

DIGERATI TECHNOLOGIES, INC.

FORM 10-K (Annual Report)

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

FORM 10-K

(mark one)

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

For the fiscal year ended July 31, 2018

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

(State or Other Jurisdiction of
Incorporation or Organization)

**1600 NE Loop 410, Suite 126
San Antonio, Texas**

(Address of Principal Executive Offices)

74-2849995

(IRS Employer
Identification No.)

78209

(Zip Code)

Registrant's Telephone Number, Including Area Code: **(210) 775-0888**

Securities registered pursuant to Section 12(b) of the Act: NONE

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

Common Stock, Par Value \$0.001 Per Share

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the issuer was \$5,107,106 based on the closing price of \$0.39 per share on January 31, 2018, as reported on the over-the-counter bulletin board.

There were 13,095,143 shares of issuer's Common Stock outstanding as of November 12, 2018



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PART I

ITEM 1. BUSINESS.

Overview

Digerati Technologies, Inc., a Nevada corporation (including our subsidiaries, “we,” “us,” “Company” or “Digerati”), through its operating subsidiaries, Shift8 Networks, Inc., dba Synergy Telecom (“Shift8”) 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, and cloud WAN solutions. 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 poor customer support model.

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 Developments

On December 1, 2017, Shift8 Technologies, Inc., a Nevada corporation (“Shift8”), a wholly owned subsidiary of Digerati Technologies, Inc., a Nevada corporation (the “Company”), and Synergy Telecom, Inc., a Texas corporation (“Synergy”), closed a transaction to acquire all the assets, assumed all customers, and critical vendor arrangements from Synergy.

On May 2, 2018, Shift8 completed the acquisition of T3 Communications, Inc., an established UCaaS and Internet broadband provider serving a high-growth corridor in Southwest Florida.

During the year ended July 31, 2018, we have raised \$480,000 through the issuance of 960,000 shares of Digerati common stock and three-year warrants to purchase up to 180,000 shares of common stock at an exercise price of \$0.50 per share.

Products and Services

We provide a comprehensive suite of Internet-based communication services to meet the global needs of businesses that are seeking simple, flexible, and cost-effective communication solutions. Our Internet-based services include fully hosted IP/PBX services, SIP trunking, call center applications, interactive voice response auto attendant, voice and web conferencing, call recording, simultaneous calling, voicemail to email conversion, integrated mobility applications that are device and location agnostic, and multiple customized IP/PBX features in a hosted or cloud environment. Our services, known as UCaaS or cloud communications, are specifically designed for the needs of the small to medium-sized business, enterprise customers, call centers, and telephony service providers that do not have the scale or expertise necessary to deploy their own cloud telephony infrastructure.

Through our recent acquisitions, we have enhanced our product portfolio with the addition of 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. Other services include remote network monitoring, data backup and disaster recovery. The addition of these new products and services allows us to increase our value-proposition through product bundles that go beyond the voice application and to serve as a one-stop-shop for business customers seeking a comprehensive voice and data solution.

Voice over Internet Protocol Networks

The basic technology of traditional telecommunications systems was designed for slow mechanical switches. Communications over the traditional telephone network are routed through circuits that must dedicate all circuit resources to each call from its inception until the call ends, regardless of whether anyone is actually talking on the circuit. This circuit-switching technology incurs a significant cost per call and does not efficiently support the integration of voice with data services. Data networks, however, were designed for electronic switching. They break the data stream into small, individually addressed packages of data (“packets”) that are routed independently of each other from the origin to the destination. Therefore, they do not require a fixed amount of bandwidth to be reserved between the origin and destination of each call and they do not waste bandwidth when it is not being used for actual transmission of information. This allows multiple voice or voice and data calls to be pooled, resulting in these networks being able to carry more calls with an equal amount of bandwidth. Moreover, they do not require the same complex switching methods required by traditional voice telephone networks, instead using a multiplicity of routers to direct each packet to its destination and automatically routing packets around blockages, congestion or outages.

Packet switching can be used within a data network or across networks, including the public Internet. The Internet itself is not a single data network owned by any single entity, but rather a loose interconnection of networks belonging to many owners that communicate using the Internet Protocol. By converting voice signals to digital data and handling the voice signals as data, it can be transmitted through the more efficient switching networks designed for data transmissions and through the Internet using the Internet Protocol. The transmission of voice signals as digitalized data streams over the Internet is known as Voice over Internet Protocol or “VoIP”. A VoIP network has the following advantages over traditional networks:

- **Simplification:** An integrated infrastructure that supports all forms of communication allows more standardization, a smaller equipment complement, and less equipment management.
- **Network Efficiency:** The integration of voice and data fills up the data communication channels efficiently, thus providing bandwidth consolidation and reduction of the costs associated with idle bandwidth. This combined infrastructure can support dynamic bandwidth optimization and a fault tolerant design. The differences between the traffic patterns of voice and data offer further opportunities for significant efficiency improvements.
- **Co-existence with traditional communication mediums:** IP telephony can be used in conjunction with existing public telephone system switches, leased and dial-up lines, PBXs and other customer premise equipment, enterprise LANs, and Internet connections. IP telephony applications can be implemented through dedicated gateways, which in turn can be based on open standards platforms for reliability and scalability.
- **Cost reduction:** Under the VoIP network, the connection is directly to the Internet backbone and as a result the telephony access charges and settlement fees are avoided.

The growth of voice over the Internet was limited in the past due to poor sound quality caused by technical issues such as delays in packet transmission and by bandwidth limitations related to Internet network capacity and local access constraints. However, the expansion of Internet Protocol network infrastructure, improvements in packet switching and compression technology, new software algorithms and improved hardware have substantially reduced delays in packet transmissions and resulted in superior sound quality to that of the legacy telephone network.

Cloud Communications

Cloud communications are Internet-based voice and data communications where telecommunications applications, switching and storage are hosted by a third-party service provider outside of the organization using the services. Services are accessed by the user over the public Internet. Cloud telephony refers specifically to voice services and more specifically the replacement of conventional business telephone equipment (such as a PBX) with VoIP service hosted by a third-party service provider and delivered over the Internet.

We operate a cloud communication network that consists of a VoIP switching system and cloud telephony application platform. Our network allows us to provide end-to-end cloud telephony solutions designed to provide significant benefits to businesses of all sizes, with single or multiple locations. The integration of our cloud communication platform and global VoIP network allows us to provide our customers with virtually any type of telephony solution on a global basis.

Our cloud communication solutions, also known as UCaaS, are designed to minimize upfront capital costs, increase the scalability and flexibility of the customer's communications network and service environment, provide robust features and functionality to increase productivity and reduce the overall cost of communications.

Strategy

Our strategy is to target the small to medium-sized business market and capitalize on the wave of migration from the legacy telephone network to cloud telephony. We will continue to concentrate our sales and marketing efforts on developing vertically oriented solutions for targeted markets primarily focusing on municipalities, banking, healthcare, legal services and real estate. In addition, we will continue to partner with our distributors and Value-Added Resellers ("VARs") to expand our customer base. Our typical VAR is an information technology services firm, traditional PBX vendor, managed service provider, or systems integrator that has established relationships with businesses in its local market. These VARs are currently providing local customer support for other IT or PBX services but lack the technology infrastructure to provide cloud communication and VoIP services to their customers. Our strategy allows these VARs to focus on their strength of providing first tier support to their customers while we provide the second and third tier technical support required to operate a cloud communication and VoIP network. In addition, we transform our VARs' business model by introducing new cloud telephony services and adding a new and lucrative recurring revenue stream that increases the VARs' value proposition for its current and prospective customers.

Our cloud-based technology platform enables us and our VARs to deliver enhanced voice services to their business customers. The features supported on our cloud communication platform include all standard telephone features and value-added applications such as voicemail to email, VoIP peering, teleconferencing, IVR auto attendant, and dial-by-name directory. Our system provides our customers and VARs with a migration path from a traditional PBX system to a complete cloud-based PBX solution.

Our strategic initiatives to successfully meet our long-term business objectives include:

- A disciplined approach to evaluating additional acquisitions as we build on the foundation created by our most recent acquisitions in Texas and Florida. We will continue to target local and/or regional UCaaS/cloud telephony providers which have excelled in their market with that "local" touch when serving their business customers. We believe the experience gained in integrating products, personnel, and customers will facilitate continued growth via acquisition.

- A continued emphasis on our UCaaS/cloud communication business which operates in a segment of the telecommunication industry that continues to experience significant growth as businesses migrate from legacy phone systems to cloud-based telephony systems.
- Enhancements to our broadband product portfolio with an emphasis on marketing leading-edge network and business continuity solutions like cloud WAN, also known as SD-WAN (Software Defined Wide-Area Network), to our customers which we anticipate will increase average revenue per customer.
- Implementing a total support model (pre and post sales) for building a world-class service delivery and help desk organization.
- Emphasis on our sales distribution model that enables our VARs to offer cloud and session-based communication services to the enterprise market in various regions and industries.
- Continue enhancing our infrastructure and back office system to streamline operations, automate key processes, and support the scalability of our VAR distribution model.

Competitive Conditions

The cloud services industry, including the provisioning of cloud communications services, cloud connectivity, cloud storage and cloud computing, as well as carrier voice and data services, is highly competitive, rapidly evolving and subject to constant technological change and intense marketing by providers with similar products and services. We expect that new, smaller, but very agile competitors, specializing in providing service to regional and emerging markets at low margin and hence low cost, may have an impact on our market. Similarly, the business services market includes competitors who may be significantly larger and have substantially greater market presence, financial, technical, operational and marketing resources than we do, including Tier 1 carriers, cable companies and premise-based solutions providers that are implementing cloud communication services. In the event that such a competitor expends significant sales and marketing resources in one or several markets where we compete with them, we may not be able to compete successfully in those markets. Specialized cloud services providers, who focus on one or more cloud service or application, could adopt aggressive pricing and promotion practices that could impact our ability to compete. We also believe that competition will continue to increase, placing downward pressure on prices. Such pressure could adversely affect our gross margins if we are not able to reduce our costs commensurate with the price reductions of our competitors. In addition, the pace of technological change makes it impossible for us to predict whether we will face new competitors using different technologies to provide the same or similar services offered or proposed to be offered by us. If our competitors were to provide better and more cost-effective services than ours, we may not be able to increase our revenues or capture any significant market share.

The VoIP and Internet telephony market are highly competitive. Our competitors include major telecommunications carriers in the U.S., national UCaaS providers, and numerous small cloud telephony operators. We expect to face continuing competition based on price and service offerings from existing competitors and new market entrants in the future. The principal competitive factors in our market include price, coverage, customer service, technical response times, reliability, and network size/capacity. The competitive landscape is rapidly altering the number, identity and competitiveness of the marketplace, and we are unable to determine with certainty the impact of potential consolidation in our industry.

Many of our competitors have substantially greater financial, technical and marketing resources, larger customer bases, longer operating histories, greater name recognition and more established relationships in the industry than we have. As a result, certain of these competitors may be able to adopt more aggressive pricing policies that could hinder our ability to market our services. We believe that our key competitive advantages are our ability to deliver reliable, high quality voice service over the Internet in a cost-effective manner, superior customer service and our VAR distribution model. We cannot provide assurances, however, that these advantages will enable us to succeed against comparable service offerings from our competitors.

Government Regulation

VoIP and other communications services, like ours, have been subject to less regulation at the state and federal levels than traditional telecommunications services. Providers of traditional telecommunications services are subject to the highest degree of regulation, while providers of VoIP and other information services are largely exempt from most federal and state regulations governing traditional common carriers. The FCC has subjected VoIP service providers to a smaller subset of regulations that apply to traditional telecommunications service providers and has not yet classified VoIP services as either telecommunications or information. The FCC is currently examining the status of VoIP service providers and the services they provide in multiple open proceedings. In addition, many state regulatory agencies impose taxes and other surcharges on VoIP services, and certain states take the position that offerings by VoIP providers are intrastate telecommunications services and therefore subject to state regulation. These states argue that if the beginning and end points of communications are known, and if some of these communications occur entirely within the boundaries of a state, the state can regulate that offering. We believe that the FCC has preempted states from regulating VoIP offerings in the same manner as providers of traditional telecommunications services. However, this issue has not been resolved definitively as a matter of law, and it remains possible that the FCC could determine that such services are not information services, or that there could be a judicial or legislative determination that the states are not preempted from regulating VoIP services as traditional telecommunications services. We cannot predict how or when these issues will be resolved or its potential future impact on our business at this time.

The effect of any future laws, regulations and orders on our operations, including, but not limited to, our cloud-based communications and collaboration services, cannot be determined. But as a general matter, increased regulation and the imposition of additional funding obligations increases service costs that may or may not be recoverable from our customers, which could result in making our services less competitive with traditional telecommunications services if we increase our prices or decreasing our profit margins if we attempt to absorb such costs.

Federal, state, local and foreign governmental organizations are considering other legislative and regulatory proposals that would regulate and/or tax applications running over the Internet. We cannot predict whether new taxes will be imposed on our services, and depending on the type of taxes imposed, whether and how our services would be affected thereafter. Increased regulation of the Internet may decrease its growth and hinder technological development, which may negatively impact the cost of doing business via the Internet or otherwise materially adversely affect our business, financial condition and results of operations.

Regulation of Internet-based Telecommunication Services in the United States

We have the necessary authority under Section 214 of the Communications Act to operate as a domestic and international carrier. We are considered a non-dominant domestic interstate carrier subject to minimal regulation by the FCC. We are not required to obtain FCC authority to initiate or expand our domestic interstate operations, but we are required to obtain FCC approval to transfer control or discontinue service and are required to file various reports and pay various fees and assessments. In addition, we must offer service on a nondiscriminatory basis at just and reasonable rates and are subject to the FCC's complaint jurisdiction. Generally, our international voice traffic is subject to minimal regulation by state and local jurisdictions.

The FCC requires Internet voice communications service providers, such as our company, to provide E-911 service in all geographic areas covered by the traditional wire-line E-911 network. Under the FCC's rules, Internet voice communications providers must transmit the caller's phone number and registered location information to the appropriate public safety answering point, or PSAP, for the caller's registered location. The FCC also requires interconnected VoIP service providers to make Universal Service Fund ("USF") contributions. We believe that our services are currently compliant with all applicable requirements of the FCC, and we have made and are making the required contributions to the USF. However, should we at some time fail to meet certain requirements or fail to make required contributions, we could be subject to revocation of our authority to operate or to fines or penalties.

As a result of the FCC's preemption of states' ability to regulate certain aspects of VoIP service, and a trend in state legislatures to affirmatively deregulate VoIP services for most purposes, our VoIP services are subject to relatively few state regulatory requirements aside from collection of state and local E911 fees and state Universal Service support obligations. We believe that our VoIP services are currently compliant with all applicable state requirements, and we have made and are making the required contributions to E911, state USF, and other funds. The state regulatory framework for our VoIP services continues to evolve, so we, in conjunction with our professional advisors, monitor the actions of the various state regulatory agencies and endeavor to ensure that we are in compliance with applicable state law, including any new statutes or regulations that may be passed. However, there can be no assurance that we will become aware of all applicable requirements on a timely basis, or that we will always be fully compliant with applicable rules and regulations. Should we fail to be compliant with applicable state regulations, or to file required reports with state regulatory agencies, we could be subject to fines and/or penalties.

In addition to regulations addressing Internet telephony and broadband services, other regulatory issues relating to the Internet generally could affect our ability to provide our services. Congress has adopted legislation that regulates certain aspects of the Internet including online content, user privacy, taxation, liability for third-party activities and jurisdiction. In addition, a number of initiatives pending in Congress and state legislatures would prohibit or restrict advertising or sale of certain products and services on the Internet, which may have the effect of raising the cost of doing business on the Internet generally.

International Regulation

The regulatory treatment of Internet telephony outside of the U.S. varies widely from country to country. A number of countries that currently prohibit competition in the provision of voice telephony also prohibit Internet telephony. Other countries permit but regulate Internet telephony. Some countries will evaluate proposed Internet telephony service on a case-by-case basis and determine whether it should be regulated as a voice service or as another telecommunications service. In many countries, Internet telephony has not yet been addressed by legislation or regulation. Increased regulation of the Internet and/or Internet telephony providers or the prohibition of Internet telephony in one or more countries could adversely affect our business and future prospects if we decide to expand globally.

Customers and Suppliers

We rely on various suppliers to provide services in connection with our Voice over Internet Protocol ("VoIP") or Unified Communication as a Service ("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 year ended July 31, 2018, the Company did not derive a significant amount of revenue from one single customer. During the year ended July 31, 2018, the Company derived a significant amount revenue from four customers, comprising 24%, 24%, 11%, and 8% of the total revenue for the year.

As of the year ended July 31, 2018, the company derived 13% and 23% total accounts receivable from two customers. During the year ended July 31, 2017, the Company derived a significant amount of accounts receivable from three customers, comprising 37%, 27% and 14% of the total accounts receivable for the year ended July 31, 2017.

Employees

As of July 31, 2018, we had 26 employees, all of whom performed sales, operational, technical and administrative functions. We believe our future success will depend to a large extent on our continued ability to attract and retain highly skilled and qualified employees. We consider our employee relations to be good. None of these aforementioned employees belong to labor unions.

ITEM 1A. RISK FACTORS.

Not Applicable to smaller reporting companies.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not Applicable to smaller reporting companies.

ITEM 2. PROPERTIES.

We are headquartered in San Antonio Texas and lease offices and facilities in a number of other locations. Below is a list of our primary leased offices and other facilities as of July 31, 2018.

<u>Location</u>	<u>Lease Expiration Date</u>	<u>Annual Rent</u>	<u>Business Use</u>	<u>Approx. Sq. Ft.</u>
1600 NE Loop 410, Suite 126, San Antonio, TX 78209	Apr-19	\$ 27,300	Executive offices	1,453
2401 First Street, Suite 300, Ft. Myers, FL 34901	Nov-20	\$ 107,534	Lease of network facilities and office space	6,800
7218 McNeail Dr, Austin, TX 78729	Aug-21	\$ 14,222	Lease of network facilities	25
6606 Lyndon B. Johnson, Fwy., FL1, Suite 125, Dallas, TX 75240	Sep-21	\$ 25,161	Lease of network facilities	25
9701 S. John Young Parkway, Orlando, FL 32819	May-23	\$ 30,528	Lease of network facilities	540

We believe that our leased facilities are suitable and adequate for their intended use.

ITEM 3. LEGAL PROCEEDINGS.

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market for Common Equity

Our common stock is quoted on the OTCQB under the symbol "DTGI". The following table sets forth the high and low bid prices for our common stock for the two most recently completed fiscal years, as reported by Bloomberg, LP. Price quotations on the OTCQB reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not necessarily represent actual transactions.

Fiscal 2017	Low	High
First Quarter	\$ 0.17	\$ 0.35
Second Quarter	\$ 0.24	\$ 0.35
Third Quarter	\$ 0.20	\$ 1.00
Fourth Quarter	\$ 0.37	\$ 0.61

Fiscal 2018	Low	High
First Quarter	\$ 0.33	\$ 0.55
Second Quarter	\$ 0.29	\$ 0.65
Third Quarter	\$ 0.33	\$ 0.53
Fourth Quarter	\$ 0.33	\$ 0.55

Holders

As of November 14, 2018, there were approximately 575 record holders of our Common Stock.

Dividends

We have not paid cash dividends on our common stock and we do not anticipate paying a dividend in the foreseeable future.

Equity Compensation Plans

The following table provides information regarding securities that have been or are authorized to be issued under our equity compensation plans as of July 31, 2018.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted- Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity Compensation plans approved by security holders	-0-	--	-0-
Equity Compensation Plans not approved by security holders	3,415,000	\$ 0.33	200,023
Total	3,415,000	\$ 0.33	200,023

Sales of Unregistered Securities

In August 2017, the Company issued an aggregate of 480,000 shares of common stock for \$240,000 and 3-year warrants to purchase 90,000 shares of common stock at an exercise price of \$0.50 per share.

In September 2017, the Company issued an aggregate of 12,500 shares of common stock with a market value at time of issuance of \$4,375. The shares were issued for consulting services.

In October 2017, the Company issued an aggregate of 80,000 shares of common stock for \$40,000 and 3-year warrants to purchase 15,000 shares of common stock at an exercise price of \$0.50 per share.

In December 2017, the Company issued an aggregate of 500,000 shares of common stock with a market value of \$175,000. The shares were issued under an Asset Purchase Agreement.

In December 2017, the Company issued an aggregate of 100,000 shares of common stock with a market value at time of issuance of \$40,000. The shares were issued for consulting services.

In January 2018, the Company issued an aggregate of 250,000 shares of common stock with a market value at time of issuance of \$135,000. The shares were issued under an Equity Purchase Agreement.

In March 2018, the Company issued an aggregate of 160,000 shares of common stock for \$80,000 and 3-year warrants to purchase 15,000 shares of common stock at an exercise price of \$0.50 per share.

In May 2018, the Company issued an aggregate of 40,000 shares of common stock for \$20,000 and 3-year warrants to purchase 7,500 shares of common stock at an exercise price of \$0.50 per share.

