securities Purchase Agreements (the SPAs") with four (4) different investors (each an "Investor", and together the "Investors") pursuant to which each Investor purchased unsecured convertible promissory note (each a "Note", and together the "Notes") from the Company. Three of the notes are in the aggregate principal amount of $146,625 each, 3% interest rate and a maturity date of April 11, 2020. The purchase price of $146,625 of each of three Notes were paid in cash on July 11, 2019. After payment of transaction-related expenses of $57,375, net proceeds to the Company from the three Notes totaled $382,500. One of the notes is in the aggregate principal amount of $140,000, interest rate of 10% and a maturity date of April 10, 2020. The purchase price of $140,000 Note was paid in cash on July 10, 2019. After payment of transaction-related expenses of $17,000, net proceeds to the Company from Note totaled $123,000. The Company recorded these discounts and cost of $74,375 as a discount to the Notes and fully amortized as interest expense during the period. In connection with the execution of the Notes, we issued 450,000 shares of our common stock to the Note holders, the shares were recorded with a relative fair value of $0 as the notes were fully discounted by derivative liability.

The Company analyzed the Notes for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. As a result, at the time of issuance, the Company recognized derivative liability for the four (4) new convertible notes of $959,180, of which $505,500 was recorded as debt discount and will be amortized during the term of the Notes, and $453,680 was recorded as day 1 derivative loss.

The total unamortized discount on the Notes as of October 31, 2019 and July 31, 2019 were $280,829 and $449,332, respectively. The total principal balance outstanding as of October 31, 2019 and July 31, 2019 was $579,875. The Company amortized $168,503 of debt discount as interest expense during the three months ended October 31, 2019.

Each of the Investors is entitled to, at its option, convert all or any amount of the principal amount and any accrued but unpaid interest of the Note into shares of the Company's Common Stock, at any time, at a conversion price for each share of Common Stock equal to (i) the lowest trading price of the Common Stock (as defined in the Note) as reported on the National Quotations Bureau OTC Marketplace exchange upon which the Company's shares are traded during the twenty (20) consecutive Trading Day period immediately preceding the issuance date of each Note; or (ii) 60% multiplied by the lowest traded price of the Common Stock during the twenty (20) consecutive Trading Day period immediately preceding the Trading Day that the Company receives a notice of conversion (the "Variable Conversion Price"). The Variable Conversion Price may further be adjusted in connection with the terms of the Notes.

The Company shall at all times reserve a minimum of six (6) times the number of its authorized and unissued common stock (the "Reserved Amounts"), free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of the each of the Notes. Upon full conversion of each Note, any shares remaining in such reserve shall be cancelled. The Company will, from time to time, increases the Reserved Amount in accordance with the Company's obligations under each of the Notes.

Pursuant to the terms of the SPAs, for so long as any of the Investors owns any shares of Common Stock issued upon conversion of a Note (the "Conversion Shares"), the Company covenants to secure and maintain the listing of such shares of Common Stock. The Company is also subject to certain customary negative covenants under the Notes and the SPAs, including but not limited to the requirement to maintain its corporate existence and assets, subject to certain exceptions, and not to make any offers or sales of any security under circumstances that would require registration of or stockholder approval for the Notes or the Conversion Shares.

Convertible Promissory Note Assignment - August 6, 2019

On August 6, 2019, the Company entered into an Assignment Agreement whereby Jefferson Street Capital LLC (the "Assignor") assigned a principal amount of $25,000, representing a portion of a Convertible Promissory Note dated January 24, 2019 to Armada Investment Fund LLC (the "Assignee"). The note is in the aggregate principal amount of $25,000 and a maturity date of January 24, 2020.

The Company analyzed the Note for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. As a result, at the time of assignment, the Company transferred as derivative liability for the convertible note of $27,853, of which $10,823 was recorded as debt discount and was amortized during the term of the Note.

On August 12, 2019, the Company issued 114,123 shares of common stock for the conversion of $7,500 of the principal outstanding and $500 in administrative fees under the convertible note.

On August 20, 2019, the Company issued 191,116 shares of common stock for the conversion of $7,500 of the principal outstanding and $538 in accrued interest and administrative fees under the convertible note.

On September 4, 2019, the Company issued 250,620 shares of common stock for the conversion of $10,000 of the principal outstanding and $541 in fees under one of the convertible notes.

The total unamortized discount on the Note as of October 31, 2019 was $0. The total principal balance outstanding as of October 31, 2019 was $0. The Company amortized $10,823 of debt discount as interest expense during the three months ended October 31, 2019.

Convertible Promissory Note - August 30, 2019

On August 30, 2019, the Company entered into a Securities Purchase Agreement (the "SPA") with an investor (an "Investor") the Investor purchased a 10% unsecured convertible promissory note (the "Note") from the Company. The note is in the aggregate principal amount of $93,500 and a maturity date of May 30, 2020. After payment of transaction-related expenses of $8,500, net proceeds to the Company from the Note totaled $85,000. The Company recorded these discounts and cost of $8,500 as a discount to the Note and fully amortized as interest expense during the period.

The Company analyzed the Note for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. As a result, at the time of issuance, the Company recognized derivative liability for the convertible note of $100,978, of which $85,000 was recorded as debt discount and will be amortized during the term of the Note, and $15,978 was recorded as day 1 derivative loss.