In June 2018, the Company issued an aggregate of 125,000 shares of common stock with a market value at time of issuance of \$58,750. The shares were issued under a convertible note.

In June 2018, the Company issued an aggregate of 100,000 shares of common stock with a market value at time of issuance of \$48,000. The shares were issued for consulting services.

In June 2018, the Company issued an aggregate of 35,575 shares of common stock with a market value at time of issuance of \$15,393. The shares were issued to various professionals for consulting services.

In June 2018, the Company issued an aggregate of 40,000 shares of common stock for \$20,000 and 3-year warrants to purchase 7,500 shares of common stock at an exercise price of \$0.50 per share.

In July 2018, the Company issued an aggregate of 160,000 shares of common stock for \$80,000 and 3-year warrants to purchase 15,000 shares of common stock at an exercise price of \$0.50 per share.

In July 2018, the Company issued an aggregate of 194,000 shares of common stock with a market value at time of issuance of \$93,720. The shares were issued to various professionals for consulting services.

In July 2018, the Company issued an aggregate of 130,000 shares of common stock with a market value at time of issuance of \$68,900. The shares were issued under a convertible note.

In July 2018, the Company issued an aggregate of 25,000 shares of common stock with a market value at time of issuance of \$13,900. The shares were issued in conjunction with a promissory note.

In July 2018, the Company issued an aggregate of 150,000 shares of common stock with a market value at time of issuance of \$15,000. The shares were issued in conjunction with the exercise of warrants.

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 6. SELECTED FINANCIAL DATA.

Not Applicable to smaller reporting companies.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This Annual Report contains "forward-looking 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," and "intend," or words of similar import. Although we believe these expectations are reasonable, our operations involve a number of risks and uncertainties and actual results may be materially different than our expectations.

The following is a discussion of the consolidated financial condition and results of operations for the fiscal years ended July 31, 2018 and 2017, and should be read in conjunction with our Consolidated Financial Statements, the Notes thereto, and the other financial information included elsewhere in this annual report on Form 10-K. For purposes of the following discussion, fiscal 2018 or 2018 refers to the year ended July 31, 2018 and fiscal 2017 or 2017 refers to the year ended July 31, 2017.

Recent Acquisitions

In December 2017, we closed a transaction to acquire all the assets, assumed all customers, and critical vendor arrangements from Synergy Telecom, Inc. Synergy provides UCaaS or cloud communication services to small and medium-sized business and municipalities, primarily in Texas.

In May 2018, we completed the acquisition of T3 Communications, Inc., an established UCaaS and Internet broadband provider serving a high-growth corridor in Southwest Florida.

Sources of revenue:

Cloud-based hosted Services: 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, interactive voice response auto attendant, voice and web conferencing, call recording, simultaneous calling, voicemail to email conversion, integrated mobility applications that are device and location agnostic, and multiple 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, and Ethernet over copper. We also offer remote network monitoring, data backup and disaster recovery.

Direct Costs:

Cloud-based hosted Services: 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

Cloud-based hosted Services . Cloud-based hosted services revenue increased by \$1,808,000, or 937% from fiscal 2017 to fiscal 2018. The increase in revenue between periods is primarily attributed to the increase in total customers acquired from the acquisitions of T3 Communications, Inc. and Synergy Telecom's assets. Our total number of customers increased from 66 customers at the end of FY 2017 to 622 customers at the end of FY2018. Additionally, our average monthly revenue per customer increased from \$284 per month in July 2017 to \$667 per month in July 2018.

Cost of Services (exclusive of depreciation and amortization). The cost of services increased by \$919,000, or 686%, from fiscal 2017 to fiscal 2018. The increase in cost of services between periods is primarily attributed to the additional costs arising from our acquisitions and the acquired customers. Additionally, our consolidated gross margin was 47% for the year ended July 31, 2018, as compared to 31% for the year ended July 31, 2017. The increase in gross margin between periods is attributed to a higher concentration of enterprise customers revenue, which generate a higher margin than services provided via resellers.

Loss on disposal of unproven oil and gas properties. The Company reported a loss on disposal of unproven oil and gas properties of \$248,000 for the period ended July 31, 2017 compared to a loss on disposal of unproven oil and gas properties of \$0 for the period ended July 31, 2018. During the period ended July 31, 2017 the Company terminated its investment in the oil and gas properties and recognized a loss of \$248,000 for the total capitalized investment amount.

Selling, General and Administrative (SG&A) Expenses (exclusive of legal and professional fees). SG&A expenses increased by \$649,000, or 71%, from fiscal 2017 to fiscal 2018. The increase in SG&A expenses between periods is primarily attributed to the additional salaries and other employee related expenses of approximately \$404,000 attributable to the T3 Communications, Inc. acquisition and \$195,000 increase in additional salaries and other related expenses attributable to the asset acquisition from Synergy Telecom.

Stock Compensation. Stock compensation expense increased by \$748,000, from fiscal 2017 to fiscal 2018. The increase between periods is attributed to the recognition of \$226,000 in stock compensation expense associated with the Company's contribution to the Profit Sharing Plan during FY2018, stock compensation expense recognition of stock option expense of \$300,000 associated with the stock options awarded to various employees and stock compensation expense of \$526,000 associated with the issuance of common stock in lieu of cash compensation to the Company's management team. The Company also recognized \$186,000 in stock issuance expense associated with stock issued to various professionals for consulting services, in addition, the Company recognized \$268,000 in warrant expense for warrants issued for professional services.

Legal and professional fees . Legal and professional fees increased by \$200,000, or 69%, from fiscal 2017 to fiscal 2018. The increase is attributed to professional and legal expenses incurred related to the professionals conducting the due diligence on the T3 Communications acquisition.

Bad debt . Bad debt increased by \$15,000 between periods. During Fiscal 2018 the Company recognized an expense of \$15,000 for accounts that were deemed uncollectable.

Depreciation and amortization . Depreciation and amortization increased by \$209,000, from fiscal 2017 to fiscal 2018, mainly due to increased in amortization expense and depreciation expense related to the intangible and tangible assets obtained in the acquisitions of T3 Communications Inc., and Synergy Telecom during fiscal 2018.

Operating loss. The Company reported an operating loss of \$2,868,000 for the fiscal period ended July 31, 2018 compared to an operating loss of \$2,184,000 for the fiscal period ended July 31, 2017. The increase in operating loss between periods is primarily due to the increase of \$649,000 in SG&A, the increase of \$748,000 in stock compensation expense, the increase of \$200,000 in legal and professional fees, the increase of \$15,000 in bad debt expense, and the increase of \$209,000 in depreciation and amortization expense. The increase was offset between periods by the increase in gross margin of \$889,000.

Gain (loss) on derivative instruments. Gain (loss) on derivative instruments increased by \$91,000 between periods. 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.

Miscellaneous gain. Miscellaneous gain for the year ended July 31, 2018 was \$0 compared to \$2.6 Million miscellaneous gain for the period ended July 31, 2017. The miscellaneous gain was a result of a tax refund received in July 2015 and previously recorded by the Company as an accrued liability until such time as it could determine the proper accounting. During fiscal 2017, management determined that the Company was the legal owner of the refund and, therefore, recorded the miscellaneous gain.

Income tax benefit. During the year ended July 31, 2018, the Company recognized an income tax benefit of \$118,000. The primary reason for the income tax benefit is due to the offset of the deferred tax assets and the deferred tax liability assumed as part of the acquisition of T3 Communications Inc.

Interest expense . Interest income (expense) increased by \$379,000 from the fiscal period ended July 31, 2017 to the period ended July 31, 2018. The primary reason for the increase in interest expenses is attributed to the recognition of non-cash interest / accretion expense of \$278,000 related to the adjustment to the present value of various convertible notes and debentures. Additionally, the company recognized \$143,000 in interest expense for cash interest payments on various promissory notes. In addition, the Company recognized an adjustment to interest expense for \$57,000 for a previously accrual for interest.

Net income (loss). Net loss for the year ended July 31, 2018 was \$3,220,000 compared to a net income for the period ended July 31, 2017 of \$439,000. The increase in net loss between periods is primarily due to the increase of \$649,000 in SG&A, the increase of \$748,000 in stock compensation expense, the increase of \$200,000 in legal and professional fees, the increase of \$15,000 in bad debt expense, the increase of \$209,000 in depreciation and amortization expense and the increase of \$2,975,000 in other income (expense). The increase was offset between periods by the increase in gross margin of \$889,000.

Noncontrolling interest. As a result of the noncontrolling interest sold during the fiscal period ended July 31, 2018, the consolidated entity recognized a gain on noncontrolling interest of \$57,000 for the year. In addition, 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 shareholders. Net loss for the year ended July 31, 2018 was \$3,163,000 compared to a net income for the period ended July 31, 2017 of \$439,000. The increase in net loss between periods is primarily due to the increase of \$649,000 in SG&A, the increase of \$748,000 in stock compensation expense, the increase of \$200,000 in legal and professional fees, the increase of \$15,000 in bad debt expense, the increase of \$209,000 in depreciation and amortization expense. The increase was offset between periods by the increase in gross margin of \$889,000.

Liquidity and Capital Resources

Cash Position: We had a consolidated cash balance of \$388,000 as of July 31, 2018. Net cash consumed by operating activities during the period ended July 31, 2018 was approximately \$985,000, primarily as a result of operating expenses, that included \$1,521,000 in stock compensation and warrant expense. Additionally, we had an increase of \$181,000 in accounts payable, increase in accrued expenses of \$120,000, increase in accounts receivables of \$56,000, these increases were slightly offset by the decrease in deferred income of \$61,000 and a decrease in prepaid expenses and other current assets of \$18,000.

Cash used in investing activities during the period ended July 31, 2018 was \$1,538,000, which included \$1,788,000 of cash paid in the acquisition all customers from Synergy Telecom and the acquisition of T3 Communications, Inc. Additionally, the Company received \$250,000 from the sale of a noncontrolling interest in its operating subsidiary.

Cash provided by financing activities during the period ended July 31, 2018 was \$2,238,000, the Company secured \$480,000 from various accredited investors through the issuance of 960,000 restricted common shares with a price of \$0.50 per share and 180,000 warrants with an exercise price of \$0.50 per share. Additionally, the Company secured \$15,000 from the exercise of 150,000 warrants with an exercise price of \$0.10 per share. In addition the Company secured \$890,000 from 3rd party promissory notes, \$525,000 from related party notes and \$1,397,000 from convertible notes. In addition, the Company made principal payments of \$815,000 on promissory notes, \$131,000 on principal payments on related notes, \$120,000 in principal payments on convertible notes, and \$3,000 in principal payments on financing leases. Overall, our net operating, investing and financing activities during the period ended July 31, 2018 consumed approximately \$285,000 of our available cash.

We are currently taking initiatives to reduce our overall cash deficiencies on a monthly basis. During fiscal 2019 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. During the third quarter of fiscal 2018, the Company acquired T3 Communications, Inc., a leading provider of cloud communication and Internet broadband solutions in Southwest Florida. The acquisition of T3 will allow the Company to accelerate its revenue growth and expand into new markets.

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 July 31, 2018, our total liabilities were approximately \$5,559,000, which included \$632,000 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 2019. We used proceeds secured from the convertible debentures to pay existing notes and we anticipate raising additional debt financing to meet our working capital needs.

During Fiscal 2018, the Company raised \$480,000 through the issuance of 960,000 shares of common stock and three-year warrants to purchase 180,000 shares of common stock at \$0.50 per share.

Digerati's consolidated financial statements for the period ending July 31, 2018 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. Digerati has incurred net losses and accumulated a deficit of approximately \$80,800,000 and a working capital deficit of approximately \$3,722,000 which raises substantial doubt about Digerati's ability to continue as a going concern.

Critical Accounting Policies

Revenue Recognition. We derive our revenue from UCaaS or cloud communication services and managed cloud-based services. Our services include fully hosted IP/PBX services, SIP trunking, call center applications, interactive voice response auto attendant, call recording, simultaneous calling, voicemail to email conversion, disaster recovery services and multiple customized IP/PBX features in a hosted or cloud environment. Revenue is recognized when persuasive evidence of an arrangement exists, service or network capacity has been provided, the price is fixed or determinable, collectability is reasonably assured and there are no significant obligations remaining.

We record and report our revenue on the gross amount billed to our customers in accordance with the following “gross indicators”:

- Digerati is the primary obligor in its arrangements,
- Digerati has latitude in establishing pricing,
- Digerati changes the product or performs part of the service and is involved in the determination of the product or service specifications,
- Digerati has discretion in supplier selection; and
- Digerati assumes credit risk for the amount billed to the customer

During Fiscal 2019, the Company anticipates adoption FASB ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific revenue recognition guidance throughout the Industry Topics of the Accounting Standards Codification. The updated guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also provides for additional disclosures with respect to revenues and cash flows arising from contracts with customers. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2017, and the Company will adopt the standard effective August 1, 2018.

Goodwill, Intangible Assets, and Long-Lived Assets. Goodwill is carried at cost and is not amortized. The Company tests goodwill for impairment on an annual basis at the end of each fiscal year, relying on a number of factors including operating results, business plans, economic projections, anticipated future cash flows and marketplace data. Company management uses its judgment in assessing whether goodwill has become impaired between annual impairment tests according to specifications set forth in ASC 350. The Company completed an evaluation of goodwill at July 31, 2018 and 2017 and determined that there was no impairment.

The fair value of the Company’s reporting unit is dependent upon the Company’s estimate of future cash flows and other factors. The Company’s estimates of future cash flows include assumptions concerning future operating performance and economic conditions and may differ from actual future cash flows. Estimated future cash flows are adjusted by an appropriate discount rate derived from the Company’s market capitalization plus a suitable control premium at date of the evaluation.

The financial and credit market volatility directly impacts the Company’s fair value measurement through the Company’s weighted average cost of capital that the Company uses to determine its discount rate and through the Company’s stock price that the Company uses to determine its market capitalization. Therefore, changes in the stock price may also affect the amount of impairment recorded.

The Company recognizes an acquired intangible asset apart from goodwill whenever the intangible asset arises from contractual or other legal rights, or when it can be separated or divided from the acquired entity and sold, transferred, licensed, rented or exchanged, either individually or in combination with a related contract, asset or liability. Such intangibles are amortized over their useful lives. Impairment losses are recognized if the carrying amount of an intangible asset subject to amortization is not recoverable from expected future cash flows and its carrying amount exceeds its fair value.

The Company reviews its long-lived assets, including property and equipment, identifiable intangibles, and goodwill annually or whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine recoverability of its long-lived assets, the Company evaluates the probability that future undiscounted net cash flows will be less than the carrying amount of the assets.

Business combinations. Each investment in a business is being measured and determined whether the investment should be accounted for as a cost-basis investment, an equity investment, a business combination or a common control transaction. An investment in which the Company do not have a controlling interest and which the Company is not the primary beneficiary but where the Company has the ability to exert significant influence is accounted for under the equity method of accounting. For those investments that we account for in accordance ASC 805, Business Combinations, the Company records the assets acquired and liabilities assumed at the management's estimate of their fair values on the date of the business combination. The assessment of the estimated fair value of each of these can have a material effect on the reported results as intangible assets are amortized over various lives. Furthermore, according to ASC 805-50-30-5, when accounting for a transfer of assets or exchange of shares between entities under common control, the entity that receives the net assets or the equity interests shall initially measure the recognized assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer.

Stock-based compensation. In June 2018 FASB adopted the Accounting Standards Update No. 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Non-employee Share-Based Payment Accounting*. This update simplifies the accounting for non-employee share-based payment transactions by expanding the scope of Topic 718, Compensation-Stock Compensation, to include share-based payment transactions for acquiring goods and services from non-employees. The guidance is effective for annual periods beginning after December 15, 2018, and interim periods within that reporting period. The Company adopted the updated standard as of May 1, 2018, adopting this guidance did not have a material effect on its consolidated financial statements. During fiscal 2017 and 2018, the Company issued 1,003,970 common shares and 2,213,512 common shares, respectively to various employees as part of our profit sharing-plan contribution and stock in lieu of cash. At the time of issuance during fiscal 2017 and 2018 we recognized stock-based compensation expense of approximately \$241,000 and \$1,240,000, respectively equivalent to the market value of the shares issued calculated based on the share's closing price at the grant dates.

Derivative financial instruments . Digerati does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. However, Digerati analyzes its convertible instruments and free-standing instruments such as warrants for derivative liability accounting.

For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date. Any changes in fair value is recorded as non-operating, non-cash income or expense for each reporting period. For derivative notes payable conversion options Digerati uses the Black-Scholes option-pricing model to value the derivative instruments.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument is probable within the next 12 months from the balance sheet date.

Sequencing Policy

In January 2018, as a result of entering into a convertible debenture which contained a variable conversion feature with no floor, we adopted a sequencing policy in accordance with ASC 815-40-35-12 The Company retrospectively is adopting the sequencing policy so all warrants with fixed exercise price, and convertible notes with fixed conversion price or with a conversion price floor are sequenced by issue date thus excluded from derivative consideration.

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 July 31, 2018 and 2017 of \$632,000 and \$0, respectively, were valued using 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, 2017	\$	-
Derivative discount - convertible debt		541,000
Derivative loss		91,000
Balance at July 31, 2018	\$	<u>632,000</u>

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable to smaller reporting companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Digerati Technologies, Inc.
San Antonio, Texas

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Digerati Technologies, Inc. and its subsidiaries (collectively, the “Company”) as of July 31, 2018, and the related consolidated statements of operations, stockholders’ deficit, and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of July 31, 2018, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

/s/ MaloneBailey, LLP
www.malonebailey.com

We have served as the Company’s auditor since 2018.
Houston, Texas
November 15, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Digerati Technologies, Inc.
San Antonio, Texas

We have audited the accompanying consolidated balance sheets of Digerati Technologies, Inc. and its subsidiaries (collectively, "Digerati") as of July 31, 2017 and the related consolidated statements of operations, stockholders' deficit and cash flows for the year then ended. Digerati Technologies, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these consolidated financial statements.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Digerati is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Digerati's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Digerati as of July 31, 2017 and the consolidated results of their operations and their cash flows for year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that Digerati will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, Digerati suffered losses from operations and has a working capital deficit, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ LBB & Associates Ltd., LLP
LBB & Associates Ltd., LLP
Houston, Texas

December 13, 2017

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	<u>July 31, 2018</u>	<u>July 31, 2017</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 388	\$ 673
Accounts receivable, net	229	15
Prepaid and other current assets	124	9
Total current assets	<u>741</u>	<u>697</u>
LONG-TERM ASSETS:		
Intangible assets, net	3,046	14
Property and equipment, net	713	2
Other assets	59	-
Total assets	<u>\$ 4,559</u>	<u>\$ 713</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,177	\$ 859
Accrued liabilities	893	365
Current portion of capital lease obligations	30	-
Convertible note payable, current, net \$187 and \$0, respectively	585	-
Note payable, current, related party	126	-
Note payable, current	725	-
Convertible note payable, current, net \$273 and \$0, respectively	33	-
Deferred income	262	-
Derivative liability	632	-
Total current liabilities	<u>4,463</u>	<u>1,224</u>
LONG-TERM LIABILITIES:		
Convertible debenture, net \$273 and \$0, respectively	27	-
Notes payable, related party, net \$38 and \$0, respectively	505	-
Deferred income	-	131
Note payable	500	-
Obligations under capital leases	64	-
Total long-term liabilities	<u>1,096</u>	<u>131</u>
Total liabilities	<u>5,559</u>	<u>1,355</u>
Commitments and contingencies		
STOCKHOLDERS' DEFICIT:		
Preferred stock, \$0.001, 50,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$0.001, 150,000,000 shares authorized, 12,775,143 and 8,386,056 issued and outstanding, respectively	13	8
Additional paid in capital	79,993	76,986
Accumulated deficit	(80,800)	(77,637)
Other comprehensive income	1	1
Total Digerati's stockholders' deficit	<u>(793)</u>	<u>(642)</u>
Noncontrolling interest	(207)	-
Total stockholders' deficit	<u>(1,000)</u>	<u>(642)</u>
Total liabilities and stockholders' deficit	<u>\$ 4,559</u>	<u>\$ 713</u>

See accompanying notes to consolidated financial statements

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

	For the Years ended July 31,	
	2018	2017
OPERATING REVENUES:		
Cloud-based hosted services	\$ 2,001	\$ 193
Total operating revenues	2,001	193
OPERATING EXPENSES:		
Cost of services (exclusive of depreciation and amortization)	1,053	134
Loss on disposal of unproven oil and gas properties	-	248
Selling, general and administrative expense	1,563	914
Stock compensation & warrant expense	1,521	773
Legal and professional fees	490	290
Bad debt	15	-
Depreciation and amortization expense	227	18
Total operating expenses	4,869	2,377
OPERATING LOSS	(2,868)	(2,184)
OTHER INCOME (EXPENSE):		
Loss on derivative instruments	(91)	-
Miscellaneous gain	-	2,623
Income tax benefit	118	-
Interest income (expense)	(379)	-
Total other income (expense)	(352)	2,623
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTEREST	(3,220)	439
Less: Net loss attributable to the noncontrolling interest	57	-
NET INCOME / (LOSS) ATTRIBUTABLE TO DIGERATI'S SHAREHOLDERS	\$ (3,163)	\$ 439
INCOME (LOSS) PER SHARE - BASIC	\$ (0.31)	\$ 0.07
INCOME (LOSS) PER SHARE - DILUTED	\$ (0.31)	\$ 0.06
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC	10,339,371	6,339,906
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED	10,339,371	6,982,081

See accompanying notes to consolidated financial statements

DIGERATI TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
YEARS ENDED JULY 31, 2017 AND 2018
(In thousands, except for share amounts)

	Equity Digerati's Shareholders							
	Common Shares	Par	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income	Stockholders Equity	Noncontrolling Interest	Totals
BALANCE, July 31, 2016	5,234,158	\$ 5	\$ 75,656	\$ (78,076)	\$ 1	(2,414)	\$ -	\$ (2,414)
Stock issued for services, to employees	1,956,898	2	727	-	-	729	-	729
Stock issued for professional services	75,000	-	44	-	-	44	-	44
Stock issued for cash	1,120,000	1	559	-	-	560	-	560
Net Income	-	-	-	439	-	439	-	439
BALANCE, July 31, 2017	8,386,056	\$ 8	\$ 76,986	\$ (77,637)	\$ 1	\$ (642)	\$ -	\$ (642)
Stock issued for services, to employees	1,807,012	2	1,052	-	-	1,054	-	1,054
Stock issued for services	406,500	-	186	-	-	186	-	186
Stock issued for AP settlement	35,575	-	15	-	-	15	-	15
Stock issued for cash	960,000	1	479	-	-	480	-	480
Stock issued for convertible debt	505,000	1	3	-	-	4	-	4
Stock issued, extension of debt	25,000	-	13	-	-	13	-	13
Stock issued for Acquisition	500,000	1	174	-	-	175	-	175
Stock issued, exercise of warrants	150,000	-	15	-	-	15	-	15
Value of warrants issued	-	-	670	-	-	670	-	670
Sale of subsidiary shares to a noncontrolling interest	-	-	400	-	-	400	(150)	250
Net loss	-	-	-	(3,163)	-	(3,163)	(57)	(3,220)
BALANCE, July 31, 2018	12,775,143	\$ 13	\$ 79,993	\$ (80,800)	\$ 1	\$ (793)	\$ (207)	\$ (1,000)

See accompanying notes to consolidated financial statements

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

	For the Years ended	
	July 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (3,220)	\$ 439
Adjustments to reconcile net loss to cash used in by operating activities:		
Loss on disposal of unproven oil and gas properties	-	248
Deferred tax benefit	(159)	-
Depreciation and amortization	227	18
Stock compensation and warrant expense	1,508	773
Stock issued for extension of debt	13	-
Amortization of debt discount	277	-
Loss (Gain) on derivative liabilities	91	-
Changes in operating assets and liabilities:		
Accounts receivable	56	(13)
Prepaid expenses and other current assets	(18)	(1)
Accounts payable	181	70
Accrued expenses	120	-
Deferred income	(61)	(2,550)
Net cash used in operating activities	<u>(985)</u>	<u>(1,016)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of oil and gas property	-	(38)
Purchases of property & equipment	-	(2)
Cash received from selling of noncontrolling interest	250	-
Cash paid in business acquisition, net of cash acquired	(1,788)	-
Net cash used in investing activities	<u>(1,538)</u>	<u>(40)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of stock	480	560
Proceeds from exercise of warrants	15	-
Borrowings from 3rd party promissory notes, net	890	-
Borrowings from related party notes, net	525	-
Borrowings from convertible notes, net	1,397	-
Principal payments on promissory notes, net	(815)	-
Principal payments on related party notes, net	(131)	-
Principal payments on convertible notes, net	(120)	-
Principal payment on financing leases	(3)	-
Net cash provided by financing activities	<u>2,238</u>	<u>560</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(285)	(496)
CASH AND CASH EQUIVALENTS, beginning of period	<u>673</u>	<u>1,169</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 388</u>	<u>\$ 673</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 143</u>	<u>\$ -</u>
Income taxes paid	<u>\$ 116</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Debt discount from derivative liabilities	<u>\$ 542</u>	<u>\$ -</u>
Debt discount from BCF on convertible debt and warrants issued with debt	<u>\$ 402</u>	<u>\$ -</u>
Debt discount from common stock issued with debt	<u>\$ 4</u>	<u>\$ -</u>
Stock issued for business acquisition	<u>\$ 175</u>	<u>\$ -</u>
Financing lease on purchased assets	<u>\$ 98</u>	<u>\$ -</u>
Common Stock issued to settle AP	<u>\$ 15</u>	<u>\$ -</u>
Note payable issued for business acquisition	<u>\$ 1,425</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements

**DIGERATI TECHNOLOGIES, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business. Digerati Technologies, Inc. (“we”, “our”, “Company” or “Digerati”) was incorporated in the state of Nevada on May 24, 2004. Digerati is a diversified holding company that has no independent operations apart from its subsidiaries. Through our operating subsidiaries, T3 Communications, Inc., and Shift8 Networks, Inc., dba, Synergy Telecom, we are an established provider of cloud services specializing in UCaaS (Unified Communications as a Service) solutions for the small to medium-sized business (“SMB”) market. We offer a comprehensive suite of cloud communication services to meet the global needs of businesses that are seeking simple, flexible, and cost-effective communication solutions. Our services include cloud PBX, cloud mobile, Internet broadband, cloud WAN, SIP trunking, and customized VoIP services, all delivered on its global carrier-grade network and *Only in the Cloud™*.

In December 2017, we closed a transaction to acquire all the assets, assumed all customers, and critical vendor arrangements from Synergy Telecom, Inc. Synergy provides UCaaS or cloud communication services to small and medium-sized businesses and municipalities, primarily in Texas.

In May 2018, we completed the acquisition of T3 Communications, Inc., an established UCaaS and Internet broadband provider serving a high-growth corridor in Southwest Florida.

Principles of Consolidation. The consolidated financial statements include the accounts of Digerati, and its subsidiaries, which are majority owned by Digerati In accordance with ASC 810-10-05. All significant inter-company transactions and balances have been eliminated.

Reclassifications. Certain amounts in the consolidated financial statements of the prior year have been reclassified to conform to the presentation of the current year for comparative purposes.

Use of Estimates. In preparing financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheet and revenue and expenses in the statement of operations. Actual results could differ from those estimates.

Concentration of Credit Risk. Financial instruments that potentially subject Digerati to concentration of credit risk consist primarily of trade receivables. In the normal course of business, Digerati provides credit terms to its customers. Accordingly, Digerati performs ongoing credit evaluations of its customers and maintains allowances for possible losses, which, when realized, have been within the range of management’s expectations. Digerati maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. Digerati has not experienced any losses in such accounts and Digerati does not believe it’s exposed to any significant credit risk on cash and cash equivalents.

Revenue Recognition. Digerati derives revenue from UCaaS or cloud communication services and managed cloud-based services. Our services include fully hosted IP/PBX services, SIP trunking, call center applications, interactive voice response auto attendant, call recording, simultaneous calling, voicemail to email conversion, disaster recovery services and multiple customized IP/PBX features in a hosted or cloud environment. Revenue is recognized when persuasive evidence of an arrangement exists, service or network capacity has been provided, the price is fixed or determinable, collectability is reasonably assured and there are no significant obligations remaining.

Digerati records and reports its revenue on the gross amount billed to its customers in accordance with the following indicators:

- Digerati is the primary obligor in its arrangements,
- Digerati has latitude in establishing pricing,
- Digerati changes the product or performs part of the service and is involved in the determination of the product or service specifications,
- Digerati has discretion in supplier selection and
- Digerati assumes credit risk for the amount billed to the customer.

Sources of revenue:

Cloud-based hosted Services : 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, interactive voice response auto attendant, voice and web conferencing, call recording, simultaneous calling, voicemail to email conversion, integrated mobility applications that are device and location agnostic, and multiple 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, and Ethernet over copper. We also offer remote network monitoring, data backup and disaster recovery.

Direct Costs:

Cloud-based hosted Services : 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.

Cash and cash equivalents. The Company considers all bank deposits and highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

Allowance for Doubtful Accounts.

Bad debt expense is recognized based on management's estimate of likely losses each year based on past experience and an estimate of current year uncollectible amounts. As of July 31, 2018 and 2017, Digerati's allowance for doubtful accounts balance was \$122,000 and \$0, respectively.

Customer deposits.

The Company in some instances requires customers to make deposits for equipment, installation charges and training. As equipment is installed and training takes place the deposits are then applied to revenue. As of July 31, 2018 and 2017, Digerati's customer deposits balance was \$262,000 and \$131,000, respectively.

Property and equipment. Property and equipment is recorded at cost. Additions are capitalized and maintenance and repairs are charged to expense as incurred. Gains and losses on dispositions of equipment are reflected in operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are one to five years.

Goodwill, Intangible Assets, and Long-Lived Assets

Goodwill is carried at cost and is not amortized. The Company tests goodwill for impairment on an annual basis at the end of each fiscal year, relying on a number of factors including operating results, business plans, economic projections, anticipated future cash flows and marketplace data. Company management uses its judgment in assessing whether goodwill has become impaired between annual impairment tests according to specifications set forth in ASC 350. The Company completed an evaluation of goodwill at July 31, 2018 and determined that there was no impairment. We did not have any goodwill during the year ended July 31, 2017.

The fair value of the Company's reporting unit is dependent upon the Company's estimate of future cash flows and other factors. The Company's estimates of future cash flows include assumptions concerning future operating performance and economic conditions and may differ from actual future cash flows. Estimated future cash flows are adjusted by an appropriate discount rate derived from the Company's market capitalization plus a suitable control premium at date of the evaluation.

The financial and credit market volatility directly impacts the Company's fair value measurement through the Company's weighted average cost of capital that the Company uses to determine its discount rate and through the Company's stock price that the Company uses to determine its market capitalization. Therefore, changes in the stock price may also affect the amount of impairment recorded.

The Company recognizes an acquired intangible asset apart from goodwill whenever the intangible asset arises from contractual or other legal rights, or when it can be separated or divided from the acquired entity and sold, transferred, licensed, rented or exchanged, either individually or in combination with a related contract, asset or liability. Such intangibles are amortized over their useful lives. Impairment losses are recognized if the carrying amount of an intangible asset subject to amortization is not recoverable from expected future cash flows and its carrying amount exceeds its fair value.

The Company reviews its long-lived assets, including property and equipment, identifiable intangibles, and goodwill annually or whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine recoverability of its long-lived assets, the Company evaluates the probability that future undiscounted net cash flows will be less than the carrying amount of the assets.

Impairment of Long-Lived Assets. Digerati reviews the carrying value of its long-lived assets annually or whenever events or changes in circumstances indicate that the value of an asset may no longer be appropriate. Digerati assesses recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value.

Derivative financial instruments . Digerati does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. However, Digerati analyzes its convertible instruments and free-standing instruments such as warrants for derivative liability accounting.

For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, any changes in fair value is recorded as non-operating, non-cash income or expense for each reporting period. For option-based derivative financial instruments, warrants and notes payable conversion options Digerati uses the Black-Scholes option-pricing model to value the derivative instruments.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument is probable within the next 12 months from the balance sheet date.

Notes payable conversion options are recorded as debt discounts and are amortized as interest expense over the term of the related debt instrument.

Sequencing Policy

In January 2018, as a result of entering into a convertible debenture which contained a variable conversion feature with no floor, we adopted a sequencing policy in accordance with ASC 815-40-35-12 The Company retrospectively is adopting the sequencing policy so all warrants with fixed exercise price, and convertible notes with fixed conversion price or with a conversion price floor are sequenced by issue date thus excluded from derivative consideration.

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 July 31, 2018 and 2017 of \$632,000 and \$0, respectively, were valued using 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, 2017	\$	-
Derivative discount - convertible debt		541,000
Derivative loss		91,000
Balance at July 31, 2018	\$	632,000

Income taxes. Digerati recognizes deferred tax assets and liabilities based on differences between the financial reporting and tax bases of assets and liabilities using the enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered. Digerati provides a valuation allowance for deferred tax assets for which it does not consider realization of such assets to be more likely than not.

Since January 1, 2007, Digerati accounts for uncertain tax positions in accordance with the authoritative guidance issued by the Financial Accounting Standards Board on income taxes which addresses how an entity should recognize, measure and present in the financial statements uncertain tax positions that have been taken or are expected to be taken in a tax return. Pursuant to this guidance, Digerati recognizes a tax benefit only if it is “more likely than not” that a particular tax position will be sustained upon examination or audit. To the extent the “more likely than not” standard has been satisfied, the benefit associated with a tax position is measured as the largest amount that is greater than 50% likely of being realized upon settlement. As of July 31, 2017 we have no liability for unrecognized tax benefits.

Stock-based compensation. In June 2018 FASB adopted the Accounting Standards Update No. 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Non-employee Share-Based Payment Accounting*. This update simplifies the accounting for non employee share-based payment transactions by expanding the scope of Topic 718, Compensation-Stock Compensation, to include share-based payment transactions for acquiring goods and services from non-employees. The guidance is effective for annual periods beginning after December 15, 2018, and interim periods within that reporting period. The Company adopted the updated standard as of May 1, 2018 and adopting this guidance did not have a material effect on its consolidated financial statements. During fiscal 2017 and 2018, the Company issued 1,003,970 common shares and 2,213,512 common shares, respectively to various employees as part of our profit-sharing plan contribution and stock in lieu of cash. At the time of issuance during fiscal 2017 and 2018 we recognized stock-based compensation expense of approximately \$241,000 and \$1,240,000, respectively equivalent to the market value of the shares issued calculated based on the share’s closing price at the grant dates.

Basic and diluted net income (loss) per share. The basic net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding. Diluted net loss per common share is computed by dividing the net loss adjusted on an “as if converted” basis, by the weighted average number of common shares outstanding plus potential dilutive securities. For the year ended July 31, 2017, potential dilutive securities including options and warrants had dilutive effect and were included in the calculation of diluted net income (loss) per common share. For the year ended July 31, 2018, potential dilutive securities including options and warrants were not included in the calculation of diluted net (loss) per common share. Potential dilutive securities, which are not included in dilutive weighted average shares are as follows:

	<u>7/31/2018</u>	<u>7/31/2017</u>
Options to purchase common stock	3,415,000	1,170,000
Warrants to purchase common stock	2,370,000	51,000
Convertible debt	3,268,214	-
Total:	<u>9,053,214</u>	<u>1,221,000</u>

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 year ended July 31, 2018 and 2017, the Company recognized a noncontrolling deficits of \$57,000 and \$0, respectively.

Recently issued accounting pronouncements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific revenue recognition guidance throughout the Industry Topics of the Accounting Standards Codification. The updated guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also provides for additional disclosures with respect to revenues and cash flows arising from contracts with customers. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2017, and the Company adopted the standard effective August 1, 2018.

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 is currently assessing the impact of adopting this guidance on its consolidated financial statements.

In June 2018, the FASB issued Accounting Standards Update No. 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Non-employee Share-Based Payment Accounting*. This update simplifies the accounting for non-employee share-based payment transactions by expanding the scope of Topic 718, *Compensation-Stock Compensation*, to include share-based payment transactions for acquiring goods and services from non-employees. The guidance is effective for annual periods beginning after December 15, 2018, and interim periods within that reporting period. The Company adopted this updated standard as of May 1, 2018, and adopting this guidance did not have a material effect on the presentation of our consolidated financial statements.

NOTE 2 – GOING CONCERN

Financial Condition

Digerati's consolidated financial statements for the year ending July 31, 2018 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. Digerati has incurred net losses and accumulated a deficit of approximately \$80,800,000 and a working capital deficit of approximately \$3,722,000 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 July 31, 2018 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

During fiscal 2008, Digerati made a loan of \$150,000 to NetSapiens Inc. The note receivable had a maturity date of June 26, 2008 with interest at 8% per year. The note was secured by NetSapiens' proprietary Starter Platform License and SNAPsolution modules. On June 26, 2008 Digerati converted the outstanding interest and principal balance into a lifetime and perpetual NetSapiens' License. The License provides Digerati with the ability to offer Hosted PBX (Private Branch eXchange), IP Centrex application, prepaid calling, call center, conferencing, messaging and other innovative telephony functionality necessary to offer standard and/or custom services to enterprise markets. The NetSapiens' License, in the amount of \$150,000, is being amortized equally over a period of 10 years. For the years ended July 31, 2018 and 2017, amortization totaled approximately \$13,750 and \$15,000, respectively. As of July 31, 2018 the NetSapiens' License is fully amortized.

On December 1, 2017, Shift8 and Synergy Telecom, Inc., a Delaware corporation ("Synergy"), closed a transaction to acquire all the assets, assumed all customers, and critical vendor arrangements from Synergy. The total purchase price was \$425,000, the acquisition was accounted for under the purchase method of accounting, with Digerati identified as the acquirer. Under the purchase method of accounting, the aggregate amount of consideration assumed by Digerati was allocated to customer contracts acquired, software licenses, and goodwill based on their fair values as of July 31, 2018.

The following information summarizes the allocation of the fair values assigned to the assets. The allocation of fair values is based on an extensive analysis and is subject to changes in the future during the measurement period.

	<u>Synergy</u>	<u>Useful life (years)</u>
Customer relationships	\$ 40,000	5
License - software	105,000	3
Goodwill	280,000	-
Total Purchase price	<u>\$ 425,000</u>	

For the years ended July 31, 2018 and 2017, amortization expense for the acquired intangible was \$25,000 and \$0, respectively.

On May 2, 2018, the Company closed on the Merger Agreement with T3 Communications, Inc. to increase its customer base and obtain higher efficiency of its existing infrastructure.

The total purchase price was \$3,211,945 paid in cash at closing. The acquisition was accounted for under the purchase method of accounting, with the Company identified as the acquirer. Under the purchase method of accounting, the aggregate amount of consideration assumed by the Company was allocated to cash, customer contracts acquired, current assets, property plant and equipment and assumed payables based on their estimated fair values as of May 2, 2018.

The following information summarizes the allocation of the purchase price assigned to intangible assets. The allocation of fair values is based on an extensive analysis and is subject to changes in the future during the measurement period.

	<u>Synergy</u>	<u>Useful life (years)</u>
Customer relationships	\$ 1,480,000	7
Marketing & Non-compete	800,000	5
Goodwill	554,828	-
Total	<u>\$ 2,834,828</u>	

For the years ended July 31, 2018 and 2017, amortization expense for the acquired assets totaled approximately \$93,000 and \$0, respectively.

Intangible assets at July 31, 2018 and 2017 are summarized in the tables below:

	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
July 31, 2018			
NetSapeins - license, 10 years	\$ 150,000	\$ (150,000)	\$ -
Customer relationships, 5 years	40,000	(4,667)	35,333
Customer relationships, 7 years	1,480,000	(64,652)	1,415,348
Marketing & Non-compete, 5 years	800,000	(40,000)	760,000
Total Define-lived Assets	2,470,000	(259,319)	2,210,681
Goodwill, Indefinite	834,828	-	834,828
Balance, July 31, 2018	3,304,828	(259,319)	3,045,509
July 31, 2017			
NetSapeins - license, 10 years	\$ 150,000	\$ (136,500)	\$ 13,500
Total Define-lived Assets	150,000	(136,500)	13,500
Goodwill, Indefinite	-	-	-
Balance, July 31, 2017	150,000	(136,500)	13,500

Total amortization expense for the periods ended July 31, 2018 and 2017 was approximately \$123,000 and \$15,000, respectively.

NOTE 4 - PROPERTY AND EQUIPMENT

Following is a summary of Digerati's property and equipment at July 31, 2018 and 2017 (in thousands):

	Useful lives	2018	2017
Telecom equipment & software	1-5 years	\$ 831	\$ 16
Less: accumulated depreciation		(118)	(14)
Net-property and equipment		\$ 713	\$ 2

The Company uses straight-line depreciation, for the years ended July 31, 2018 and 2017, depreciation totaled approximately \$104,000 and \$3,000, respectively.

NOTE 5 – INCOME TAXES

Digerati files a consolidated tax return. The current tax year is subject to examination by the Internal Revenue Service and certain state taxing authorities. As of July 31, 2018, Digerati had net operating loss carry-forwards of approximately \$5,956,000 to reduce future federal income tax liabilities; the loss carryforwards will start to expire in 2020. Under the recently enacted Tax Cuts and Jobs Act (TCJA), the new effective Corporate flat tax rate is 21% (effective for tax years beginning after December 31, 2017). Income tax benefit (provision) for the years ended July 31, 2018 and 2017 are as follows:

The effective tax rate for Digerati is reconciled to statutory rates as follows:

	2018	2017
Expected Federal benefit (provision), at statutory rate	21.0%	35.0%
Change in valuation allowance	(21.0)%	(35.0)%
	0.0%	0.0%

Deferred tax assets are comprised of the following as of July 31, 2018 and 2016:

	2018	2017
Net operating loss carryover	\$ 1,090,700	\$ 1,282,000
Valuation allowance	(1,090,700)	(1,282,000)
Total deferred tax asset, net	<u>\$ -</u>	<u>\$ -</u>

At July 31, 2018, realization of Digerati's deferred tax assets was not considered likely to be realized. The change in the valuation allowance for 2018 was resulted in a decrease of approximately \$191,000. Management has evaluated and concluded that there are no significant uncertain tax positions requiring recognition in Digerati's combined financial statements. The current year remains open to examination by the major taxing jurisdictions in which Digerati is subject to tax. The Company files a calendar year return and the net operating loss was adjusted for the fiscal year ended July 31, 2018.