The total unamortized discount on the Note as of October 31, 2019 was $66,112. The total principal balance outstanding as of October 31, 2019 was $93,500. The Company amortized $18,888 of debt discount as interest expense during the three months ended October 31, 2019.

Other Terms to the Convertible Promissory Note and Note Assignment - August 2019

Notes shall bear interest at a rate of ten percent (10%) per annum (the "Interest Rate"), which interest shall be paid by the Company to each Investor in shares of Common Stock at any time an Investor sends a notice of conversion to the Company. Each of the Investors is entitled to, at its option, convert all or any amount of the principal amount and any accrued but unpaid interest of the Note into shares of the Company's Common Stock, at any time, at a conversion price for each share of Common Stock equal to (i) the lowest trading price of the Common Stock (as defined in the Note) as reported on the National Quotations Bureau OTC Marketplace exchange upon which the Company's shares are traded during the twenty (20) consecutive Trading Day period immediately preceding the issuance date of each Note; or (ii) 60% multiplied by the lowest traded price of the Common Stock during the twenty (20) consecutive Trading Day period immediately preceding the Trading Day that the Company receives a notice of conversion (the "Variable Conversion Price"). The Variable Conversion Price may further be adjusted in connection with the terms of the Notes.

Each of the Notes may be prepaid until 180 days from the issuance date with the following penalties: (i) if a Note is prepaid within ninety (90) days of the issuance date, then the prepayment premium shall be 125% of the outstanding principal amount plus any accrued and unpaid interest; (ii) if a Note is prepaid during the period beginning on the date which is ninety-one (91) days following the issuance date, and ending on the date which is one hundred eighty (180) days following the issuance date, then the prepayment premium shall be 130% of the outstanding principal amount plus any accrued and unpaid interest. Such prepayment redemptions must be closed and funded within three days of giving notice of prepayment or the right to prepay shall be forfeited.

The Company shall at all times reserve a minimum of six (6) times the number of its authorized and unissued common stock (the "Reserved Amounts"), free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of the each of the Notes. Upon full conversion of each Note, any shares remaining in such reserve shall be cancelled. The Company will, from time to time, increases the Reserved Amount in accordance with the Company's obligations under each of the Notes.

Pursuant to the terms of the SPAs, for so long as any of the Investors owns any shares of Common Stock issued upon conversion of a Note (the "Conversion Shares"), the Company covenants to secure and maintain the listing of such shares of Common Stock. The Company is also subject to certain customary negative covenants under the Notes and the SPAs, including but not limited to the requirement to maintain its corporate existence and assets, subject to certain exceptions, and not to make any offers or sales of any security under circumstances that would require registration of or stockholder approval for the Notes or the Conversion Shares.

Convertible Promissory Notes - October 2019

In October 2019, the Company entered into two Securities Purchase Agreements (the “SPA”) with multiple investors (the “Investors”) the Investors purchased two 8% unsecured convertible promissory notes (the “Notes”) from the Company. The notes are in the aggregate principal amount of $71,500 and a maturity date of July 18, 2020. After payment of transaction-related expenses of $6,500, net proceeds to the Company from the Note totaled $65,000. The Company recorded these discounts and cost of $6,500 as a discount to the Note and fully amortized as interest expense during the period.

The Company analyzed the Notes for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. As a result, at the time of issuance, the Company recognized derivative liability for the convertible note of $82,462 of which $65,000 was recorded as debt discount and will be amortized during the term of the Note, and $17,462 was recorded as day 1 derivative loss.

The total unamortized discount on the Note as of October 31, 2019 was $57,778. The total principal balance outstanding as of October 31, 2019 was $71,500. The Company amortized $7,222 of debt discount as interest expense during the three months ended October 31, 2019.

Other Terms to the Convertible Promissory Notes - October 2019

Notes shall bear interest at a rate of eight percent (8%) per annum (the “Interest Rate”), which interest shall be paid by the Company to each Investor in shares of Common Stock at any time an Investor sends a notice of conversion to the Company. Each of the Investors is entitled to, at its option, convert all or any amount of the principal amount and any accrued but unpaid interest of the Note into shares of the Company’s Common Stock, at any time, at a conversion price for each share of Common Stock equal to (i) the lowest trading price of the Common Stock (as defined in the Note) as reported on the National Quotations Bureau OTC Marketplace exchange upon which the Company’s shares are traded during the twenty (20) consecutive Trading Day period immediately preceding the issuance date of each Note; or (ii) 60% multiplied by the lowest traded price of the Common Stock during the twenty (20) consecutive Trading Day period immediately preceding the Trading Day that the Company receives a notice of conversion (the “Variable Conversion Price”). The Variable Conversion Price may further be adjusted in connection with the terms of the Notes.

Each of the Notes may be prepaid until 180 days from the issuance date with the following penalties: (i) if a Note is prepaid within one hundred and twenty (120) days of the issuance date, then the prepayment premium shall be 125% of the outstanding principal amount plus any accrued and unpaid interest; (ii) if a Note is prepaid during the period beginning on the date which is one hundred and twenty-one (121) days following the issuance date, and ending on the date which is one hundred eighty (180) days following the issuance date, then the prepayment premium shall be 130% of the outstanding principal amount plus any accrued and unpaid interest. Such prepayment redemptions must be closed and funded within three days of giving notice of prepayment or the right to prepay shall be forfeited.