During the year ended July 31, 2018 the Company issued 4,389,086 common shares, and under our initial assessment this will likely result in a change of control and the net operation loss (NOL's) became subject to the separate return limitation year. We will evaluate during the tax year and consider the limitations.

We record unrecognized tax benefits as liabilities in accordance with ASC 740 and adjust these liabilities when our judgment changes as a result of the evaluate on new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the unrecognized tax benefit liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Commitments

Digerati leases its corporate facilities, sales office and network facilities in Texas and Florida. The annual rent expense under the operating leases was \$81,670 and \$6,996, for 2018 and 2017, respectively. Below is a list of our primary operating leases:

The future minimum lease payment under the operating leases are as follows:

Location	Lease Expiration Date	Annual Rent	Business Use	Approx. Sq. Ft.
1600 NE Loop 410, Suite 126, San Antonio, TX 78209	Apr-19	\$ 27,300	Executive offices	1,453
2401 First Street, Suite 300, Ft. Myers, FL 34901	Nov-20	\$ 107,534	Lease of network facilities and office space	6,800
7218 McNeail Dr, Austin, TX 78729	Aug-21	\$ 14,222	Lease of network facilities	25
6606 Lyndon B. Johnson, Fwy., FL1, Suite 125, Dallas, TX 75240	Sep-21	\$ 25,161	Lease of network facilities	25
9701 S. John Young Parkway, Orlando, FL 32819	May-23	\$ 30,528	Lease of network facilities	540

NOTE 7 – 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 year ended July 31, 2018, we issued:

- 644,732 common shares to various employees as part of the Company’s profit-sharing plan contribution. The Company recognized stock-based compensation expense of approximately \$226,000 equivalent to the value of the shares calculated based on the share’s closing price at the grant dates.
- 515,493 common shares to management for services in lieu of cash compensation. The Company recognized stock-based compensation expense of approximately \$222,000 equivalent to the value of the shares calculated based on the share’s closing price at the grant dates.
- 646,787 common shares to management for services in lieu of cash compensation. The Company recognized stock-based compensation expense of approximately \$306,000 equivalent to the value of the shares calculated based on the share’s closing price at the grant dates.
- 1,025,000 options to purchase common shares to various employees with an exercise price of \$0.35 per share and a term of 5 years. The options vest equally over a period of one year. The options have a fair market value of \$218,200.
- 275,000 options to purchase common shares to various employees with an exercise price of \$0.35 per share and a term of 5 years. The options vest equally over a period of two years. The options have a fair market value of \$74,600.
- 545,000 options to purchase common shares to various employees with an exercise price of \$0.35 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 \$164,600.
- 420,000 options to purchase common shares to various employees with an exercise price of \$0.45 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 \$160,000.

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	162.72% - 169.76%
Risk-free interest rate	2.13% -2.78%
Expected term	1.0 - 3.0 years

During the year ended July 31, 2018 we issued the following to non-employee professionals:

- In September 2017, the Company issued an aggregate of 12,500 shares of common stock with a market value at time of issuance of \$4,375. The shares were issued for consulting services.
- In December 2017, the Company issued an aggregate of 100,000 shares of common stock with a market value at time of issuance of \$40,000. The shares were issued for consulting services.
- In June 2018, the Company issued an aggregate of 100,000 shares of common stock with a market value at time of issuance of \$48,000. The shares were issued for consulting services.
- In July 2018, the Company issued an aggregate of 194,000 shares of common stock with a market value at time of issuance of \$93,720. The shares were issued to various professionals for consulting services.

Also, during the year ended July 31, 2018 we issued the following to settle accounts payables:

- In June 2018, the Company issued an aggregate of 35,575 shares of common stock with a market value at time of issuance of \$15,288. The shares were issued to settle accounts payables with various professionals, the Company recognized a loss of \$5,700 upon issuance of the shares.

During fiscal 2018, the Company recognized \$1,054,000 as employee stock compensation expense and \$186,000 as non-employee stock compensation expense. Unamortized compensation cost totaled \$397,000 and \$88,000, respectively as of July 31, 2018 and July 31, 2017.

A summary of the stock options of July 31, 2018 and 2017 and the changes during the years ended July 31, 2018 and 2017 are presented below:

	<u>Options</u>	<u>Weighted- average exercise price</u>	<u>Weighted- average remaining contractual term (years)</u>
Outstanding at July 31, 2016	-	\$ -	-
Granted	1,170,000	\$ 0.24	5.00
Exercised	-	-	-
Forfeited and cancelled	-	-	-
Outstanding at July 31, 2017	<u>1,170,000</u>	<u>\$ 0.24</u>	<u>4.30</u>
Granted	2,265,000	\$ 0.37	5.00
Exercised	-	-	-
Forfeited and cancelled	(20,000)	\$ 0.24	3.30
Outstanding at July 31, 2018	<u>3,415,000</u>	<u>\$ 0.33</u>	<u>4.58</u>
Exercisable at July 31, 2018	<u>2,006,111</u>	<u>\$ 0.29</u>	<u>4.58</u>

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 1,170,000 and 3,415,000 stock options outstanding at July 31, 2017 and July 31, 2018 was \$339,000 and \$706,372, respectively.

The aggregate intrinsic value of 721,111 and 2,006,111 stock options exercisable at July 31, 2017 and July 31, 2018 was \$209,000 and \$587,389, respectively.

NOTE 8 – WARRANTS

During the year ended July 31, 2017, the Company issued the following warrants:

The Company secured \$560,000 from various accredited investors under a private placement and issued 1,120,000 shares of its common stock at a price of \$0.50 per share and warrants to purchase an additional 210,000 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.

During the year ended July 31, 2018, the Company issued the following warrants:

The Company secured \$480,000 from various accredited investors under a private placement and issued 960,000 shares of its common stock at a price of \$0.50 per share and warrants to purchase an additional 180,000 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.

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 will amortize the fair market value as warrant expense over 12 months. During the year ended July 31, 2018 the Company amortized \$128,000 in warrant expense related to these warrants.

In January 2018, Digerati issued 220,000 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 \$0.001. At time of issuance the company recognized approximately \$119,000 in warrant expense using Black-Scholes valuation.

In March 2018, Digerati issued 300,000 warrants under two promissory notes and, 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 \$127,000 and was recognized as a discount on the two promissory notes, the company will amortize the fair market value as interest expense over 9 months.

In March 2018, Digerati issued 30,000 warrants under various promissory notes, the warrants vested at time of issuance. The warrants have a term of 3 years, with an exercise price of \$0.15. Under a Black-Scholes valuation the relative fair market value of the warrants at time of issuance was approximately \$12,000 and was recognized as a discount on the two promissory notes, the company will amortize the fair market value as interest expense over 4 months.

In April 2018, Digerati issued 400,000 warrants under various promissory notes, the warrants vested at time of issuance. The warrants have a term of 5 years, with an exercise price of \$0.15. Under a Black-Scholes valuation the relative fair market value of the warrants at time of issuance was approximately \$107,000 and was recognized as a discount on the promissory notes, the company will amortize the fair market value as interest expense over 4 months.

In April 2018, Digerati issued 100,000 warrants under a promissory note, the warrants vested at time of issuance. The warrants have a term of 3 years, with an exercise price of \$0.50. Under a Black-Scholes valuation the relative fair market value of the warrants at time of issuance was approximately \$27,000 and was recognized as a discount on the promissory notes, the company will amortize the fair market value as interest expense over 55 months.

In April 2018, Digerati issued 75,000 warrants under a promissory note, the warrants vested at time of issuance. The warrants have a term of 3 years, with an exercise price of \$0.50. Under a Black-Scholes valuation the relative fair market value of the warrants at time of issuance was approximately \$19,000 and was recognized as a discount on the promissory notes, the company will amortize the fair market value as interest expense over 25 months.

In June 2018, Digerati issued 255,000 warrants under various 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 \$110,000 and was recognized as a discount on the promissory notes, the company will amortize the fair market value as interest expense over 9 months.

In July 2018, Digerati issued 50,000 warrants to a consultant for services, the warrants vested at time of issuance. The warrants have a term of 3 years, with an exercise price of \$0.50. At time of issuance the company recognized approximately \$21,000 in warrant expense using Black-Scholes valuation.

In July 2018, Digerati received \$15,000 for the exercise of 150,000 warrants, with an exercise price of \$0.10 per warrant.

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% - 176.56%
Risk-free interest rate	2.05% -2.80%
Expected term	3.0 - 5.0 years

A summary of the warrants as of July 31, 2018 and 2017 and the changes during the years ended July 31, 2018 and 2017 are presented below:

	<u>Warrants</u>	<u>Weighted- average exercise price</u>	<u>Weighted- average remaining contractual term (years)</u>
Outstanding at July 31, 2016	300,000	\$ 0.14	3.45
Granted	210,000	\$ 0.50	3.00
Exercised	-	-	-
Forfeited and cancelled	-	-	-
Outstanding at July 31, 2017	510,000	\$ 0.29	2.87
Granted	2,010,000	\$ 0.26	3.34
Exercised	(150,000)	\$ 0.10	3.00
Forfeited and cancelled	-	-	-
Outstanding at July 31, 2018	2,370,000	\$ 0.28	2.90
Exercisable at July 31, 2018	2,070,000	\$ 0.24	2.90

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 510,000 and 2,370,000 stock options outstanding at July 31, 2017 and July 31, 2018 was \$137,700 and \$607,557, respectively.

The aggregate intrinsic value of 510,000 and 2,070,000 stock options exercisable at July 31, 2017 and July 31, 2018 was \$137,700 and \$597,927, respectively.

Warrant expense for the years ended July 31, 2018 and 2017 was \$268,000 and \$0, respectively. Unamortized warrant expense totaled \$64,000 and \$0, respectively as of July 31, 2018 and July 31, 2017.

NOTE 9 – NON-STANDARDIZED PROFIT-SHARING PLAN

We currently provide a Non-Standardized Profit-Sharing Plan, adopted September 15, 2006. Under the plan our employees qualify to participate in the plan after one year of employment. Contributions under the plan are based on 25% of the annual base salary of each eligible employee up to \$54,000 per year. Contributions under the plan are fully vested upon funding. During the years ended July 31, 2018 and July 31, 2017, the Company issued 644,732 and 1,003,966 respectively, common shares to various employees as part of the Company's profit-sharing plan contribution. The Company recognized stock-based compensation expense for July 31, 2018 and July 31, 2017 of \$226,000 and \$241,000, respectively, equivalent to the value of the shares calculated based on the share's closing price at the grant dates.

NOTE 10 – SIGNIFICANT CUSTOMERS

During the year ended July 31, 2018, the Company did not derived a significant amount of revenue from one single customer. During the year ended July 31, 2018, the Company derived a significant amount revenue from four customers, comprising 24%, 24%, 11%, and 8% of the total revenue for the year.

As of the year ended July 31, 2018, the company derived 13% and 23% total accounts receivable from two customers. During the year ended July 31, 2017, the Company derived a significant amount of accounts receivables from three customers, comprising 37%, 27% and 14% of the total accounts receivable for the year ended July 31, 2017.

NOTE 11 - DEBT

Non-convertible debt

On December 1, 2017, Shift8 and Synergy Telecom, Inc., a Delaware corporation (“Synergy”), closed a transaction to acquire all the assets, assumed all customers, and critical vendor arrangements from Synergy. In conjunction with the transaction, Shift8 entered into a promissory note for \$125,000 with an effective annual interest rate of 6% with 5 quarterly payments and a maturity date of February 28, 2019. The note holder agreed to extend two of the quarterly payment until January 15, 2019. During the year ended July 31, 2018, the Company made a principal payment of \$50,000, the balance outstanding as of July 31, 2018 was \$75,000.

On January 17, 2018, the Company entered into a Promissory Note for \$30,000, bearing interest at a rate of 5% per annum, with maturity date of January 19, 2018. The Company paid the full principal amount outstanding and accrued interest on January 19, 2018.

On February 21, 2018, the Company entered into a Promissory Note for \$35,000, bearing interest at a rate of 5% per annum, with maturity date of March 2, 2018. The Company paid the full principal amount outstanding and accrued interest on March 2, 2018.

On March 13, 2018, the Company entered into various Promissory Notes (the “Notes”) for \$200,000, bearing interest at a rate of 12% per annum, with maturity date of April 13, 2018. The Company paid the full principal amount outstanding and accrued interest on April 13, 2018. In conjunction with the Notes, the Company issued 30,000 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 \$0.15. Under a Black-Scholes valuation the relative fair market value of the warrants at time of issuance was approximately \$12,000 and was recognized as a discount on the promissory notes, the company amortized the relative fair market value as interest expense during the year ended July 31, 2018. During the year ended July 31, 2018, the Company paid the full principal amount outstanding and accrued interest.

On April 30, 2018, Shift8 entered into a 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, Shift8 entered into a Security Agreement, whereby Shift8 Agreed to pledge one third of the outstanding shares of T3, 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 the principal balance is paid in full. The lender agreed to extend the maturity date until November 30, 2018, we are currently paying a \$3,000 per week late fee. As of July 31, 2018, the outstanding principal balance was \$650,000.

On April 30, 2018, Shift8 Networks, Inc. (“Shift8”), a subsidiary of Digerati Technologies, Inc. entered into a credit facility under a 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 Shift8 and 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 nonusurious rate of interest per annum permitted by whichever of applicable United States federal law or Louisiana law permits the higher interest rate. Shift8 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, Shift8 agreed to pay a monitoring fee of 0.33% of the credit facility, payable in arrears monthly. Shift8 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. Shift8 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 July 31, 2018, the outstanding principal balance was \$500,000.

On May 1, 2018, Shift8 entered into a promissory note for \$150,000 with an effective annual interest rate of 3% and a maturity date of May 7, 2018. On May 4, 2018 the promissory note was paid in full.

On April 27, 2018, Shift8 entered into a promissory note for \$350,000 with an effective annual interest rate of 12% and a maturity date of June 27, 2018. With a principal payment of \$200,000 due on May 31, 2018 and a principal payment of \$150,000 due on June 27, 2018. The promissory note is secured by a Pledge and Security Agreement, whereby Shift8 agreed to pledge the cash on hand at one of the bank accounts owned by T3 until the principal payment is paid in full.

In conjunction with the Notes, the Company issued 3-year warrants to purchase 400,000 shares of common stock each at an exercise price of \$0.15 per share. Under a Black-Scholes valuation the relative fair market value of the warrants at time of issuance was approximately \$107,000 and was recognized as a discount on the promissory notes during the year ended July 31, 2018. During the year ended July 31, 2018, the promissory note was paid in full.

Notes payable, related party

On April 30, 2018, Shift8 Technologies, Inc. (“Shift8”) entered into a convertible 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 (in the form attached hereto as Exhibit “B”, 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 Shift8 agreed to pledge 51% of the securities owned in T3 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 approximately \$19,000 and was recognized as a discount on the two promissory notes, the company amortized \$6,000 as interest expense during the year ended July 31, 2018. During the year ended July 31, 2018, the Company paid \$119,000 of the principal balance. The total principal outstanding and unamortized discount as of July 31, 2018 were \$406,000 and \$13,000, respectively. One of the note holders also serves as President, CEO and Board Member of T3 Communications, Inc., one of our operating subsidiaries.

On May 1, 2018, Shift8 entered into a 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 Shift8 in T3, 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 \$27,000 and was recognized as a discount on the promissory note, the company amortized \$2,000 as interest expense during the year ended July 31, 2018. During the year ended July 31, 2018, the Company paid \$13,000 of the principal balance. The total principal outstanding and unamortized discount as of July 31, 2018 were \$262,000 and \$25,000, respectively. The note holder also serves as Board Member of T3 Communications, Inc., 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 \$127,000 and was recognized as a discount on the promissory notes, the company amortized \$42,000 as a non-cash interest during the year ended July 31, 2018. The total principal outstanding and unamortized discount as of July 31, 2018 were \$500,000 and \$85,000, respectively.

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 maturity date of April 10, 2019. In conjunction with the Notes, the Company issued 240,000 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 \$111,000 and was recognized as a discount on the promissory notes. The company amortized \$9,000 as interest expense during the year ended July 31, 2018. The total principal outstanding and unamortized discount as of July 31, 2018 were \$272,000 and \$102,000, respectively.

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.

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.

The Debenture provides Peak One with the option to convert any outstanding balance under the Debenture into shares of Common Stock of the Company at a conversion price for each share of Common Stock equal to either: (i) if the date of conversion is prior to the date that is 180 days after the issuance date, \$0.50, or (ii) if the date of conversion is on or after the date that is 180 days after the issuance date, the lesser of (a) \$0.50 or (b) at 70% of the lowest closing bid price of the Company’s Common Stock during the twenty trading days prior to conversion, 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 at the time of conversion, then 70% shall automatically adjust to 65% of the lowest closing bid price.

The Company may at its option call for redemption all or part of the Debentures, with the exception of any portion thereof which is the subject of a previously-delivered notice of conversion, prior to the maturity date for an amount equal to: (i) if the redemption date is 90 days or less from the date of issuance, 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 91 days from the date of issuance and less than or equal to 120 days from the date of issuance, 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 121 days from the date of issuance and less than or equal to 50 days from the date of issuance, 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 151 days from the date of issuance and less than or equal to 180 days from the date of issuance, 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 181 days from the date of issuance, 140% of the sum of the principal amount so redeemed plus accrued interest, if any. During the year ending July 31, 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, as of the year ending July 31, 2018, the company recognized derivative liability of \$112,000 at July 31, 2018, of which \$80,000 was recorded as debt discount and will be amortized during the term of the note, and \$32,000 was recorded as derivative loss. The total principal balance outstanding as of July 31, 2018 was \$80,000. 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 will be amortized to interest expense.

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. As of July 31, 2018, the Company recorded a derivative liability of \$189,000 and had an outstanding principal balance of \$220,000. 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 the Company also recorded debt discount of \$192,798 and will be amortized to interest expense.

On May 30, 2018, the Company entered into a securities purchase agreement with Firstfire Global Opportunities Fund, LLC, a Delaware limited liability company (“Firstfire”). Under the agreement, we issued Firstfire a \$305,556 principal amount of a convertible promissory note for a cash purchase price of \$275,000 (“Promissory note”), bearing interest at a rate of 6% per annum, with maturity on the first anniversary of the date of issuance. The Company paid Firstfire \$2,500 for legal and compliance fees. The Company recorded the legal fees and other cost for a total of \$33,000 as a discount to the Promissory note and they will be amortized over the term to interest expense. In connection with the execution of the securities purchase agreement, we issued 125,000 shares of our common stock to Firstfire as a commitment fee, the shares were recorded with a relative fair value of \$0, the Company also recorded debt discount of \$272,500 and will be amortized to interest expense.

The Promissory note provides Firstfire with the option 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 note 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) 65% of the lowest closing bid price of the Company’s Common Stock during the twenty (20) consecutive trading day period immediately preceding the trading day that the Company receives a Notice of Conversion (the “Alternate Conversion Price”).

The Company may Prepay at any time prior to the 180th calendar day after the funding of the Promissory note all or part of the outstanding principal balance, with the exception of any portion thereof which is the subject of a previously-delivered notice of conversion, prior to the maturity date for an amount equal to: (i) if the prepayment date is 90 days or less from the date of issuance, 105% of the sum of the principal amount to be prepaid plus accrued interest, if any; (ii) if the prepayment date is greater than or equal to 91 days from the date of issuance and less than or equal to 120 days from the date of issuance, 110% of the sum of the principal amount to be prepaid plus accrued interest, if any; (iii) if the prepayment date is greater than or equal to 121 days from the date of issuance and less than or equal to 180 days from the date of issuance, 115% of the sum of the principal amount to be prepaid plus accrued interest, if any.

In the event of default, the note shall become immediately due and paid in full in an amount (the “Default Amount”) equal to the principal amount then outstanding plus accrued interest through the date of full repayment multiplied by 150%. The holder may, at its sole discretion, determine to accept payment part in Common Stock and part in cash.

The Company analyzed the Promissory note for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. Therefore, as of the year ending July 31, 2018, the company recognized a debt discount of \$272,500 and recorded a \$58,000 as a loss in derivative liability. In addition, the Company has a derivative liability of \$331,000 at July 31, 2018. As of the year the ended July 31, 2018, the principal balance outstanding was \$306,000.