The Company shall at all times reserve a minimum of six (6) times the number of its authorized and unissued common stock (the “Reserved Amounts”), free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of the each of the Notes. Upon full conversion of each Note, any shares remaining in such reserve shall be cancelled. The Company will, from time to time, increases the Reserved Amount in accordance with the Company’s obligations under each of the Notes.

Pursuant to the terms of the SPAs, for so long as any of the Investors owns any shares of Common Stock issued upon conversion of a Note (the “Conversion Shares”), the Company covenants to secure and maintain the listing of such shares of Common Stock. The Company is also subject to certain customary negative covenants under the Notes and the SPAs, including but not limited to the requirement to maintain its corporate existence and assets, subject to certain exceptions, and not to make any offers or sales of any security under circumstances that would require registration of or stockholder approval for the Notes or the Conversion Shares

Fair Value of Financial Instruments. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy is used which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy based on the three levels of inputs that may be used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

For certain of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the short maturity of these instruments. The carrying value of our long-term debt approximates its fair value based on the quoted market prices for the same or similar issues or the current rates offered to us for debt of the same remaining maturities.

Our derivative liabilities as of October 31, 2019 and July 31, 2019 and 2018 of $1,301,967 and $927,171, respectively.

The following table provides the fair value of the derivative financial instruments measured at fair value using significant unobservable inputs:

		Fair value measurements at reporting date using:		
Description	Fair Value	Quoted prices in active markets for identical liabilities (Level 1)	Significant other Observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Convertible promissory notes derivative liability at July 31, 2019	$ 927,171	-	-	$ 927,171
Convertible promissory notes derivative liability at October 31, 2019	$ 1,301,967	-	-	$ 1,301,967

The fair market value of all derivatives during the three months ended October 31, 2019 was determined using the Black-Scholes option pricing model which used the following assumptions:

Expected dividend yield	0.00%
Expected stock price volatility	83.28% - 268.02%
Risk-free interest rate	1.52% -2.67%
Expected term	0.01 - 3.00 years

Level 3 inputs.

The following table provides a summary of the changes in fair value of the derivative financial instruments measured at fair value on a recurring basis using significant unobservable inputs:

Balance at July 31, 2018	$ 632,268
Derivative from new convertible promissory notes recorded as debt discount	1,043,834
Derivative liability resolved to additional paid in capital due to debt conversion	(822,922)
Derivative loss	73,991
Balance at July 31, 2019	$ 927,171
Derivative from new convertible promissory notes recorded as debt discount	150,000
Derivative liability resolved to additional paid in capital due to debt conversion	(240,250)
Derivative loss	465,046
Balance at October 31, 2019	$ 1,301,967

NOTE 7 – EQUITY

During the three months ended October 31, 2019, the Company issued the following shares of common stock:

On August 12, 2019, the Company issued 114,123 shares of common stock for the conversion of $7,500 of the principal outstanding and $500 in administrative fees under the convertible note.

On August 20, 2019, the Company issued 191,116 shares of common stock for the conversion of $7,500 of the principal outstanding and $538 in accrued interest and administrative fees under the convertible note.

On August 26, 2019, the Company issued 250,000 shares of common stock for the conversion of $14,500 of the principal outstanding and $500 in administrative fees under a convertible note.

On August 26, 2019, the Company issued 416,666 shares of common stock for the conversion of $25,000 of the principal outstanding under a convertible note.

On September 4, 2019, the Company issued 250,620 shares of common stock for the conversion of $10,000 of the principal outstanding and $541 in administrative fees under a convertible note.

On September 10, 2019, the Company issued 277,291 shares of common stock for the conversion of $12,750 of the principal outstanding and $3,888 in accrued interest and administrative fees under a convertible note.

On September 26, 2019, the Company issued 342,466 shares of common stock for the conversion of $14,500 of the principal outstanding and $500 in administrative fees under a convertible note.

On October 7, 2019, the Company issue 400,000 shares of common stock, as part of an amendment to various promissory notes. The shares were recorded as debt discount and amortized over the remaining term of the notes.

On October 27, 2019, the Company issued 332,667 shares of common stock for the conversion of $9,500 of the principal outstanding and $500 in administrative fees under a convertible note.

On October 29, 2019, the Company issued 465,736 shares of common stock for the conversion of $13,500 of the principal outstanding and $500 in administrative fees under a convertible note.

On October 31, 2019, the Company issued 310,527 shares of common stock for the conversion of $6,500 of the principal outstanding and $2,834 in accrued interest and administrative fees under a convertible note.

On October 31, 2019, the Company issued 831,669 shares of common stock for the conversion of $25,000 of the principal outstanding under a convertible note.

During the three months ended October 31, 2018, the Company issued the following shares of common stock:

On August 1, 2018, the Company secured $40,000 from an investor under a private placement and issued 80,000 shares of its common stock at a price of $0.50 per share and warrants to purchase an additional 15,000 shares of its common stock at an exercise price of $0.50 per share. We determined that the warrants issued in connection with the private placement were equity instruments and did not represent derivative instruments. The Company adopted a sequencing policy and determined that the warrants with fixed exercise price were excluded from derivative consideration.

On September 28, 2018, the Company issued an aggregate of 21,672 shares of common stock with a market value at time of issuance of $5,794. The shares were issued to settle accounts payables of $5,287 to a professional, the Company recognized a loss of $507 upon issuance of the shares.

On October 12, 2018, the Company issued a promissory note for $25,000, bearing interest at a rate of 8% per annum, with maturity date of November 12, 2018. In conjunction with the Note, the Company issued 140,000 common shares, the shares vested at time of issuance, these shares replace previously issued warrants with an exercise price of $0.15, therefore the exercise price of $21,000 was recognized as a discount on the promissory note. The Company will amortize the fair market value as interest expense over the term of the note.

On October 18, 2018, the Company issued a promissory note for $25,000, bearing interest at a rate of 8% per annum, with maturity date of November 18, 2018. In conjunction with the Note, the Company issued 100,000 common shares, the shares vested at time of issuance, these shares replace previously issued warrants with an exercise price of $0.15, therefore the exercise price of $15,000 was recognized as a discount on the promissory note. The Company will amortize the fair market value as interest expense over the term of the note.

NOTE 8 - LEASES

Effective August 1, 2019, the Company adopted ASC 842, “Leases” (“ASC 842”) on a modified retrospective basis. Accordingly, information presented for periods prior to FY2019 have not been recast. In addition, the Company elected the optional practical expedient permitted under the transition guidance which allows the Company to carry forward the historical accounting treatment for existing lease upon adoption. No impact was recorded to the income statement or beginning retained earnings for Topic 842.

The leased properties have a remaining lease term of eleven to forty-six months as of August 1, 2019. At the option of the Company it can elect to extend the term of the leases.

Beginning August 1, 2019, operating ROU assets and operating lease liabilities are recognized based on the present value of lease payments, including annual rent increases, over the lease term at commencement date. Operating leases in effect prior to August 1, 2019 were recognized at the present value of the remaining payments on the remaining lease term as of August 1, 2019. Because neither of our leases included an implicit rate of return, we used our incremental secured borrowing rate based on lease term information available as of the adoption date or lease commencement date in determining the present value of lease payments. The incremental borrowing rate on the leases is 8.0%.

The Company has not entered into any sale and leaseback transactions during the three-month period ended October 31, 2019.

The impact of ASU No. 2016-02 (“Leases (Topic 842)” on our consolidated balance sheet beginning August 1, 2019 was through the recognition of ROU assets and lease liabilities for operating leases. Amounts recognized at August 1, 2019 and October 31, 2019 for operating leases are as follows:

ROU Asset	August 1, 2019	$	372,651
Amortization		$	(89,949)
ROU Asset	October 31, 2019	$	282,702
Lease Liability	August 1, 2019	$	372,651
Amortization		$	(89,949)
Lease Liability	October 31, 2019	$	282,702
Lease Liability	Short term	$	138,481
Lease Liability	Long term	$	144,221
Lease Liability	Total:	$	282,702

For the three-months ended October 31, 2019 amortization of assets was $89,949.

For the three-months ended October 31, 2019, amortization of liabilities was $89,949.

The table below reconciles the fixed component of the undiscounted cash flows for each of the first five years and the total remaining years to the lease liabilities recorded on the Consolidated Balance Sheet as of October 31, 2019:

Amounts due within 12 months of October 31,		Operating Lease
2020	$	161,602
2021		81,831
2022		50,425
2023		17,808
2024		-
Total minimum lease payments	$	311,667
Less: effect of discounting		(28,965)
Present Value of future minimum lease payments	$	282,702
Less: current obligation under leases		(138,481)
Long-term lease obligation	$	282,702

NOTE 9 – SUBSEQUENT EVENTS

On November 6, 2019, the Company issued 110,830 shares of common stock for the payment of accrued interest on a promissory note, with a market value of $7,758, the Company recognized a loss of $258 upon issuance of the shares.

On November 14, 2019, the Company issued 301,697 shares of common stock for the conversion of $7,500 of the principal outstanding and $646 in administrative fees under a convertible note.

On November 15, 2019, the Company issued 398,247 shares of common stock for the conversion of $9,500 of the principal outstanding and $500 in administrative fees under a convertible note.

On November 19, 2019, the Company issued 537,635 shares of common stock for the conversion of $13,000 of the principal outstanding and $500 in administrative fees under a convertible note.

On November 25, 2019, the Company issue 20,000 shares of common stock, as part of an amendment to a promissory note. The shares were recorded as debt discount and amortized over the remaining term of the note.

On November 25, 2019, the Company issue 40,000 shares of common stock, as part of an amendment to a promissory note. The shares were recorded as debt discount and amortized over the remaining term of the note.

On November 25, 2019, the Company issued 114,630 shares of common stock for the payment of accrued interest on a promissory note, with a market value at issuance of $4,665.

On November 26, 2019, the Company issued 447,917 shares of common stock for the conversion of $8,000 of the principal outstanding and $600 in administrative fees under a convertible note.

On December 10, 2019, the Company issued 400,000 shares of common stock with a market value at time of issuance of $15,200. The shares were issued for consulting services with a professional.