The future principal payments for the Company's debts is as follows:

FY	Payments
2019	\$ 1,928,501
2020	890,083
2021	361,924
2022	67,114
2023	23,596
Total Principal Payments	<u>\$ 3,271,218</u>

NOTE 12 - CAPITAL LEASES

The Company entered into two leases for equipment all of which are classified as capital leases. The Company financed the equipment with a leasing entity. Under the terms of these transactions, assets with a cost of approximately \$37,255 and \$60,408, leases were financed under two separate lease agreements as of the May 2018 and June 2018, respectively. The leases are net leases as all of the costs associated with the assets such as maintenance, insurance and property taxes are for the account of the Company. Under each of these transactions, the Company can elect to purchase the assets from the lessor at the end of a fixed term. These terms are for 36 months, with the first lease payments starting June 20, 2018 and July 20, 2018, respectively and monthly lease principal and interest payments of \$1,176 and \$1,856, respectively. The Company will own the equipment at the end of the term. The interest rate under the leases range from 6.65% to 8.50% per annum. The Company has accounted for its repayment obligations under these transactions as capital lease obligations. The assets are included in Leased Equipment and Net investment in finance leases and the capital lease obligation is included in Long-term capital lease obligations and current maturities of capital leases on the accompanying Balance Sheet as of July 31, 2018.

During the year ended July 31, 2018, the Company made total principal payments of \$3,032. The future capital lease payments under the financing agreements are as follows:

Year	Amount
2019	\$ 36,381
2020	36,381
2021	32,152
Total future payments:	<u>\$ 104,914</u>
Less: amounts representing interest	<u>\$ 10,622</u>
Present value of net minimum lease payments	<u>\$ 94,292</u>
Less current maturities	<u>\$ 30,465</u>
Long-term capital lease obligation	<u>\$ 63,827</u>

NOTE 13 – BUSINESS ACQUISITIONS

On December 1, 2017, Shift8 and Synergy Telecom, Inc., a Delaware corporation (“Synergy”), closed a transaction to acquire all the assets, assumed all customers, and critical vendor arrangements from Synergy. Shift8 acquired Synergy to increase its customer base and obtain higher efficiency of its existing infrastructure. Shift8 paid \$125,000 upon execution of the agreement, issued 500,000 shares of common stock with a market value of \$175,000, and entered into a promissory note for \$125,000 with an effective annual interest rate of 6% with 5 quarterly payments and a maturity date of February 28, 2019.

The total purchase price was \$425,000, the acquisition was accounted for under the purchase method of accounting, with Digerati identified as the acquirer. Under the purchase method of accounting, the aggregate amount of consideration assumed by Digerati was allocated to customer contracts acquired, software licenses, and goodwill based on their fair values as of July 31, 2018.

The following information summarizes the allocation of the fair values assigned to the assets. The allocation of fair values is based on an extensive analysis and is subject to changes in the future during the measurement period.

	<u>Synergy</u>	<u>Useful life (years)</u>
Customer relationships	\$ 40,000	5
License - software	105,000	3
Goodwill	280,000	-
Total Purchase price	<u>\$ 425,000</u>	

The Company incurred approximately \$10,000 in costs associated with the acquisition. These included legal, and accounting. The Company expensed these costs during the year ended July 31, 2018.

Additionally, on May 2, 2018, the Company closed on the Merger Agreement with T3 Communications, Inc. to increase its customer base and obtain higher efficiency of its existing infrastructure.

The total purchase price was \$3,211,945, paid in cash upon closing, the acquisition was accounted for under the purchase method of accounting, with the Company identified as the acquirer. Under the purchase method of accounting, the aggregate amount of consideration assumed by the Company was allocated to cash, customer contracts acquired, current assets, property plant and equipment and assumed payables based on their estimated fair values as of May 2, 2018. Allocation of the purchase price is preliminary and based on the best estimates of management.

The allocation of fair values is based on an extensive analysis and is subject to changes in the future during the measurement period.

	<u>(in thousands) T3</u>
Cash	\$ 250
Accounts receivable & other current assets	367
Intangible assets and Goodwill	2,835
Property and equipment, net	568
Other Assets	140
Total identifiable net assets	<u>\$ 4,160</u>
Less: liabilities assumed	(948)
Total Purchase price	<u>\$ 3,212</u>

The following table summarizes the cost of amortizable intangible assets related to the acquisition:

	Cost (in thousands)	Useful life (years)
Customer relationships	\$ 1,480	7
Marketing & Non-compete	800	5
Goodwill	601	-
Total	<u>\$ 2,881</u>	

The Company incurred approximately \$160,000 in costs associated with the acquisition. These included legal, and accounting. The Company expensed these costs during the year ended July 31, 2018.

Proforma

The following is the unaudited proforma results of operations for both acquisitions for the years ended July 31, 2018 and 2017 as if the acquisition occurred on August 1, 2016. The proforma results of operations are presented for informational purposes only and are not indicative of the results of operations that would have been achieved if the acquisition had taken place on August 1, 2016, or of results that may occur in the future.

	For the Years Ended July 31,	
	2018	2017
Revenue	\$ 5,674	\$ 5,729
Loss from operations	8,705	4,785
Net Income (loss)	(3,031)	944
Earnings (loss) per common shares outstanding - Basic and Diluted	<u>\$ (0.34)</u>	<u>\$ 0.14</u>

NOTE 14 – NONCONTROLLING INTEREST

On May 1, 2018, Shift8 Technologies, Inc. (“Shift8”) entered into a Stock Purchase Agreement (“SPA”), whereby in an exchange for \$250,000, Shift8 agreed to sell to the buyer 199,900 shares of common stock equivalent to 19.99% of the issued and outstanding common share of Shift8 Technologies, Inc. The \$250,000 of the cash received under this transaction was recognized as an adjustment to the carrying amount of the noncontrolling interest and as an increase in additional paid-in capital in Shift8. At the option of the Company, and for a period of five years following the date of the SPA, the 199,900 shares of common stock in Shift8 may be converted into Common Stock of Digerati at a ratio of 3.4 shares of DTGI Common stock for every one (1) share of Shift8 at any time after the DTGI Common Stock has a current market price of \$1.50 or more per share for 20 consecutive trading days. For the year ending July 31, 2018, the Company accounted for a noncontrolling interest of \$57,000. Additionally, one of the buyers serves as President, CEO and Board Member of T3 Communications, Inc., one of our operating subsidiaries.

NOTE 15 – MISCELLANEOUS GAIN

The Company received a tax refund in July 2015. The Company recorded the funds as an accrued liability until such time as it could determine the proper accounting for the refund. Subsequent to its receipt, management has determined that the Company is the legal owner of the refund which has been recorded as a miscellaneous gain during fiscal 2017. The refund did not result from taxes paid by the Company and will not be taxed as it originated from the Internal Revenue Service.

NOTE 16 – LOSS ON DISPOSAL OF UNPROVEN OIL AND GAS PROPERTIES

On February 29, 2016 Flagship Energy Company (“Flagship”), a wholly-owned subsidiary of Digerati, entered into an Agreement with a Texas-based contract-for-hire oil and gas operator (“Operator”). Under the Agreement, Flagship utilized the Operator for the drilling, completion and the initial operations of a shallow oil and gas well in conjunction with the purchase of 100% of Operator’s working interest and 80% of its Net Revenue Interest. Under the Agreement, the Operator agreed to transfer all field-level operations and assign 100% of a certain oil, gas and mineral lease to Flagship upon demand, which included a tract of land located in South Texas. Additionally, Flagship entered into a Joint Operating Agreement (“JOA”) with Operator, whereby the parties agreed to develop the oil and gas well or wells for the production and retrieval of oil and gas commodities as provided for in the oil, gas and mineral lease.

During the fiscal year ended July 31, 2017 the Company recognized a loss on disposal of unproven oil and gas properties of \$248,000 for the total capitalized investment amount in the oil and gas properties.

NOTE 17 – SUBSEQUENT EVENTS

On August 1, 2018, the Company secured \$40,000 from an accredited 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.

On October 12, 2018, the Company entered into a Promissory Note (the “Note”) for \$25,000, bearing interest at a rate of 8% per annum, with maturity date of November 12, 2019. In conjunction with the Note, the Company issued 140,000 common shares, the shares vested at time of issuance. The relative fair market value of the common shares at time of issuance was approximately \$31,000 and was recognized as a discount on the promissory notes, the company will amortize the fair market value as interest expense over the term of the note.

On October 18, 2018, the Company entered into a Promissory Note (the “Note”) for \$25,000, bearing interest at a rate of 8% per annum, with maturity date of November 18, 2019. In conjunction with the Note, the Company issued 100,000 common shares, the shares vested at time of issuance. The relative fair market value of the common shares at time of issuance was approximately \$25,000 and was recognized as a discount on the promissory notes, the company will amortize the fair market value as interest expense over the term of the note.

On October 22, 2018, the Company entered into a Promissory Note (the “Note”) for \$50,000, bearing interest at a rate of 8% per annum, with maturity date of December 31, 2019. 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.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

In accordance with Exchange Act Rules 13a-15 and 15a-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of July 31, 2018.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of the inherent limitations of internal control, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

As of July 31, 2018, management assessed the effectiveness of our internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and SEC guidance on conducting such assessments. Based on that evaluation, management concluded that, during the period covered by this report; such internal controls and procedures were effective based on the COSO criteria. This was due to deficiencies that existed in the design or operation of our internal controls over financial reporting that adversely affected our internal controls and that may be considered to be material weaknesses

The matters involving internal controls and procedures that our management considered to be material weaknesses were:

1. We do not have sufficient segregation of duties within accounting functions, which is a basic internal control. We lack multiple levels of review over financial reporting. Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, the initiation of transactions, the custody of assets and the recording of transactions should be performed by separate individuals. Management evaluated the impact of our failure to have segregation of duties on our assessment of our disclosure controls and procedures and concluded that the controls deficiency and lack of multiple levels of review over financial reporting represented a material weakness;
2. We identified deficiencies in the accounting for Purchase accounting, convertible debt derivative and complex equity transactions.

The aforementioned material weaknesses were identified by our Chief Executive Officer and Chief Financial Officer in connection with the review of our internal statements as of July 31, 2018.

Management's Remediation Initiatives

In an effort to remediate the identified material weaknesses and other deficiencies and enhance our internal controls, we plan to initiate the following:

1. We plan to create a position to segregate duties consistent with controls objectives and to increase our personnel resources and technical accounting expertise within the accounting function. In addition, we intend to improve the supervision and training of our accounting personnel.
2. We plan to implement better controls and procedures over the accounting for debt and equity instruments.

We are continuing our efforts to improve and strengthen our control processes and procedures to fully remedy these deficiencies. Our management and directors will continue to work with our auditors and other outside advisors to ensure that our controls and procedures are adequate and effective.

Changes in internal controls over financial reporting

There have been no other significant changes in our internal controls or in other factors that could significantly affect those controls subsequent to the period covered by this report.

Further, subsequent to the period covered by the report, management plans to implement measures to remediate the material weaknesses in internal control over financial reporting described above to the extent sufficient capital is available to do so. Specifically, the CEO and CFO are seeking to improve communications regarding the importance of documentation of their assessments and conclusions of their meetings, as well as supporting analyses. As our business grows, the Company plans to hire adequate accounting professionals and it will continue its efforts to create an effective system of disclosure controls and procedures for financial reporting.

The Company is not required by current SEC rules to include, and does not include, an auditor's attestation report. The Company's registered public accounting firm has not attested to management's reports on the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The following table contains the name, age of our Directors and executive officers as of July 31, 2018.

Name	Age	Position Held	Held Office Since
Arthur L. Smith	53	President, Chief Executive Officer & Director	2003
Craig K. Clement	60	Chairman of the Board	2014
Maxwell A. Polinsky	60	Director	2014
Antonio Estrada Jr.	43	Chief Financial Officer	2007

Arthur L. Smith (53) is our Chief Executive Officer, President, and Director. Mr. Smith has over 25 years of specialized experience in the telecommunications, technology, and oil and gas industries. As the founder of Digerati, formerly known as ATSI Communications, Inc. (“ATSI”), he led the Company’s start-up operation focused on the USA – Mexico telecommunications corridor to over US\$65 million in annual revenue and a listing on the American Stock Exchange that resulted in a market value of over US\$450 million. Between 1999 and 2009, ATSI was a three-time recipient of Deloitte and Touche’s Fast 500 Award for recognition as one of the 500 fastest growing technology companies in North America. As CEO of ATSI, Mr. Smith also co-founded the Company’s highly successful Internet software subsidiary, GlobalSCAPE, Inc., in 1996 (NYSE MKT: GSB). As Chairman of the Board of GlobalSCAPE, he led the Company’s strategic and business development efforts from inception through its growth strategy that resulted in a listing on a public stock exchange and the subsequent sale of ATSI’s ownership to private investors in June 2002. Mr. Smith is currently President and CEO of the Company’s cloud communications subsidiary, Shift8 Technologies, Inc.

Craig K. Clement (60) is the Executive Chairman of Digerati Technologies. Craig has over thirty-five years of executive and director experience with Technology (telecom, Internet software) and Oil Exploration and Production (E&P) entities where he has been responsible for asset management, acquisitions and divestitures, strategic and tactical planning, financial operations, corporate finance, legal, transaction structuring, business development, and investor relations. He assisted in the growth of a San Antonio-based telecom provider (AMEX: AI) from 10 employees to 500, achieving a public market valuation of US\$500 million. Craig was the founding CEO of GlobalSCAPE, Inc. (NYSE: GSB), and was the former COO of XPEL Technologies Corp. (TSXV:DAP.U). Craig was also the former Chairman of the South Texas Regional Center for Innovation and Commercialization, which screened and supported entrepreneurs through the Texas Emerging Technology Fund managed by the Texas Governor's office, which invested more than \$350 million in Texas-based technology start-ups.

Maxwell A. Polinsky (60) is our Director. Mr. Polinsky is currently the President, CFO and a Director of Winston Gold Corp, a Canadian-based mineral exploration company that is traded on the CSE Exchange, and a principal in Venbanc Investment and Management Group Inc., an investment and merchant bank he co-founded in 1994. From 2009 to 2011, Mr. Polinsky was the Chief Financial Officer and a director of RX Exploration Inc., a company that successfully re opened the previous old historic Drumlummon gold mine in Montana. Mr. Polinsky also served as a director of Nerium Biotechnology from 2006 to 2010, XPEL Technologies from 2003 to 2009, and Nighthawk Systems from 2001 to 2007 and Cougar Minerals from 2012 to 2014. Mr. Polinsky holds a Bachelor of Commerce degree from the University of Manitoba.

Antonio Estrada Jr. (43) is our Chief Financial Officer and Treasurer. Mr. Estrada is a seasoned financial executive with over 19 years of experience in the telecommunications and oil and gas industries. Mr. Estrada's vast experience includes financial reporting and modeling, strategic planning, grant writing, and cash management. Mr. Estrada served as the Sr. VP of Finance and Corporate Controller of Digerati, formerly known as ATSI Communications, Inc., from 2008 to 2013. From 1999 to 2008, Mr. Estrada served in various roles within ATSI, including International Accounting Manager, Treasurer, Internal Auditor, and Controller. Mr. Estrada graduated from the University of Texas at San Antonio, with a Bachelors of Business Administration, with a concentration in Accounting.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our Directors and executive officers and persons who own more than 10% of a registered class of our equity securities to file various reports with the Securities and Exchange Commission concerning their holdings of, and transactions in, securities we issued. Each such person is required to provide us with copies of the reports filed. Based on a review of the copies of such forms furnished to us and other information, we believe that none of our officers, Directors or owners of 10% of any class of our securities failed to report transactions in our securities or reported transactions in our securities late.

Code of Ethics

We adopted an Executive Code of Ethics that applies to the Chief Executive Officer, Chief Financial Officer, Controller and other members of our management team. The Executive Code of Ethics may be viewed on our Website, www.digerati-inc.com. A copy of the Executive Code of Ethics will be provided without charge upon written request to Digerati Technologies, Inc., 1600 NE Loop 410, Suite 126, San Antonio, Texas 78209.

Nominating Committee and Nomination of Directors

We do not have a nominating committee because the size of our Board of Directors is too small to establish separate standing committees. Our Directors perform the function of a nominating committee.

The Directors consider candidates recommended by other members of the Board of Directors, by executive officers and by one or more substantial, long-term stockholders. In addition, the Board of Directors may seek candidates through a third-party recruiter. Generally, stockholders who individually or as a group have held 5% of our shares for over one year will be considered substantial, long-term stockholders. In considering candidates, the Directors take into consideration the needs of the Board of Directors and the qualifications of the candidate. The Board of Directors has not established a set of criteria or minimum qualifications for candidacy and each candidate is considered based on the demonstrated competence and knowledge of the individual. To have a candidate considered by the Directors, a stockholder must submit the recommendation in writing and must include the following information:

- The name of the stockholder and evidence of ownership of our shares, including the number of shares owned and the length of time of ownership; and
- The name of the candidate, the candidate's resume or a listing of her or his qualifications to be one of our Directors and the person's consent to be named as a Director if nominated by the Directors.

The stockholder's recommendation and information described above must be sent to us at 1600 NE Loop 410, Suite 126, San Antonio, Texas 78209.

Audit Committee and Audit Committee Financial Expert

We do not have an audit or other committee of our Board of Directors that performs equivalent functions. Our Board of Directors performs all functions of the audit committee. Mr. Maxwell A. Polinsky served as the Audit Committee Financial Expert during the year ended July 31, 2018.

ITEM 11. EXECUTIVE COMPENSATION.

The compensation programs presently in effect with respect to the Chief Executive Officer, Chief Financial Officer and Chairman of the Board were established by the Board of Directors.

Arthur Smith serves as our President and Chief Executive Officer. Mr. Smith does not have a written employment agreement with the Company. Effective October 1, 2015, Mr. Smith's annual salary was approved by the Board of Directors to be set at \$165,000. The Board of Directors also approved the reimbursement of monthly expenses up to \$1,667. During FY2018 the Board of Directors approved the issuance of common stock in lieu of cash compensation equivalent to 40% of Mr. Smith's annual salary. No other cash compensation is presently being paid to Mr. Smith.

Antonio Estrada Jr., serves as our Chief Financial Officer. Mr. Estrada does not have a written employment agreement with the Company. Effective October 1, 2015, Mr. Estrada's annual salary was approved by the Board of Directors to be set at \$165,000. The Board of Directors also approved the reimbursement of monthly expenses up to \$1,667. During FY2018 the Board of Directors approved the issuance of common stock in lieu of cash compensation equivalent to 40% of Mr. Estrada's annual salary. No other cash compensation is presently being paid to Mr. Estrada.

Craig K. Clement, serves as our Chairman of the Board, Chief Executive Officer and President of Flagship Energy Company, a wholly-owned subsidiary of Digerati. Mr. Clement does not have a written employment agreement with the Company. Effective October 1, 2015, Mr. Clement's annual salary was approved by the Board of Directors to be set at \$195,000. During FY2018 the Board of Directors approved the issuance of common stock in lieu of cash compensation equivalent to 40% of Mr. Clement's annual salary. No other cash compensation is presently being paid to Mr. Clement.

Compensation Discussion and Analysis

Our compensation programs are designed to meet the following objectives:

- Offer compensation opportunities that attract highly qualified executives, reward outstanding initiative and achievement, and retain the leadership and skills necessary to build long-term stockholder value;
- Emphasize pay-for-performance by maintaining a portion of executives' total compensation at risk, tied to both our annual and long-term financial performance and the creation of stockholder value; and
- Further our short and long-term strategic goals and values by aligning executive officer compensation with business objectives and individual performance.

Our Board of Directors believes that an executive's compensation should be tied to the performance of the individual and the performance of the complete executive team against both financial and non-financial goals, some of which are subjective and within the discretion of the Board of Directors.

Our executive compensation program is intended to be simple and clear, and consists of the following elements (depending on individual performance):

- Base salary;
- Annual performance-based cash bonus;
- Long-term incentives in the form of stock options; and
- Benefits that are offered to executives on the same basis as our non-executive employees.

Role of Management in Determining Compensation Decisions

At the request of our Board of Directors, our management makes recommendations to our Board of Directors relating to executive compensation program design, specific compensation amounts, bonus targets, incentive plan structure and other executive compensation related matters for each of our executive officers, including our Chief Executive Officer. Our Board of Directors maintains decision-making authority with respect to these executive compensation matters.

Our Board of Directors reviews the recommendations of our management with respect to total executive compensation and each element of compensation when making pay decisions. In allocating compensation among compensation elements, we emphasize incentive, not fixed compensation to ensure that executives only receive superior pay for superior results. We equally value short- and long-term compensation because both short- and long-term results are critical to our success. In addition, our compensation program includes various benefits provided to all employees, including life insurance, health insurance and other customary benefits. The objectives and details of why each element of compensation is paid are described below.

Base Salary. Our objective for paying base salaries to executives is to reward them for performing the core responsibilities of their positions and to provide a level of security with respect to a portion of their compensation. We consider a number of factors when setting base salaries for executives, including:

- Existing salary levels;
- Competitive pay practices;
- Individual and corporate performance; and
- Internal equity among our executives, taking into consideration their relative contributions to our success.