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

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. "Forward-looking statements" are those statements that describe management's beliefs and expectations about the future. We have identified forward-looking statements by using words such as "anticipate," "believe," "could," "estimate," "may," "expect," "plan," and "intend." Although we believe these expectations are reasonable, our operations involve a number of risks and uncertainties. Some of these risks include the availability and capacity of competitive data transmission networks and our ability to raise sufficient capital to continue operations. Additional risks are included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2019 filed with the Securities and Exchange Commission on October 28, 2019.

The following is a discussion of the unaudited interim consolidated financial condition and results of operations of Digerati for the three months ended October 31, 2019 and 2018. It should be read in conjunction with our audited Consolidated Financial Statements, the Notes thereto, and the other financial information included in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2019 filed with the Securities and Exchange Commission on October 28, 2019. For purposes of the following discussion, fiscal 2020 or 2020 refers to the year ended July 31, 2020 and fiscal 2019 or 2019 refers to the year ended July 31, 2019.

Overview

Digerati Technologies, Inc., a Nevada corporation (including our subsidiaries, "we," "us," "Company" or "Digerati"), through its operating subsidiaries in Texas and Florida, Shift8 Networks, Inc., dba, T3 Communications ("T3") and T3 Communications, Inc. ("T3"), provides cloud services specializing in Unified Communications as a Service ("UCaaS") solutions for the business market. Our product line includes a portfolio of Internet-based telephony products and services delivered through our cloud application platform and session-based communication network and network services including Internet broadband, fiber, mobile broadband and cloud WAN solutions (SD WAN). Our services are designed to provide enterprise-class, carrier-grade services to the small-to-medium-sized business ("SMB") at cost-effective monthly rates. Our UCaaS or cloud communication services include fully hosted IP/PBX, mobile applications, Voice over Internet Protocol ("VoIP") transport, SIP trunking, and customized VoIP services all delivered ***Only in the Cloud™***.

As a provider of cloud communications solutions to the SMB, we are seeking to capitalize on the migration by businesses from the legacy telephone network to the Internet Protocol ("IP") telecommunication network and the migration from hardware-based on-premise telephone systems to software-based communication systems in the cloud. Most SMBs are lagging in technical capabilities and advancement and seldom reach the economies of scale that their larger counterparts enjoy, due to their achievement of a critical mass and ability to deploy a single solution to a large number of workers. SMBs are typically unable to afford comprehensive enterprise solutions and, therefore, need to integrate a combination of business solutions to meet their needs. Cloud computing has revolutionized the industry and opened the door for businesses of all sizes to gain access to enterprise applications with affordable pricing. This especially holds true for cloud telephony applications, but SMBs are still a higher-touch sale that requires customer support for system integration, network installation, cabling, and troubleshooting. We have placed a significant emphasis on that "local" touch when selling, delivering, and supporting our services which we believe will differentiate us from the national providers that are experiencing high attrition rates due to a poor customer support.

The adoption of cloud communication services is being driven by the convergence of several market trends, including the increasing costs of maintaining installed legacy communications systems, the fragmentation resulting from use of multiple on-premise systems, and the proliferation of personal smartphones used in the workplace. Today, businesses are increasingly looking for an affordable path to modernizing their communications system to improve productivity, business performance and customer experience.

Our cloud solutions offer the SMB reliable, robust, and full-featured services at affordable monthly rates that eliminates high-cost capital expenditures and provides for integration with other cloud-based systems.

Recent Activity

In September 2019, we entered into a definitive agreement to acquire Nexogy, Inc. ("Nexogy"), a leading provider in South Florida of UCaaS and managed services, offering a portfolio of cloud-based solutions to the high-growth SMB market. We are expecting to close during our second quarter of FY 2020 (prior to January 31, 2020), subject to FCC regulatory approval and finalizing debt financing for the transaction that has previously been committed to be provided to the Company by an established and traditional lending source.

Sources of revenue:

Cloud Software and Service Revenue: We provide UCaaS or cloud communication services and managed cloud-based solutions to small and medium size enterprise customers and to other resellers. Our Internet-based services include fully hosted IP/PBX services, SIP trunking, call center applications, auto attendant, voice and web conferencing, call recording, messaging, voicemail to email conversion, integrated mobility applications that are device and location agnostic, and other customized IP/PBX features in a hosted or cloud environment. Other services include enterprise-class data and connectivity solutions through multiple broadband technologies including cloud WAN or SD-WAN (Software-defined Wide Area Network), fiber, mobile broadband and Ethernet over copper. We also offer remote network monitoring, data backup and disaster recovery.

Direct Costs:

Cloud Software and Service: We incur bandwidth and colocation charges in connection with our UCaaS or cloud communication services. The bandwidth charges are incurred as part of the connectivity between our customers to allow them access to our various services. We also incur costs from underlying providers for fiber, Internet broadband, and telecommunication circuits in connection with our data and connectivity solutions.

Results of Operations

Three Months ended* October *31, 2019 Compared to Three Months ended October 31, 2018

Cloud Software and Service Revenue. Cloud software and service revenue increased by $67,000, or 4% from the three months ended October 31, 2018 to the three months ended October 31, 2019. The increase in revenue between periods is primarily attributed to the increase in total customers between periods. Our total number of customers increased from 664 for the three months ended October 31, 2018 to 708 customers for the three months ended October 31, 2019. Additionally, our average monthly revenue per customer decreased from $764 for the three months ended October 31, 2018 to $754 for the three months ended October 31, 2019.