Long-term Incentive Awards. We award long-term incentive compensation to focus our executives on our long-term growth and stockholder return, as well as to encourage our executives to remain with us for the long-term. Long-term incentive awards are primarily in the form of grants of stock options and/or stock award pursuant to our 2015 Equity Compensation Plan (the "Plan"). We selected this form because of the favorable accounting and tax treatment and the expectation of key employees in our industry that they would receive stock options and/or stock grants. We do not have pre-established target award amounts for long-term incentive grants. In determining long-term incentive awards for the Named Executive Officers, our Board of Directors relies on recommendations from our Chief Executive Officer, who considers the individual performance of the executives, the relation of the award to base salary and annual incentive compensation, and associated accounting expense. The terms of and amount of awards are made by our Board of Directors in accordance with the Stock Option Plan.

Executive Compensation

The following table sets forth the compensation paid to each of our principal executive officers (the “Named Executive Officers”) during the last two completed fiscal years:

SUMMARY COMPENSATION TABLE

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Stock Awards (\$ (1))</u>	<u>Option Awards (\$ (2))</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
Arthur L. Smith President, Chief Executive Officer & Director	2018	\$ 96,000	\$ -0-	\$ 144,000	\$ 64,000	\$ -0-	\$ 304,000
	2017	\$ 125,000	\$ -0-	\$ 166,000	\$ 56,000	\$ -0-	\$ 347,000
Antonio Estrada Jr. Chief Financial Officer	2018	\$ 96,000	\$ -0-	\$ 132,000	\$ 64,000	\$ -0-	\$ 292,000
	2017	\$ 125,000	\$ -0-	\$ 166,000	\$ 56,000	\$ -0-	\$ 347,000
Craig K. Clement Chairman of the Board	2018	\$ 117,000	\$ -0-	\$ 252,000	\$ 64,000	\$ -0-	\$ 433,000
	2017	\$ 156,000	\$ -0-	\$ 177,000	\$ 56,000	\$ -0-	\$ 389,000

- (1) During the year ended July 31, 2018 and 2017, Digerati issued common shares as part of the Company’s profit-sharing plan contribution. In addition, during the year ended July 31, 2018 and July 31, 2017, Digerati issued common stock in lieu of cash compensation to its Officers.
- (2) During the year ended July 31, 2018, Digerati issued 900,000 options to its Officers to acquire common shares at an exercise price of \$0.35 and a fair value at the time issuance of \$192,000. The options vest ratably on a monthly basis through December 1, 2017. During the year ended July 31, 2017, Digerati issued 900,000 options to its Officers to acquire common shares at an exercise price of \$0.24 and a fair value at the time issuance of \$169,000. The options vest ratably on a monthly basis through November 21, 2016.

Our Board of Directors adopted the 2015 Equity Compensation Plan (the “Plan”). Under the Plan the Board of Directors may grant up to 7.5 million shares of our common stock to our officers, Directors, employees and consultants. Grants may be in the form of incentive stock options, non-statutory stock options, restricted stock awards, and/or unrestricted stock awards. The number and terms of each award is determined by the Board of Directors, subject to the limitation that the exercise price of any option may not be less than the fair market value of the common stock on the date of grant.

We currently provide a Non-Standardized Profit-Sharing Plan (the “Profit-Sharing Plan”). The Board of Directors approved the Profit-Sharing Plan on September 15, 2006. Under the Profit-Sharing Plan our employees qualified to participate in the Profit-Sharing Plan after one year of employment. Contribution under the Profit-Sharing Plan by us is based on 25% of the annual base salary of each eligible employee up to \$54,000 per year. Contributions under the Profit Sharing Plan are fully vested upon funding.

OUTSTANDING EQUITY AWARDS AS OF JULY 31, 2018

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Arthur L. Smith	300,000	-	\$ 0.24	11/21/2021	-	-
	200,000	100,000	\$ 0.35	12/01/2022	-	-
Antonio Estrada Jr.	300,000	-	\$ 0.24	11/21/2021	-	-
	200,000	100,000	\$ 0.35	12/01/2022	-	-
Craig K. Clement	300,000	-	\$ 0.24	11/21/2021	-	-
	200,000	100,000	\$ 0.35	12/01/2022	-	-

(1) During the year ended July 31, 2018, Digerati issued 900,000 options to its Officers to acquire common shares at an exercise price of \$0.35 and a fair value at the time issuance of \$192,000. The options vest ratably on a monthly basis through December 1, 2017. During the year ended July 31, 2017, Digerati issued 900,000 options to its Officers to acquire common shares at an exercise price of \$0.24 and a fair value at the time issuance of \$169,000. The options vest ratably on a monthly basis through November 21, 2016.

Compensation of Directors

Each Director that is not an officer is reimbursed the reasonable out-of-pocket expenses in connection with their travel to attend meetings of the Board of Directors. Each Director that is not an officer was paid \$1,000 per month.

Compensation Committee Interlocks and Insider Participation

We do not have a compensation committee of our Board of Directors or other committee that performs the same functions. Mr. Arthur L. Smith is presently our Chief Executive Officer and participates in deliberations concerning executive compensation.

Compensation Committee Report

Our Board of Directors reviewed and discussed the Compensation Discussion and Analysis with management and, based on such discussion, included the Compensation Discussion and Analysis in this Annual Report on Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information regarding securities authorized to be issued under equity compensation plans is set forth under Item 5 Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The following table lists the beneficial ownership of shares of our Common Stock by (i) each person known to own more than 5% of our outstanding voting securities, (ii) each Director and nominee, (iii) the Named Executive Officers and (iv) all Directors and officers as a group. Information with respect to officers, Directors and their families is as of July 31, 2018 and is based on our books and records and information obtained from each individual. Information with respect to other stockholders is based upon the Schedule 13D or Schedule 13G filed by such stockholders with the Securities and Exchange Commission. Unless otherwise stated, the business address of each individual or group is the same as the address of our principal executive office and all securities are beneficially owned solely by the person indicated.

<u>Name of Beneficial Owner</u>	<u>Shares Owned</u>	<u>Vested Warrants and Options</u>	<u>Total Beneficial Ownership</u>	<u>% Of Class (1)</u>
INDIVIDUAL OFFICERS, DIRECTORS AND NOMINEES				
Arthur L. Smith President, Chief Executive Officer Director	1,985,483	500,000	2,485,483	17.19%
Antonio Estrada Jr. Chief Financial Officer	1,378,298	500,000	1,878,298	12.99%
Craig k. Clement Chairman of the Board	1,165,477	500,000	1,665,477	11.52%
Maxwell A. Polinsky Director	66,494	212,365	278,859	1.93%
ALL OFFICERS AND DIRECTORS AS A GROUP	<u>4,595,752</u>	<u>1,712,365</u>	<u>6,308,117</u>	<u>43.63%</u>

(1) Based upon 12,775,143 shares of common stock outstanding as of July 31, 2018 and 1,683,333 vested stock options as of July 31, 2018.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

For a director to be considered independent according to the standards set forth in Section 303A.02 of the New York Stock Exchange Listed Company Manual (the “NYSE Manual”), the Board of Directors must affirmatively determine that the director has no material relationship with Digerati, either directly or as a partner, shareholder or officer of an organization that has a relationship with Digerati. In addition, the NYSE Manual provides that a director will not be considered independent if, within the preceding three years, the director or an immediate family member (i) was an employee of Digerati, (ii) received more than \$120,000 per year in direct compensation from Digerati, (iii) is affiliated with or employed by a present or former internal or external auditor of Digerati, (iv) employed as an executive officer of another company for which an executive officer of Digerati serves on the compensation committee or (v) is an executive officer or employee that makes payments to or receives payments from Digerati of more than \$1,000,000 or two percent of such other company’s gross revenues.

The Board has determined that Mr. Maxwell A. Polinsky satisfies the independence requirements in the NYSE Manual.

On April 30, 2018, Shift8 Technologies, Inc. (“Shift8”) entered into a convertible 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 (in the form attached hereto as Exhibit “B”, 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 Shift8 agreed to pledge 51% of the securities owned in T3 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 approximately \$19,000 and was recognized as a discount on the two promissory notes, the company amortized \$6,000 as interest expense during the year ended July 31, 2018. During the year ended July 31, 2018, the Company paid \$119,000 of the principal balance. The total principal outstanding and unamortized discount as of July 31, 2018 were \$406,000 and \$13,000, respectively. One of the note holders also serves as President, CEO and Board Member of T3 Communications, Inc., one of our operating subsidiaries.

On May 1, 2018, Shift8 Technologies, Inc. (“Shift8”) entered into a Stock Purchase Agreement (“SPA”), whereby in an exchange for \$250,000, Shift8 agreed to sell to the buyer 199,900 shares of common stock equivalent to 19.99% of the issued and outstanding common share of Shift8 Technologies, Inc. The \$250,000 of the cash received under this transaction was recognized as an adjustment to the carrying amount of the noncontrolling interest and as an increase in additional paid-in capital in Shift8. For the year ending July 31, 2018, the Company accounted for a noncontrolling interest of \$57,000. Additionally, one of the buyers serves as President, CEO and Board Member of T3 Communications, Inc., one of our operating subsidiaries.

On May 1, 2018, Shift8 entered into a 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 Shift8 in T3, 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 \$27,000 and was recognized as a discount on the promissory note, the company amortized \$2,000 as interest expense during the year ended July 31, 2018. During the year ended July 31, 2018, the Company paid \$13,000 of the principal balance. The total principal outstanding and unamortized discount as of July 31, 2018 were \$262,000 and \$25,000, respectively. The note holder also serves as Board Member of T3 Communications, Inc., one of our operating subsidiaries.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The following table sets forth the aggregate fees paid to MaloneBailey, LLP during 2018 for audit services rendered in connection with the audits and reviews of our consolidated financial statements.

Description of Fees	2018
Audit Fees	\$ 40,000
Review Fees	-0-
Tax fees	-0-
All Other Fees	-0-

The following table sets forth the aggregate fees paid to LBB & Associates Ltd., LLP during 2017 for audit services rendered in connection with the audits and reviews of our consolidated financial statements.

Description of Fees	2017
Audit Fees	\$ 21,700
Review Fees	11,700
Tax fees	-0-
All Other Fees	-0-

During the years ended July 31, 2018 and 2017, the Company paid \$5,000 and \$9,038, respectively to MiddletonRainesZapata, LLP for tax work related to the consolidated tax returns.

Pre-Approval of Audit and Non-Audit Services

The Board of Directors considered whether the non-audit services provided by MaloneBailey, LLP are compatible with maintaining their independence. Prior to engagement of an independent accounting firm for the next year’s audit, the Board of Directors is asked to pre-approve the engagement of the independent accounting firm, and the projected fees for audit services and audit-related services that we will incur. The fee amounts approved for the audit and audit-related services are updated to the extent necessary at meetings of the Board of Directors during the year. In the 2018 fiscal year, there were no fees paid to MaloneBailey, LLP under a de minimis exception to the rules that waives pre-approval for certain non-audit services.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

The following documents are exhibits to this report.

Number	Description
2.1	<u>Agreed Order Confirming Joint Plan of Reorganization filed by Plan Proponents. (field as Exhibit 2.1 to Form 8-K filed on April 11, 2014)</u>
2.2	<u>Plan Proponents' Joint Chapter 11 Plan of Reorganization as Modified on the Record on April 4, 2014. (field as Exhibit 2.2 to Form 8-K filed on April 11, 2014)</u>
2.3	<u>Plan Supplement Naming Independent Director in Connection With Plan Proponents' Joint Chapter 11 Plan of Reorganization. (field as Exhibit 2.3 to Form 8-K filed on April 11, 2014)</u>
2.4	<u>Disclosure Statement Under 11 U.S.C. § 1125 and Bankruptcy Rule 3016 in Support of Plan Proponents' Joint Chapter 11 Plan of Reorganization. (filed as Exhibit 2.4 to Form 8-K filed on April 11, 2014)</u>
2.5	<u>Bankruptcy Settlement Agreement dated January 15, 2014. (field as Exhibit 10.1 to Form 8-K filed on January 23, 2014)</u>
2.6	<u>Order Authorizing the Sale of 100% Equity Interests of Dishon Disposal, Inc. and Granting Related Relief approving the Stock Purchase Agreement dated June 27, 2014. (filed as Exhibit 2.6 to Form 8-K filed on July 7, 2014)</u>
2.7	<u>Order Authorizing the Sale of 100% Equity Interests of Hurley Enterprises, Inc. and Granting Related Relief approving the Stock Purchase Agreement dated June 26, 2014. (field as Exhibit 2.7 to Form 8-K filed on July 24, 2014)</u>
3.1	<u>Amended and Restated Articles of Incorporation. (filed as Exhibit 3.1 to Form 8-K filed on April 11, 2014)</u>
3.2	<u>Amended and Restated Bylaws. (filed as Exhibit 3.2 to Form 8-KA filed on April 25, 2014)</u>
3.3	<u>Second Amended and Restated Bylaws, effective as of January 13, 2015 (filed as Exhibit 3.1 to Form 8-K filed on January 21, 2015 (File No. 001-15687)).</u>
10.1	<u>Form of stock award agreement under the Company's 2015 Stock Compensation Plan for grants to qualifying employees' 401K Retirement Accounts (filed as Exhibit 10.7 to Form 8-K filed on January 21, 2015 (File No. 001-15687)).</u>
10.2	<u>2015 Equity Compensation Plan (filed as Exhibit 4.1 to Form S-8 filed on November 18, 2015 (File No. 001-15687)).</u>
10.3	<u>Debenture issued to Peak One dated July 31, 2018.</u>
10.4	<u>Promissory Note dated October 12, 2018.</u>
10.5	<u>Promissory Note dated October 18, 2018.</u>
10.6	<u>Promissory Note dated October 22, 2018.</u>
21.1	<u>Subsidiary list</u>
31.1	<u>Certification of our President and Chief Executive Officer, under Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of our Chief Financial Officer, under Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1	<u>Certification of our President and Chief Executive Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2	<u>Certification of our Chief Financial Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.</u>

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: November 16, 2018

By: /s/ Arthur L. Smith
Arthur L. Smith
President and
Chief Executive Officer

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Arthur L. Smith</u> Arthur L. Smith	Principal Executive Officer	November 16, 2018
<u>/s/ Antonio Estrada Jr.</u> Antonio Estrada Jr.	Principal Accounting Officer Principal Finance Officer	November 16, 2018
<u>/s/ Craig K. Clement</u> Craig K. Clement	Director	November 16, 2018
<u>/s/ Maxwell A. Polinsky</u> Maxwell A. Polinsky	Director	November 16, 2018

EXHIBIT INDEX

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32.2	<u>Certification of our Chief Financial Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.</u>

SIGNING DEBENTURE

NEITHER THESE SECURITIES NOR THE SECURITIES ISSUABLE UPON CONVERSION HEREOF HAVE BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE OR UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE SECURITIES ARE RESTRICTED AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR TRANSFERRED EXCEPT AS PERMITTED UNDER THE ACT PURSUANT TO REGISTRATION REQUIREMENTS THEREOF OR EXEMPTION THEREFROM.

**DIGERATI TECHNOLOGIES, INC.
CONVERTIBLE DEBENTURE DUE JULY 31, 2021**

Issuance Date: July 31, 2018

Principal Amount: \$220,000.00

FOR VALUE RECEIVED, DIGERATI TECHNOLOGIES, INC., a corporation organized and existing under the laws of the State of Nevada (the "Company"), hereby promises to pay to **PEAK ONE OPPORTUNITY FUND, L.P.**, having its address at 333 South Hibiscus Drive, Miami Beach, FL 33139, or its assigns (the "Holder" and together with the other holders of Debentures issued pursuant to the Securities Purchase Agreement (as defined below), the "Holders"), the initial principal sum of Two Hundred Twenty Thousand and 00/100 Dollars (\$220,000.00) (subject to adjustment as provided herein, the "Principal Amount") on July 31, 2021 (the "Maturity Date"). The Company has the option to redeem this Debenture prior to the Maturity Date pursuant to Section 2(b). All unpaid principal due and payable on the Maturity Date shall be paid in the form of Common Stock of the Company, par value \$0.001 per share ("Common Stock") pursuant to Section 3. The Holder has the option to cause any outstanding principal and accrued interest, if any, on this Debenture to be converted into Common Stock at any time prior to the Redemption Date (as defined below) or the Maturity Date pursuant to Section 2(a).

This Debenture is one of the Debentures referred to in the Securities Purchase Agreement (the "Securities Purchase Agreement") dated as of January 12, 2018, between the Company and the Holder. Capitalized terms used but not defined herein shall have the meanings set forth in the Securities Purchase Agreement. This Debenture is subject to the provisions of the Securities Purchase Agreement and further is subject to the following additional provisions:

1. This Debenture has been issued subject to investment representations of the original purchaser hereof and may be transferred or exchanged only in compliance with the Securities Act and other applicable state and foreign securities laws. The Holder may transfer or assign this Debenture (or any part thereof) without the prior consent of the Company, and the Company shall cooperate with any such transfer. In the event of any proposed transfer of this Debenture, the Company may require, prior to issuance of a new Debenture in the name of such other Person, that it receive reasonable transfer documentation including legal opinions that the issuance of the Debenture in such other name does not and will not cause a violation of the Securities Act or any applicable state or foreign securities laws or is exempt from the registration requirements of the Securities Act. Prior to due presentment for transfer of this Debenture to which the Company has consented, the Company and any agent of the Company may treat the Person in whose name this Debenture is duly registered on the Company's books and records of outstanding debt securities and obligations ("Debenture Register") as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Debenture be overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

2. Conversion at Holder's Option; Redemption at Company's Option.

a. The Holder is entitled to, at any time or from time to time, convert the Conversion Amount (as defined below) into Conversion Shares, at a conversion price for each share of Common Stock (the "Conversion Price") equal to either: (i) if the date of conversion is prior to the date that is one hundred eighty (180) days after the Issuance Date, \$0.50, or (ii) if the date of conversion is on or after the date that is one hundred eighty (180) days after the Issuance Date, the lesser of (a) \$0.50 or (b) seventy percent (70%) 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 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 Company shall issue irrevocable instructions to its Transfer Agent regarding conversions such that the transfer agent shall be authorized and instructed to issue Conversion Shares upon its receipt of a Notice of Conversion without further approval or authorization from the Company. For purposes of this Debenture, the "Conversion Amount" shall mean the sum of (A) all or any portion of the outstanding Principal Amount of this Debenture, as designated by the Holder upon exercise of its right of conversion plus (B) any interest, pursuant to Section 10 or otherwise, that has accrued on the portion of the Principal Amount that has been designated for payment pursuant to (A).

Conversion shall be effectuated by delivering by facsimile, email or other delivery method to the Transfer Agent of the completed form of conversion notice attached hereto as Annex A (the "Notice of Conversion"), executed by the Holder of the Debenture evidencing such Holder's intention to convert this Debenture or a specified portion hereof. No fractional shares of Common Stock or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be rounded to the nearest whole share. The Holder may, at its election, deliver a Notice of Conversion to either the Company or the Transfer Agent. The date on which notice of conversion is given (the "Conversion Date") shall be deemed to be the date on which the Company or the Transfer Agent, as the case may be, receives by fax, email or other means of delivery used by the Holder the Notice of Conversion (such receipt being evidenced by electronic confirmation of delivery by facsimile or email or confirmation of delivery by such other delivery method used by the Holder). Delivery of a Notice of Conversion to the Transfer Agent may be given by the Holder by facsimile, or by delivery to the Transfer Agent at the address set forth in the Transfer Agent Instruction Letter (or such other contact facsimile number, email or street address as may be designated by the Transfer Agent to the Holder). Delivery of a Notice of Conversion to the Company shall be given by the Holder pursuant to the notice provisions set forth in Section 10 of the Agreement. The Conversion Shares must be delivered to the Holder within three (3) business days from the date of delivery of the Notice of Conversion to the Transfer Agent or Company, as the case may be. Conversion shares shall be delivered by DWAC so long as the Company is then DWAC Operational, unless the Holder expressly requests delivery in certificated form or the Conversion Shares are in the form of Restricted Stock and are required to bear a restrictive legend. Conversion Shares shall be deemed delivered (i) if delivered by DWAC, upon deposit into the Holder's brokerage account, or (ii) if delivered in certificated form, upon the Holder's actual receipt of the Conversion Shares in certificated form at the address specified by the Holder in the Notice of Conversion, as confirmed by written receipt.

If at any time the Conversion Price as determined hereunder for any conversion would be less than the par value of the Common Stock, then at the sole discretion of the Holder, the Conversion Price hereunder may equal such par value for such conversion and the Conversion Amount for such conversion may be increased to include Additional Principal, where “Additional Principal” means such additional amount to be added to the Conversion Amount to the extent necessary to cause the number of conversion shares issuable upon such conversion to equal the same number of conversion shares as would have been issued had the Conversion Price not been adjusted by the Holder to the par value price.

Notwithstanding the foregoing, unless the Holder delivers to the Company written notice at least sixty-one (61) days prior to the effective date of such notice that the provisions of this paragraph (the “Limitation on Ownership”) shall not apply to such Holder, in no event shall a holder of Debentures have the right to convert Debentures into, nor shall the Company issue to such Holder, shares of Common Stock to the extent that such conversion would result in the Holder and its affiliates together beneficially owning more than 4.99% of the then issued and outstanding shares of Common Stock. For purposes hereof, beneficial ownership shall be determined in accordance with Section 13(d) of the Exchange Act and Regulation 13D-G under the Exchange Act.

b. The Company may at its option call for redemption all or part of the Debentures, with the exception of any portion thereof which is the subject of a previously-delivered Notice of Conversion, prior to the Maturity Date, as follows:

(i) 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” (and, in the case of multiple redemptions of less than the entire outstanding Principal Amount, each such date shall be a Redemption Date with respect to the corresponding redemption).