C*ost of Services (exclusive of depreciation and amortization)*. The cost of services increased by $46,000, or 6%, from the three months ended October 31, 2018 to the three months ended October 31, 2019. The increase in cost of services between periods is primarily attributed to the additional costs arising from the increase in revenue between periods. Although our consolidated cost of services increased between periods, our consolidated gross margin increased by $21,000 from the quarter ended October 31, 2018 to the quarter ended October 31, 2019. The increase in gross margin between periods is attributed to a higher concentration of enterprise customers revenue, which generate a slightly higher margin than services provided via resellers.

Selling, General and Administrative (SG&A) Expenses (exclusive of legal and professional fees). SG&A expenses increased by $4,000, or 1%, from the three months ended October 31, 2018 to the three months ended October 31, 2019.

Stock Compensation expense. Stock compensation expense increased by $367,000, from the three months ended October 31, 2018 to the three months ended October 31, 2019. The increase between periods is attributed to the recognition of stock option expense of $142,000 recognized during the three months ended October 31, 2019 associated with the stock options awarded to various employees during FY2018, FY2019 and FY2020. The Company also recognized $370,259 in stock compensation for stock issued in lieu of cash payments to the Management team during the period ended October 31, 2019.

Legal and professional fees. Legal and professional fees decreased by $22,000, or 18%, from three months ended October 31, 2018 to the three months ended October 31, 2019. The decrease between periods is attributed to the recognition during FY 2019 of $20,000 in professional expenses incurred related to investor relations services.

Bad debt. Bad debt declined by $3,000 between periods. During the three months ended October 31, 2018 the Company recognized a recovery of bad debt of $3,000 for accounts that were previously deemed uncollectable.

Depreciation and amortization. Depreciation and amortization decreased by $7,000, from the three months ended October 31, 2018 to the three months ended October 31, 2019, mainly due to decrease in depreciation expense related to assets that reached their expected useful life.

Operating loss. The Company reported an operating loss of $671,000 for the three months ended October 31, 2019 compared to an operating loss of $413,000 for the three months ended October 31, 2018. The increase in operating loss between periods is primarily due to the increase of $301,000 in stock compensation expense. The increase was slightly offset by the increase of $21,000 in gross margin and the decrease of $22,000 in legal and professional fees.

Gain (loss) on derivative instruments. Gain (loss) on derivative instruments increased by $326,000 from three months ended October 31, 2018 to the three months ended October 31, 2019. We are required to re-measure all derivative instruments at the end of each reporting period and adjust those instruments to market, as a result of the re- measurement of all derivative instruments we recognized a loss between periods.

Income tax benefit (expense). During the three months ended October 31, 2019, the Company recognized an income tax expense benefit of $39,000. The primary reason for the income tax benefit is due to a refund of previously paid taxes.

Interest expense. Interest income (expense) increased by $48,000 from the three months ended October 31, 2018 to the three months ended October 31, 2019. The primary reason for the increase in interest expenses is attributed to the recognition of non-cash interest / accretion expense of $324,000 related to the adjustment to the present value of various convertible notes and debentures. Additionally, the Company recognized $66,000 in interest expense for cash interest payments on various promissory notes, accrual of $35,000 for interest expense for various promissory notes and interest income of $4,700.

Net income (loss) including noncontrolling interest. Net loss including noncontrolling interest for the three months ended October 31, 2019 was $1,521,000 compared to a net loss for the three months ended October 31, 2018 of $941,000. The increase in net loss including noncontrolling interest between periods is primarily due to the increase of $367,000 in stock compensation expense. The increase of $326,000 in loss on derivative instruments. The increases was slightly offset by the increase of $21,000 in gross margin, the decrease of $22,000 in legal and professional fees and the improvement of $52,000 in income tax.

Net income attributable to the noncontrolling interest. During the three months ended October 31, 2019, the consolidated entity recognized net income in noncontrolling interest of $13,000. The noncontrolling interest is presented as a separate line item in the Company's stockholders equity section of the balance sheet.

Net income (loss) attributable to Digerati's common shareholders. Net loss for the three months ended October 31, 2019 was $1,508,000 compared to a net loss for the three months ended October 31, 2018 of $914,000.

Liquidity and Capital Resources

Cash Position: We had a consolidated cash balance of $469,000 as of October 31, 2019. Net cash provided by operating activities during the three months ended October 31, 2019 was approximately $26,000, primarily as a result of operating expenses, that included $511,000 in stock compensation and warrant expense, amortization of debt discount of $324,000, loss on derivative liability of $465,000 depreciation and amortization expense of $146,000. Additionally, we had an increase of $42,000 in accounts payable, increase in accrued expenses of $80,000, decrease in accounts receivables of $15,000, decrease in deferred income of $42,000, a decrease in prepaid expenses and other current assets of $21,000.

Cash used in investing activities during the three months ended October 31, 2019 was $24,000 for the purchase of equipment.

Cash provided by financing activities during the three months ended October 31, 2019 was $101,000. The Company secured $150,000 from convertible notes, net of issuance costs and discounts. The Company made principal payments of $33,000 on related party notes and $16,000 in principal payments on equipment financing. Overall, our net operating, investing and financing activities during the three months ended October 31, 2019 provided approximately $63,000 of our available cash.