(ii) If fewer than all outstanding Debentures are to be redeemed and are held by different investors, then all Debentures shall be partially redeemed on a *pro rata* basis.

(iii) [Reserved]

(iv) On the Redemption Date, the Company shall cause the Holders whose Debentures have been presented for redemption to be issued payment of the Redemption Price. In the case of a partial redemption, the Company shall also issue new Debentures to the Holders for the Principal Amount remaining outstanding after the Redemption Date promptly after the Holders' presentation of the Debentures called for redemption.

(v) To effect a redemption the Company shall provide a written notice to the Holder(s) not more than two (2) days prior to the Redemption Date (the "Redemption Notice"), setting forth the following:

1. the Redemption Date;
2. the Redemption Price;
3. the aggregate Principal Amount of the Debentures being called for redemption;
4. a statement instructing the Holders to surrender their Debentures for redemption and payment of the Redemption Price, including the name and address of the Company or, if applicable, the paying agent of the Company, where Debentures are to be surrendered for redemption;
5. a statement advising the Holders that the Debentures (or, in the case of a partial redemption, that portion of the Principal Amount being called for redemption) as of the Redemption Date will cease to be convertible into Common Stock as of the Redemption Date; and
6. in the case of a partial redemption, a statement advising the Holders that after the Redemption Date a substitute Debenture will be issued by the Company after deduction the portion thereof called for redemption, at no cost to the Holder, if the Holder so requests.

Notwithstanding the foregoing, in the event the Company issues a Redemption Notice but fails to fund the redemption on the Redemption Date, then such Redemption Notice shall be null and void, and (i) the Holder(s) shall be entitled to convert the Debentures previously the subject of the Redemption Notice, and (ii) the Company may not redeem such Debentures for at least thirty (30) days following the intended Redemption Date that was voided, and the Company shall be required to pay to the Holder(s) the Redemption Price simultaneously with the issuance of a Redemption Notice in connection with any subsequent redemption pursued by the Company.

3. Unless demand has otherwise been made by the Holder in writing for payment in cash as provided hereunder, and so long as no Event of Default shall exist (whether or not notice thereof has been delivered by the Holder to the Company), any Debentures not previously tendered to the Company for conversion as of the Maturity Date shall be deemed to have been surrendered for conversion, without further action of any kind by the Company or any of its agents, employees or representatives, as of the Maturity Date at the Conversion Price applicable on the Maturity Date ("Mandatory Conversion").

4. No provision of this Debenture shall alter or impair the obligation of the Company, which is absolute and unconditional to convert this Debenture into Common Stock, at the time, place, and rate herein prescribed. This Debenture is a direct obligation of the Company.

5. If the Company (a) merges or consolidates with another corporation or business entity and the Company is not the surviving entity or (b) sells or transfers all or substantially all of its assets to another Person and the holders of the Common Stock are entitled to receive stock, securities or property in respect of or in exchange for Common Stock, then as a condition of such merger, consolidation, sale or transfer, the Company and any such successor, purchaser or transferee will agree that this Debenture may thereafter be converted on the terms and subject to the conditions set forth above into the kind and amount of stock, securities or property receivable upon such merger, consolidation, sale or transfer by a holder of the number of shares of Common Stock into which this Debenture might have been converted immediately before such merger, consolidation, sale or transfer, subject to adjustments which shall be as nearly equivalent as may be practicable. In the event of any (i) proposed merger or consolidation where the Company is not the surviving entity or (ii) sale or transfer of all or substantially all of the assets of the Company (in either such case, a "Sale"), the Holder shall have the right to convert by delivering a Notice of Conversion to the Company within fifteen (15) days of receipt of notice of such Sale from the Company.

6. If, at any time while any portion of this Debenture remains outstanding, the Company effectuates a stock split or reverse stock split of its Common Stock or issues a dividend on its Common Stock consisting of shares of Common Stock or otherwise recapitalizes its Common Stock, the Conversion Price shall be equitably adjusted to reflect such action. By way of illustration, and not in limitation, of the foregoing (i) if the Company effectuates a 2:1 split of its Common Stock, thereafter, with respect to any conversion for which the Company issues the shares after the record date of such split, the Conversion Price shall be deemed to be one-half of what it had been calculated to be immediately prior to such split; (ii) if the Company effectuates a 1:10 reverse split of its Common Stock, thereafter, with respect to any conversion for which the Company issues the shares after the record date of such reverse split, the Conversion Price shall be deemed to be the amount of such Conversion Price calculated immediately prior to the record date multiplied by 10; and (iii) if the Company declares a stock dividend of one share of Common Stock for every 10 shares outstanding, thereafter, with respect to any conversion for which the Company issues the shares after the record date of such dividend, the Conversion Price shall be deemed to be the amount of such Conversion Price calculated immediately prior to such record date multiplied by a fraction, of which the numerator is the number of shares for which a dividend share will be issued and the denominator is such number of shares plus the dividend share(s) issuable or issued thereon.

7. All payments contemplated hereby to be made “in cash” shall be made by wire transfer of immediately available funds in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All payments of cash and each delivery of shares of Common Stock issuable to the Holder as contemplated hereby shall be made to the Holder to an account designated by the Holder to the Company and if the Holder has not designated any such accounts at the address last appearing on the Debenture Register of the Company as designated in writing by the Holder from time to time; except that the Holder may designate, by notice to the Company, a different delivery address for any one or more specific payments or deliveries.

8. The Holder of the Debenture, by acceptance hereof, agrees that this Debenture is being acquired for investment and that such Holder will not offer, sell or otherwise dispose of this Debenture or the Shares of Common Stock issuable upon conversion thereof except in compliance with the terms of the Securities Purchase Agreement and under circumstances which will not result in a violation of the Securities Act or any applicable state Blue Sky or foreign laws or similar laws relating to the sale of securities.

9. This Debenture shall be governed by and construed in accordance with the laws of the State of Nevada. Each of the parties consents to the exclusive jurisdiction and venue of the state and/or federal courts located in Miami-Dade County, Florida in connection with any dispute arising under this Agreement, and each waives any objection based on forum non conveniens. This provision is intended to be a “mandatory” forum selection clause and governed by and interpreted consistent with Florida law (Nevada law governing all other, substantive matters). Each of the parties hereby consents to the exclusive jurisdiction and venue of any state or federal court having its situs in Miami-Dade County, Florida, and each waives any objection based on forum non conveniens. To the extent determined by such court, the Company shall reimburse the Holder for any reasonable legal fees and disbursements incurred by the Holder in enforcement of or protection of any of its rights under this Debenture or the Securities Purchase Agreement.

10. The following shall constitute an “Event of Default”:

a. The Company fails in the payment of principal or interest (to the extent that interest is imposed under this Section 10) on this Debenture as required to be paid in cash hereunder, and payment shall not have been made for a period of five (5) business days following the payment due date (as to which no further cure period shall apply); or

b. Any of the representations or warranties made by the Company herein, in the Securities Purchase Agreement or in any certificate or financial or other written statements heretofore or hereafter furnished by the Company to the Holder in connection with the issuance of this Debenture, shall be false or misleading (including without limitation by way of the misstatement of a material fact or the omission of a material fact) in any material respect at the time made (as to which no cure period shall apply); or

c. The Company fails to remain listed on OTCB, OTCQB, or OTCQX, or a more senior stock exchange any time from the date hereof to the Maturity Date for a period in excess of five (5) Trading Days (as to which no further cure period shall apply); or

d. The Company (i) fails to timely file required SEC reports when due (including extensions), becomes, is deemed to or asserts that it is a “shell company” at any time for purposes of the 1933 Act, and Rule 144 promulgated thereunder or otherwise takes any action, or refrains from taking any action, the result of which makes Rule 144 under the 1933 Act unavailable to the Holder for the sale of their Securities, (ii) fails to issue shares of Common Stock to the Holder or to cause its Transfer Agent to issue shares of Common Stock upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Debenture or Transaction Documents, (iii) fails to transfer or to cause its Transfer Agent to transfer any certificate for shares of Common Stock issued to the Holder upon conversion of this Debenture as and when required by this Debenture and such transfer is otherwise lawful, (iv) fails to remove any restrictive legend or to cause its Transfer Agent to transfer any certificate or any shares of Common Stock issued to the Holder upon conversion of this Debenture as and when required by the relevant Transaction Document(s) and such legend removal is otherwise lawful, or (v) the Company fails to perform or observe any of its obligations under the Section 5 of the Agreement or under the Transfer Agent Instruction Letter (no cure period shall apply in the case of clauses (i) through (v) above, inclusive); or

e. The Company fails to perform or observe, in any material respect any other covenant, term, provision, condition, agreement or obligation set forth in the Debenture, (subject to a cure period of three (3) days other than in the case of a failure under Section 5 hereof, as to which no cure period shall apply), or (ii) any other covenant, term, provision, condition, agreement or obligation of the Company set forth in the Securities Purchase Agreement and such failure shall continue uncured for a period of either (1) three (3) days after the occurrence of the Company’s failure under Section 4(d), (e) (except as described in Section 10(c) hereof, as to which Section 10(c) hereof shall control), (f), (g) or (h) of the Securities Purchase Agreement, or (2) ten (10) days after the occurrence of the Company’s failure under any other provision of the Securities Purchase Agreement not otherwise specifically addressed in the Events of Default set forth in this Section 10; or

f. The Company shall (1) admit in writing its inability to pay its debts generally as they mature; (2) make an assignment for the benefit of creditors or commence proceedings for its dissolution; or (3) apply for or consent to the appointment of a trustee, liquidator or receiver for its or for a substantial part of its property or business (as to which no cure period shall apply); or

g. A trustee, liquidator or receiver shall be appointed for the Company or for a substantial part of its property or business without its consent and shall not be discharged within sixty (60) days after such appointment (as to which no cure period shall apply); or

h. Any governmental agency or any court of competent jurisdiction at the instance of any governmental agency shall assume custody or control of the whole or any substantial portion of the properties or assets of the Company and shall not be dismissed within sixty (60) days thereafter (as to which no cure period shall apply); or

i. Any money judgment, writ or warrant of attachment, or similar process (including an arbitral determination), in excess of One Hundred Fifty Thousand Dollars (\$150,000) in the aggregate shall be entered or filed against the Company or any of its properties or other assets (as to which no cure period shall apply); or

j. The occurrence of a breach or an event of default under the terms of any indebtedness or financial instrument of the Company or any subsidiary (including but not limited to any Subsidiary) of the Company in an aggregate amount in excess of Fifty Thousand Dollars (\$50,000) or more which is not waived by the creditors under such indebtedness (as to which no cure period shall apply); or

k. Bankruptcy, reorganization, insolvency or liquidation proceedings or other proceedings for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Company and, if instituted against the Company, shall not be dismissed within sixty (60) days after such institution or the Company shall by any action or answer approve of, consent to, or acquiesce in any such proceedings or admit the material allegations of, or default in answering a petition filed in any such proceeding (as to which no further cure period shall apply); or

l. The issuance of an order, ruling, finding or similar adverse determination the SEC, the Secretary of State of the State of Nevada or other applicable state of incorporation of the Company, the National Association of Securities Dealers, Inc. or any other securities regulatory body (whether in the United States, Canada or elsewhere) having proper jurisdiction that the Company and/or any of its past or present directors or officers have committed a material violation of applicable securities laws or regulations (as to which no cure period shall apply); or

m. The Company shall have its Common Stock suspended or delisted from a national securities exchange or an electronic quotation service such as the OTCB, OTCQB, or OTCQX for a period in excess of five (5) Trading Days (as to which no further cure period shall apply); or

n. Any of the following shall occur and be continuing: a breach or default by any party under (a) any agreement identified by the Company in its SEC filings as a material agreement or (b) any note or other form of indebtedness in favor of the Company representing indebtedness of at least Fifty Thousand Dollars (\$50,000.00), irrespective of whether such breach or default was waived (as to which no cure period shall apply); or

o. Notice of a Material Adverse Effect is provided by the Company or the determination in good faith by the Holder that a Material Adverse Effect has occurred (as to which no cure period shall apply); or

p. Reserved.

q. Reserved.

r. The Company attempts to modify, amend, withdraw, rescind, disavow or repudiate any part of the Irrevocable Instructions (as to which no cure period shall apply).

s. Any attempt by the Company or its officers, directors, and/or affiliates to transmit, convey, disclose, or any actual transmittal, conveyance, or disclosure by the Company or its officers, directors, and/or affiliates of, material non-public information concerning the Company, to the Holder or its successors and assigns, which after being so notified by the Holder is not immediately cured by Company's filing of a Form 8-K pursuant to Regulation FD within four (4) business days of such event.

t. At any time while this Debenture is outstanding, the lowest traded price on the OTCB, OTCQB, or OTCQX, or other applicable principal trading market for the Common Stock, is equal to or less than \$0.0001.

Then, or at any time thereafter, the Company shall immediately give written notice of the occurrence of such 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-legend 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-legend 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-legend 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. At its option, the Holder may elect to convert the Debenture pursuant to Section 2 notwithstanding the prior declaration of a default and acceleration, in the sole discretion of such Holder. A majority in interest of the Holders may immediately enforce any and all of the Holder's rights and remedies provided herein or any other rights or remedies afforded by applicable law. Notwithstanding the foregoing, in the case of a default under Section 10(d)(ii) through (iv), the Holder of the Debenture sought to be converted, transferred or de-legend, as the case may be, acting singly, shall have the sole and absolute discretion to increase the applicable interest rate on the Debentures held by such Holder and/or to accelerate the Debenture(s) held by such Holder. The Company expressly acknowledges and agrees that the Holder's exercise of any or all of the remedies provided herein or under applicable law, including without limitation the increase(s) in the Principal Amount and the Acceleration Amount as may be declared in the case of a default, is reasonable and appropriate due to the inability to define the financial hardship that the Company's default would impose on the Holders. To the extent that the Holder's exercise of any of its remedies in the case of an Event of Default shall be construed to exceed the maximum interest rate allowable under applicable law, then such remedies shall be reduced to equal the maximum interest rate allowable under applicable law

11. Nothing contained in this Debenture shall be construed as conferring upon the Holder the right to vote or to receive dividends or to consent or receive notice as a shareholder in respect of any meeting of shareholders or any rights whatsoever as a shareholder of the Company, unless and to the extent converted in accordance with the terms hereof.

12. So long as this Debenture is outstanding, upon any issuance by the Company or any of its subsidiaries of any security with any term more favorable to the holder of such security or with a term in favor of the holder of such security that was not similarly provided to the Holder in this Debenture, then the Company shall notify the Holder of such additional or more favorable term and such term, at Holder's option, shall become a part of the transaction documents with the Holder. The types of terms contained in another security that may be more favorable to the holder of such security include, but are not limited to, terms addressing conversion discounts, conversion lookback periods, stock sale price, private placement price per share, and warrant coverage (except with respect to the private placement being consummated by the Company on or around the Issuance Date at a price per share of \$0.50).

13. This Debenture may be amended only by the written consent of the parties hereto. Notwithstanding the foregoing, the Principal Amount of this Debenture shall automatically be reduced by any and all Conversion Amounts (to the extent that the same relate to principal hereof). In the absence of manifest error, the outstanding Principal Amount of the Debenture on the Holder's book and records shall be the correct amount.

14. In the event of any inconsistency between the provisions of this Debenture and the provisions of any other Transaction Document, the provisions of this Debenture shall prevail. Without limiting the generality of the foregoing, in the event the Transfer Agent is not required to transfer any Common Stock, issue Conversion Shares or de-legend shares of Restricted Stock pursuant to the Transfer Agent Instruction Letter, this shall not operate as an excuse, extension or waiver of the Company's obligation to issue and deliver Conversion Shares or de-legend Restricted Stock.

15. The Company specifically acknowledges and agrees that in the event of a breach or threatened breach by the Company of any provision hereof or of any other Transaction Document, the Holder will be irreparably damaged, and that damages at law would be an inadequate remedy if this Debenture or such other Transaction Document were not specifically enforced. Therefore, in the event of a breach or threatened breach by the Company, the Holder shall be entitled, in addition to all other rights and remedies, to an injunction restraining such breach, without being required to show any actual damage or to post any bond or other security, and/or to a decree for a specific performance of the provisions of this Debenture and the other Transaction Documents.

16. No waivers or consents in regard to any provision of this Debenture may be given other than by an instrument in writing signed by the Holder.

17. Each time, while this Debenture is outstanding, the Company enters into any transaction or arrangement structured in accordance with, based upon, or related or pursuant to, in whole or in part, either Section 3(a)(9) of the Securities Act (a "3(a)(9) Transaction") (including but not limited to the issuance of new promissory notes or debentures, or of a replacement promissory note or debenture), or Section 3(a)(10) of the Securities Act (a "3(a)(10) Transaction"), in which any 3rd party has the right to convert monies owed to that 3rd party (or receive shares pursuant to a settlement or otherwise) at a discount to market greater than the Conversion Price in effect at that time (prior to all other applicable adjustments in this Debenture), then the Conversion Price shall be automatically adjusted to such greater discount percentage (prior to all applicable adjustments in this Debenture) until this Debenture is no longer outstanding. Each time, while this Debenture is outstanding, the Company enters into a Section 3(a)(9) Transaction (including but not limited to the issuance of new promissory notes or debentures, or of a replacement promissory note or debenture), or Section 3(a)(10) Transaction, in which any 3rd party has a look back period greater than the look back period in effect under this Debenture at that time, then the Holder's look back period shall automatically be adjusted to such greater number of days until this Debenture is no longer outstanding. The Company shall give written notice to the Holder, with the adjusted Conversion Price and/or adjusted look back period (each adjustment that is applicable due to the triggering event), within one (1) business day of an event that requires any adjustment described in this section. So long as this Note is outstanding, the Company shall not enter into any 3(a)(9) Transaction or Section 3(a)(10) Transaction. In the event that the Company does enter into, or makes any issuance of Common Stock related to a 3(a)(9) Transaction or a 3(a)(10) Transaction while this note is outstanding, a liquidated damages charge of 20% of the outstanding principal balance of this Note, but not less than Fifteen Thousand Dollars \$15,000, will be assessed and will become immediately due and payable to the Holder at its election in the form of cash payment or addition to the balance of this Note.

[Signature Page Follows]

IN WITNESS WHEREOF , the Company has caused this Debenture to be duly executed by an officer thereunto duly authorized as of the date of issuance set forth above.

DIGERATI TECHNOLOGIES, INC.

By: /s/ Arthur Smith
Name: Arthur Smith
Title: Chief Executive Officer

[Signature Page to Convertible Debenture]

ANNEX A

DIGERATI TECHNOLOGIES, INC.

NOTICE OF CONVERSION

(To Be Executed by the Registered Holder in Order to Convert the Debenture)

The undersigned hereby irrevocably elects to convert \$ _____ of the Principal Amount of the above Debenture into Shares of Common Stock of Digerati Technologies, Inc., a Nevada corporation (the "Company"), according to the conditions hereof, as of the date written below. After giving effect to the conversion requested hereby, the outstanding Principal Amount of such debenture is \$ _____, absent manifest error.

Pursuant to the Debenture, certificates representing Common Stock upon conversion must be delivered (including delivery by DWAC or DRS) to the undersigned within three (3) business days from the date of delivery of the Notice of Conversion to the Transfer Agent.

Conversion Date

Applicable Conversion Price

Signature

Print Name

Address

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AND SUCH LAWS.

PROMISSORY NOTE

\$25,000

San Antonio, Texas

October 12, 2018

FOR VALUE RECEIVED, DIGERATI TECHNOLOGIES, INC., a Nevada corporation, whose address is 1600 NE Loop 410, Suite 126, San Antonio, Texas 78209 (the “**Debtor**”), promises to pay to the order of Danny W. Mills, whose address is 122 Foxhall Cove, San Antonio, Texas 78213, (the “**Payee**”), the sum of TWENTY FIVE THOUSAND DOLLARS (**\$25,000**) in lawful money of the United States of America which shall be legal tender for the payment of debts from time to time, together with interest on the outstanding principal amount hereof at the rate of eight percent (8%) interest per annum, computed on the basis of a 360-day year and 30-day months.

This Note shall be payable in monthly payments of interest only and a single payment of the outstanding principal amount plus any accrued interest, without demand, on November 12, 2018 (the “**Maturity Date**”). If the Maturity Date shall be a Saturday, Sunday, or day on which Banks in San Antonio, Texas, or the place of payment are authorized or required to be closed, such payment shall be made on the next following day that is not a Saturday, Sunday or day on which banks in San Antonio, Texas, or the place of payment are authorized or required to be closed and interest thereon shall continue to accrue thereon until such date. Debtor agrees that it will use its best efforts to pay this Note prior to the maturity date, and there is no penalty for satisfying the obligations under this Note prior to the Maturity Date.