We are currently taking initiatives to reduce our overall cash deficiencies on a monthly basis. During fiscal 2020 we anticipate reducing fixed costs and general expenses, in addition, certain members of our management team have taken a significant portion of their compensation in common stock to reduce the depletion of our available cash. To strengthen our business, we intend to invest in a new marketing and sales strategy to grow our monthly recurring revenue; we anticipate utilizing our value-added resellers to tap into new sources of revenue streams, we have also secured various agent agreements to accelerate revenue growth. In addition, we will continue to focus on selling a greater number of comprehensive services to our existing customer base. Further, in an effort to increase our revenues, we will continue to evaluate the acquisition of various assets with emphasis in VoIP Services and Cloud Communication Services. As a result, during the due diligence process we anticipate incurring significant legal and professional fees.

Management believes that current available resources will not be sufficient to fund the Company's operations over the next 12 months. The Company's ability to continue to meet its obligations and to achieve its business objectives is dependent upon, among other things, raising additional capital, issuing stock-based compensation to certain members of the executive management team in lieu of cash, or generating sufficient revenue in excess of costs. At such time as the Company requires additional funding, the Company will seek to secure such best-efforts funding from various possible sources, including equity or debt financing, sales of assets, or collaborative arrangements. If the Company raises additional capital through the issuance of equity securities or securities convertible into equity, stockholders will experience dilution, and such securities may have rights, preferences or privileges senior to those of the holders of common stock or convertible senior notes. If the Company raises additional funds by issuing debt, the Company may be subject to limitations on its operations, through debt covenants or other restrictions. If the Company obtains additional funds through arrangements with collaborators or strategic partners, the Company may be required to relinquish its rights to certain technologies. There can be no assurance that the Company will be able to raise additional funds or raise them on acceptable terms. If the Company is unable to obtain financing on acceptable terms, it may be unable to execute its business plan, the Company could be required to curtail its operations, and the Company may not be able to pay off its obligations, if and when they come due.

Our current cash expenses are expected to be approximately $95,000 per month, including wages, rent, utilities and corporate professional fees. As described elsewhere herein, we are not generating sufficient cash from operations to pay for our ongoing operating expenses, or to pay our current liabilities. As of October 31, 2019, our total liabilities were approximately $7,722,000, which included $1,302,000 in derivative liabilities. We will continue to use our available cash on hand to cover our deficiencies in operating expenses.

We estimate that we need approximately $500,000 of additional working capital to fund our ongoing operations during Fiscal 2020. We used proceeds secured from convertible promissory notes to pay for operating expenses and we anticipate raising additional debt financing to meet our working capital needs.

Digerati's consolidated financial statements for the three months ending October 31, 2019 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. Since the Company's inception in 1993, Digerati has incurred net losses and accumulated a deficit of approximately $86,828,000 and a working capital deficit of approximately $6,379,000 which raises doubt about Digerati's ability to continue as a going concern.

Item 3. Quantitative and Qualitative Disclosures About Market Risks.

Not Applicable.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this quarterly report on Form 10-Q for the quarter ended October 31, 2019, our Principal Executive Officer ("PEO") and Principal Financial Officer ("PFO") evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our PEO and PFO concluded that our disclosure controls and procedures as of the end of the period covered by this report were not effective such that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our Chief Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting, as defined in Rule 13a-15(f) or 15d-15(f) under the Securities Exchange Act of 1934, during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, as there has been no implementation to date of processes and/or procedures to remedy internal control weaknesses and deficiencies.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 1A. Risk Factors.

Not Applicable

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

On August 12, 2019, the Company issued 114,123 shares of common stock for the conversion of $7,500 of the principal outstanding and $500 in administrative fees under the convertible note.

On August 20, 2019, the Company issued 191,116 shares of common stock for the conversion of $7,500 of the principal outstanding and $538 in accrued interest and administrative fees under the convertible note.

On August 26, 2019, the Company issued 250,000 shares of common stock for the conversion of $14,500 of the principal outstanding and $500 in administrative fees under a convertible note.

On August 26, 2019, the Company issued 416,666 shares of common stock for the conversion of $25,000 of the principal outstanding under a convertible note.

On September 4, 2019, the Company issued 250,620 shares of common stock for the conversion of $10,000 of the principal outstanding and $541 in administrative fees under a convertible note.

On September 10, 2019, the Company issued 277,291 shares of common stock for the conversion of $12,750 of the principal outstanding and $3,888 in accrued interest and administrative fees under a convertible note.

On September 26, 2019, the Company issued 342,466 shares of common stock for the conversion of $14,500 of the principal outstanding and $500 in administrative fees under a convertible note.

On October 7, 2019, the Company issue 400,000 shares of common stock, as part of an amendment to various promissory notes. The shares were recorded as debt discount and amortized over the remaining term of the notes.

On October 27, 2019, the Company issued 332,667 shares of common stock for the conversion of $9,500 of the principal outstanding and $500 in administrative fees under a convertible note.

On October 29, 2019, the Company issued 465,736 shares of common stock for the conversion of $13,500 of the principal outstanding and $500 in administrative fees under a convertible note.

On October 31, 2019, the Company issued 310,527 shares of common stock for the conversion of $6,500 of the principal outstanding and $2,834 in accrued interest and administrative fees under a convertible note.

On October 31, 2019, the Company issued 831,669 shares of common stock for the conversion of $25,000 of the principal outstanding under a convertible note.

On November 6, 2019, the Company issued 110,830 shares of common stock for the payment of accrued interest on a promissory note, with a market value of $7,758, the Company recognized a loss of $258 upon issuance of the shares.

On November 14, 2019, the Company issued 301,697 shares of common stock for the conversion of $7,500 of the principal outstanding and $646 in administrative fees under a convertible note.

On November 15, 2019, the Company issued 398,247 shares of common stock for the conversion of $9,500 of the principal outstanding and $500 in administrative fees under a convertible note.

On November 19, 2019, the Company issued 537,635 shares of common stock for the conversion of $13,000 of the principal outstanding and $500 in administrative fees under a convertible note.

On November 25, 2019, the Company issue 20,000 shares of common stock, as part of an amendment to a promissory note. The shares were recorded as debt discount and amortized over the remaining term of the note.

On November 25, 2019, the Company issue 40,000 shares of common stock, as part of an amendment to a promissory note. The shares were recorded as debt discount and amortized over the remaining term of the note.

On November 25, 2019, the Company issued 114,630 shares of common stock for the payment of accrued interest on a promissory note, with a market value at issuance of $4,665.

On November 26, 2019, the Company issued 447,917 shares of common stock for the conversion of $8,000 of the principal outstanding and $600 in administrative fees under a convertible note.

On December 10, 2019, the Company issued 400,000 shares of common stock with a market value at time of issuance of $15,200. The shares were issued for consulting services with a professional.

The sales and issuances of the securities described above were made pursuant to the exemptions from registration contained in to Section 4(a) (2) of the Securities Act and Regulation D under the Securities Act. Each purchaser represented that such purchaser's intention to acquire the shares for investment only and not with a view toward distribution. We requested our stock transfer agent to affix appropriate legends to the stock certificate issued to each purchaser and the transfer agent affixed the appropriate legends. Each purchaser was given adequate access to sufficient information about us to make an informed investment decision. Except as described in this prospectus, none of the securities were sold through an underwriter and accordingly, there were no underwriting discounts or commissions involved.

Item 3. Defaults Upon Senior Securities.

None

Item 5. Other Information.

None

Item 6. Exhibits

Exhibit Number	Exhibit Title
4.1	Convertible Promissory Note for $93,500 with Platinum Point Capital LLC dated August 30, 2019. *(filed as Exhibit 4.13 to Form 10-K filed with the SEC on October 28, 2019).*
4.2	Convertible Promissory Note for $35,750 with Jefferson Street Capital LLC dated October 18, 2019. *(filed as Exhibit 4.15 to Form 10-K filed with the SEC on October 28, 2019).*
4.3	Convertible Promissory Note for $35,750 with Armada Investment Fund LLC dated October 18, 2019. *(filed as Exhibit 4.16 to Form 10-K filed with the SEC on October 28, 2019).*
10.1	Securities Purchase Agreement for $93,500 with Platinum Point Capital LLC dated August 30, 2019. *(filed as Exhibit 10.15 to Form 10-K filed with the SEC on October 28, 2019).*
10.2	Securities Purchase Agreement for $35,750 with Armada Investment Fund LLC dated October 18, 2019. *(filed as Exhibit 10.16 to Form 10-K filed with the SEC on October 28, 2019).*
10.3	Securities Purchase Agreement for $35,750 with Jefferson Street Capital LLC dated October 18, 2019. *(filed as Exhibit 10.17 to Form 10-K filed with the SEC on October 28, 2019).*
31.1*	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1+	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2+	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

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

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.

DIGERATI TECHNOLOGIES, INC.
(Registrant)

Date: December 13, 2019	By:	/s/ Arthur L. Smith
	Name:	Arthur L. Smith
	Title:	President and Chief Executive Officer (Duly Authorized Officer and Principal Executive Officer)
Date: December 13, 2019	By:	/s/ Antonio Estrada Jr.
	Name:	Antonio Estrada Jr.
	Title:	Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION

I, Arthur L. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Digerati Technologies, Inc., a Nevada Corporation;

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.

December 13, 2019

/s/ Arthur L. Smith

Arthur L. Smith
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Antonio Estrada, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Digerati Technologies, Inc., a Nevada Corporation;

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.

December 13, 2019

/s/ Antonio Estrada, Jr.

Antonio Estrada, Jr.
Chief Financial Officer

EXHIBIT 32.1

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

In connection with the Quarterly Report (the “Report”) of Digerati Technologies, Inc. (the “Company”) on Form 10-Q for the period ending October 31, 2019, as filed with the Securities and Exchange Commission on the date hereof, I, Arthur L. Smith, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 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) or 15(d) of the Securities Exchange Act of 1934; and

2) the information in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By /s/ Arthur L. Smith

Arthur L. Smith
President and
Chief Executive Officer
December 13, 2019

EXHIBIT 32.2

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

In connection with the Quarterly Report (the "Report") of Digerati Technologies, Inc. (the "Company") on Form 10-Q for the period ending October 31, 2019, as filed with the Securities and Exchange Commission on the date hereof, I, Antonio Estrada Jr., the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002,

1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By /s/ Antonio Estrada Jr.

Antonio Estrada Jr.
Chief Financial Officer
December 13, 2019