Time is of the essence of this Note, and the Debtor expressly agrees that in the event of default in the payment of any principal or interest when due, the Payee may declare the entirety of this Note immediately due and payable. Upon the occurrence of any default hereunder, the Payee shall also have the right to exercise any and all of the rights, remedies and recourses now or hereafter existing in equity, law, by virtue of statute or otherwise.

In the event that any payment is not made when due, either of principal or interest, and whether upon maturity or as a result of acceleration, interest shall thereafter accrue at the rate per annum equal to the lesser of (a) the maximum non-usurious rate of interest permitted by the laws of the State of Texas or the United States of America, whichever shall permit the higher rate or (b) twenty percent (20%) per annum, from such date until the entire balance of principal and accrued interest on this Note has been paid.

Debtor has the privilege of making prepayments on this Note from time to time in any amount without penalty provided that any such prepayment shall be applied to unpaid interest on this Note and the balance, if any, to the principal amount payable under this Note.

No failure to exercise and no delay on the part of Payee in exercising any power or right in connection herewith shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No course of dealing between Debtor and Payee shall operate as a waiver of any right of Payee. No modification or waiver of any provision of this Note or any consent to any departure therefrom shall in any event be effective unless the same shall be in writing and signed by the person against whom enforcement thereof is to be sought, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

In the event of default or if payment of this Note is not made when due or declared due, and the same is placed in the hands of an attorney for collection, or suit is brought on same, or the same is collected through any judicial proceeding whatsoever, or if any action be had hereon, then Debtor agrees and promises to pay an additional amount as reasonable, calculated and foreseeable attorneys' and collection fees incurred by Payee in connection with enforcing its rights herein contemplated.

To the extent permitted by applicable law, Debtor hereby waives grace, notice, demand or presentment for payment of this Note, dishonor, notice of dishonor, notice of default or nonpayment, protest, notice of protest, suit, notice of intention to accelerate, notice of acceleration, diligence or any notice of or defense on account of the extension of time of payments or change in the method of payments, and consents to any and all renewals and extensions in the time of payment hereof, and the release of any party primarily or secondarily liable hereon.

It is expressly provided and stipulated that notwithstanding any provision of this Note, in no event shall the aggregate of all interest paid by Debtor to Payee hereunder ever exceed the maximum non-usurious rate of interest which may lawfully be charged Debtor under the laws of the State of Texas or United States Federal Government, as applicable, on the principal balance of this Note remaining unpaid. It is expressly stipulated and agreed by Debtor that it is the intent of Payee and Debtor in the execution and delivery of this Note to contract in furtherance of such laws, and that none of the terms of this Note shall ever be construed to create a contract to pay for the use, forbearance or detention of money, at any interest rate in excess of the maximum non-usurious rate of interest permitted to be charged Debtor under the laws of the State of Texas or United States Federal Government, as applicable. The provisions of this paragraph shall govern over all other provisions of this Note should any such provisions be in apparent conflict herewith.

Specifically, and without limiting the generality of the foregoing paragraph, it is expressly provided that:

(i) In the event of prepayment of the principal of this Note, in whole or in part, or the payment of the principal of this Note prior to the Maturity Date, whether resulting from acceleration of the maturity of this Note or otherwise, if the aggregate amount of interest accruing hereon prior to such payment plus the amount of any interest accruing after maturity and plus any other amount paid or accrued in connection with the indebtedness evidenced hereby which by law are deemed interest on the indebtedness evidenced by the Note and which aggregate amounts paid or accrued (if calculated in accordance with the provisions of this Note other than this paragraph) would exceed the maximum non-usurious rate of interest which could lawfully be charged as above mentioned on the unpaid principal balance of the indebtedness evidenced by this Note from time to time advanced (less any discount) and remaining unpaid from the date advanced to the date of final payment thereof, then in such event the amount of such excess shall be credited, as of the date paid, toward the payment of the principal of this Note so as to reduce the amount of the final payment of principal due on this Note, or if the principal amount hereof has been paid in full, refunded to Debtor.

(ii) If under any circumstances the aggregate amounts paid on the indebtedness evidenced by this Note prior to and incident to the final payment hereof include amounts which by law are deemed interest and which would exceed the maximum non-usurious rate of interest which could lawfully have been charged or collected on this Note, as above mentioned, Debtor stipulates that (a) any non-principal payment shall be characterized as an expense, fee, or premium rather than as interest and any excess shall be credited hereon by the holder hereof (or, if this Note shall have been paid in full, refunded to Debtor); and (b) determination of the rate of interest for determining whether the indebtedness evidenced hereby is usurious shall be made by amortizing, prorating, allocating, and spreading, in equal parts during the full stated term hereof, all interest at any time contracted for, charged, or received from Debtor in connection with such indebtedness, and any excess shall be canceled, credited, or refunded as set forth in (a) herein.

Any check, draft, money order, or other instrument given in payment of all or any portion of this Note may be accepted by Payee and handled in collection in the customary manner, but the same shall not constitute payment hereunder or diminish any rights of Payee except to the extent that actual cash proceeds of such instruments are unconditionally received by Payee. If at any time any payment of the principal of or interest on this Note is rescinded or must be restored or returned upon the insolvency, bankruptcy or reorganization of Debtor or otherwise, the obligation under this Note with respect to that payment shall be reinstated as though the payment had been due but not made at that time.

Debtor agrees that this Note shall be freely assignable to any assignee of Payee, subject to compliance with applicable securities laws.

Debtor represents and warrants that the extension of credit represented by this Note is for business, commercial, investment, or other similar purposes and not primarily for personal, family, household or agricultural use.

This Note has been executed and delivered and shall be construed in accordance with and governed by the laws of the State of Texas and of the United States of America applicable in Texas. Venue for any litigation between Debtor and Payee with respect to this Note shall be Bexar County, Texas. Debtor and Payee hereby irrevocably submit to personal jurisdiction in Texas and venue in Bexar County for purposes of such litigation.

THIS NOTE REPRESENTS THE FINAL AGREEMENT BETWEEN DEBTOR AND PAYEE AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BETWEEN DEBTOR AND PAYEE.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN DEBTOR AND PAYEE.

DIGERATI TECHNOLOGIES, INC.,
a Nevada corporation

By: /s/ Arthur L. Smith

Name: Arthur L. Smith

Title: CEO

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AND SUCH LAWS.

PROMISSORY NOTE

\$25,000

San Antonio, Texas

October 18, 2018

FOR VALUE RECEIVED, DIGERATI TECHNOLOGIES, INC., a Nevada corporation, whose address is 1600 NE Loop 410, Suite 126, San Antonio, Texas 78209 (the “**Debtor**”), promises to pay to the order of John Linton, whose address is 2602 Winding View, San Antonio, Texas 78260, (the “**Payee**”), the sum of TWENTY FIVE THOUSAND DOLLARS (**\$25,000**) in lawful money of the United States of America which shall be legal tender for the payment of debts from time to time, together with interest on the outstanding principal amount hereof at the rate of eight percent (8%) interest per annum, computed on the basis of a 360-day year and 30-day months.

This Note shall be payable in monthly payments of interest only and a single payment of the outstanding principal amount plus any accrued interest, without demand, on November 18, 2018 (the “**Maturity Date**”). If the Maturity Date shall be a Saturday, Sunday, or day on which Banks in San Antonio, Texas, or the place of payment are authorized or required to be closed, such payment shall be made on the next following day that is not a Saturday, Sunday or day on which banks in San Antonio, Texas, or the place of payment are authorized or required to be closed and interest thereon shall continue to accrue thereon until such date. Debtor agrees that it will use its best efforts to pay this Note prior to the maturity date, and there is no penalty for satisfying the obligations under this Note prior to the Maturity Date.

Time is of the essence of this Note, and the Debtor expressly agrees that in the event of default in the payment of any principal or interest when due, the Payee may declare the entirety of this Note immediately due and payable. Upon the occurrence of any default hereunder, the Payee shall also have the right to exercise any and all of the rights, remedies and recourses now or hereafter existing in equity, law, by virtue of statute or otherwise.

In the event that any payment is not made when due, either of principal or interest, and whether upon maturity or as a result of acceleration, interest shall thereafter accrue at the rate per annum equal to the lesser of (a) the maximum non-usurious rate of interest permitted by the laws of the State of Texas or the United States of America, whichever shall permit the higher rate or (b) twenty percent (20%) per annum, from such date until the entire balance of principal and accrued interest on this Note has been paid.

Debtor has the privilege of making prepayments on this Note from time to time in any amount without penalty provided that any such prepayment shall be applied to unpaid interest on this Note and the balance, if any, to the principal amount payable under this Note.

No failure to exercise and no delay on the part of Payee in exercising any power or right in connection herewith shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No course of dealing between Debtor and Payee shall operate as a waiver of any right of Payee. No modification or waiver of any provision of this Note or any consent to any departure therefrom shall in any event be effective unless the same shall be in writing and signed by the person against whom enforcement thereof is to be sought, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

In the event of default or if payment of this Note is not made when due or declared due, and the same is placed in the hands of an attorney for collection, or suit is brought on same, or the same is collected through any judicial proceeding whatsoever, or if any action be had hereon, then Debtor agrees and promises to pay an additional amount as reasonable, calculated and foreseeable attorneys' and collection fees incurred by Payee in connection with enforcing its rights herein contemplated.

To the extent permitted by applicable law, Debtor hereby waives grace, notice, demand or presentment for payment of this Note, dishonor, notice of dishonor, notice of default or nonpayment, protest, notice of protest, suit, notice of intention to accelerate, notice of acceleration, diligence or any notice of or defense on account of the extension of time of payments or change in the method of payments, and consents to any and all renewals and extensions in the time of payment hereof, and the release of any party primarily or secondarily liable hereon.

It is expressly provided and stipulated that notwithstanding any provision of this Note, in no event shall the aggregate of all interest paid by Debtor to Payee hereunder ever exceed the maximum non-usurious rate of interest which may lawfully be charged Debtor under the laws of the State of Texas or United States Federal Government, as applicable, on the principal balance of this Note remaining unpaid. It is expressly stipulated and agreed by Debtor that it is the intent of Payee and Debtor in the execution and delivery of this Note to contract in furtherance of such laws, and that none of the terms of this Note shall ever be construed to create a contract to pay for the use, forbearance or detention of money, at any interest rate in excess of the maximum non-usurious rate of interest permitted to be charged Debtor under the laws of the State of Texas or United States Federal Government, as applicable. The provisions of this paragraph shall govern over all other provisions of this Note should any such provisions be in apparent conflict herewith.

Specifically, and without limiting the generality of the foregoing paragraph, it is expressly provided that:

(i) In the event of prepayment of the principal of this Note, in whole or in part, or the payment of the principal of this Note prior to the Maturity Date, whether resulting from acceleration of the maturity of this Note or otherwise, if the aggregate amount of interest accruing hereon prior to such payment plus the amount of any interest accruing after maturity and plus any other amount paid or accrued in connection with the indebtedness evidenced hereby which by law are deemed interest on the indebtedness evidenced by the Note and which aggregate amounts paid or accrued (if calculated in accordance with the provisions of this Note other than this paragraph) would exceed the maximum non-usurious rate of interest which could lawfully be charged as above mentioned on the unpaid principal balance of the indebtedness evidenced by this Note from time to time advanced (less any discount) and remaining unpaid from the date advanced to the date of final payment thereof, then in such event the amount of such excess shall be credited, as of the date paid, toward the payment of the principal of this Note so as to reduce the amount of the final payment of principal due on this Note, or if the principal amount hereof has been paid in full, refunded to Debtor.

(ii) If under any circumstances the aggregate amounts paid on the indebtedness evidenced by this Note prior to and incident to the final payment hereof include amounts which by law are deemed interest and which would exceed the maximum non-usurious rate of interest which could lawfully have been charged or collected on this Note, as above mentioned, Debtor stipulates that (a) any non-principal payment shall be characterized as an expense, fee, or premium rather than as interest and any excess shall be credited hereon by the holder hereof (or, if this Note shall have been paid in full, refunded to Debtor); and (b) determination of the rate of interest for determining whether the indebtedness evidenced hereby is usurious shall be made by amortizing, prorating, allocating, and spreading, in equal parts during the full stated term hereof, all interest at any time contracted for, charged, or received from Debtor in connection with such indebtedness, and any excess shall be canceled, credited, or refunded as set forth in (a) herein.

Any check, draft, money order, or other instrument given in payment of all or any portion of this Note may be accepted by Payee and handled in collection in the customary manner, but the same shall not constitute payment hereunder or diminish any rights of Payee except to the extent that actual cash proceeds of such instruments are unconditionally received by Payee. If at any time any payment of the principal of or interest on this Note is rescinded or must be restored or returned upon the insolvency, bankruptcy or reorganization of Debtor or otherwise, the obligation under this Note with respect to that payment shall be reinstated as though the payment had been due but not made at that time.

Debtor agrees that this Note shall be freely assignable to any assignee of Payee, subject to compliance with applicable securities laws.

Debtor represents and warrants that the extension of credit represented by this Note is for business, commercial, investment, or other similar purposes and not primarily for personal, family, household or agricultural use.

This Note has been executed and delivered and shall be construed in accordance with and governed by the laws of the State of Texas and of the United States of America applicable in Texas. Venue for any litigation between Debtor and Payee with respect to this Note shall be Bexar County, Texas. Debtor and Payee hereby irrevocably submit to personal jurisdiction in Texas and venue in Bexar County for purposes of such litigation.

THIS NOTE REPRESENTS THE FINAL AGREEMENT BETWEEN DEBTOR AND PAYEE AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BETWEEN DEBTOR AND PAYEE.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN DEBTOR AND PAYEE.

DIGERATI TECHNOLOGIES, INC.,
a Nevada corporation

By: /s/ Arthur L. Smith

Name: Arthur L. Smith

Title: CEO

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AND SUCH LAWS.

PROMISSORY NOTE

\$50,000

San Antonio, Texas

October 22, 2018

FOR VALUE RECEIVED, DIGERATI TECHNOLOGIES, INC., a Nevada corporation, whose address is 1600 NE Loop 410, Suite 126, San Antonio, Texas 78209 (the “**Debtor**”), promises to pay to the order of TV Fund VII, LP whose address is 5090 Richmond Ave, Suite 319, Houston, Texas 77056, (the “**Payee**”), the sum of FIFTY THOUSAND DOLLARS (**\$50,000**) in lawful money of the United States of America which shall be legal tender for the payment of debts from time to time, together with interest on the outstanding principal amount hereof at the rate of eight percent (8%) interest per annum, computed on the basis of a 360-day year and 30-day months. This Note shall be secured by the Debtor in accordance with the Pledge and Security Agreement (“**Agreement**”) of the same date between the Debtor and the Payee, which Agreement sets out the collateral set aside by the Debtor to collateralize its obligations under this Note.

This Note shall be payable in monthly payments of interest only and a single payment of the outstanding principal amount plus any accrued interest, without demand, on December 31, 2018 (the “**Maturity Date**”). If the Maturity Date shall be a Saturday, Sunday, or day on which Banks in San Antonio, Texas, or the place of payment are authorized or required to be closed, such payment shall be made on the next following day that is not a Saturday, Sunday or day on which banks in San Antonio, Texas, or the place of payment are authorized or required to be closed and interest thereon shall continue to accrue thereon until such date. Debtor agrees that it will use its best efforts to pay this Note prior to the maturity date, and there is no penalty for satisfying the obligations under this Note prior to the Maturity Date.

Time is of the essence of this Note, and the Debtor expressly agrees that in the event of default in the payment of any principal or interest when due, the Payee may declare the entirety of this Note immediately due and payable. Upon the occurrence of any default hereunder, the Payee shall also have the right to exercise any and all of the rights, remedies and recourses now or hereafter existing in equity, law, by virtue of statute or otherwise.

In the event that any payment is not made when due, either of principal or interest, and whether upon maturity or as a result of acceleration, interest shall thereafter accrue at the rate per annum equal to the lesser of (a) the maximum non-usurious rate of interest permitted by the laws of the State of Texas or the United States of America, whichever shall permit the higher rate or (b) twenty percent (20%) per annum, from such date until the entire balance of principal and accrued interest on this Note has been paid.

Debtor has the privilege of making prepayments on this Note from time to time in any amount without penalty provided that any such prepayment shall be applied to unpaid interest on this Note and the balance, if any, to the principal amount payable under this Note.

No failure to exercise and no delay on the part of Payee in exercising any power or right in connection herewith shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No course of dealing between Debtor and Payee shall operate as a waiver of any right of Payee. No modification or waiver of any provision of this Note or any consent to any departure therefrom shall in any event be effective unless the same shall be in writing and signed by the person against whom enforcement thereof is to be sought, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

In the event of default or if payment of this Note is not made when due or declared due, and the same is placed in the hands of an attorney for collection, or suit is brought on same, or the same is collected through any judicial proceeding whatsoever, or if any action be had hereon, then Debtor agrees and promises to pay an additional amount as reasonable, calculated and foreseeable attorneys' and collection fees incurred by Payee in connection with enforcing its rights herein contemplated.

To the extent permitted by applicable law, Debtor hereby waives grace, notice, demand or presentment for payment of this Note, dishonor, notice of dishonor, notice of default or nonpayment, protest, notice of protest, suit, notice of intention to accelerate, notice of acceleration, diligence or any notice of or defense on account of the extension of time of payments or change in the method of payments, and consents to any and all renewals and extensions in the time of payment hereof, and the release of any party primarily or secondarily liable hereon.

It is expressly provided and stipulated that notwithstanding any provision of this Note, in no event shall the aggregate of all interest paid by Debtor to Payee hereunder ever exceed the maximum non-usurious rate of interest which may lawfully be charged Debtor under the laws of the State of Texas or United States Federal Government, as applicable, on the principal balance of this Note remaining unpaid. It is expressly stipulated and agreed by Debtor that it is the intent of Payee and Debtor in the execution and delivery of this Note to contract in furtherance of such laws, and that none of the terms of this Note shall ever be construed to create a contract to pay for the use, forbearance or detention of money, at any interest rate in excess of the maximum non-usurious rate of interest permitted to be charged Debtor under the laws of the State of Texas or United States Federal Government, as applicable. The provisions of this paragraph shall govern over all other provisions of this Note should any such provisions be in apparent conflict herewith.

Specifically, and without limiting the generality of the foregoing paragraph, it is expressly provided that:

(i) In the event of prepayment of the principal of this Note, in whole or in part, or the payment of the principal of this Note prior to the Maturity Date, whether resulting from acceleration of the maturity of this Note or otherwise, if the aggregate amount of interest accruing hereon prior to such payment plus the amount of any interest accruing after maturity and plus any other amount paid or accrued in connection with the indebtedness evidenced hereby which by law are deemed interest on the indebtedness evidenced by the Note and which aggregate amounts paid or accrued (if calculated in accordance with the provisions of this Note other than this paragraph) would exceed the maximum non-usurious rate of interest which could lawfully be charged as above mentioned on the unpaid principal balance of the indebtedness evidenced by this Note from time to time advanced (less any discount) and remaining unpaid from the date advanced to the date of final payment thereof, then in such event the amount of such excess shall be credited, as of the date paid, toward the payment of the principal of this Note so as to reduce the amount of the final payment of principal due on this Note, or if the principal amount hereof has been paid in full, refunded to Debtor.

(ii) If under any circumstances the aggregate amounts paid on the indebtedness evidenced by this Note prior to and incident to the final payment hereof include amounts which by law are deemed interest and which would exceed the maximum non-usurious rate of interest which could lawfully have been charged or collected on this Note, as above mentioned, Debtor stipulates that (a) any non-principal payment shall be characterized as an expense, fee, or premium rather than as interest and any excess shall be credited hereon by the holder hereof (or, if this Note shall have been paid in full, refunded to Debtor); and (b) determination of the rate of interest for determining whether the indebtedness evidenced hereby is usurious shall be made by amortizing, prorating, allocating, and spreading, in equal parts during the full stated term hereof, all interest at any time contracted for, charged, or received from Debtor in connection with such indebtedness, and any excess shall be canceled, credited, or refunded as set forth in (a) herein.

Any check, draft, money order, or other instrument given in payment of all or any portion of this Note may be accepted by Payee and handled in collection in the customary manner, but the same shall not constitute payment hereunder or diminish any rights of Payee except to the extent that actual cash proceeds of such instruments are unconditionally received by Payee. If at any time any payment of the principal of or interest on this Note is rescinded or must be restored or returned upon the insolvency, bankruptcy or reorganization of Debtor or otherwise, the obligation under this Note with respect to that payment shall be reinstated as though the payment had been due but not made at that time.

Debtor agrees that this Note shall be freely assignable to any assignee of Payee, subject to compliance with applicable securities laws.

Debtor represents and warrants that the extension of credit represented by this Note is for business, commercial, investment, or other similar purposes and not primarily for personal, family, household or agricultural use.

This Note has been executed and delivered and shall be construed in accordance with and governed by the laws of the State of Texas and of the United States of America applicable in Texas. Venue for any litigation between Debtor and Payee with respect to this Note shall be Bexar County, Texas. Debtor and Payee hereby irrevocably submit to personal jurisdiction in Texas and venue in Bexar County for purposes of such litigation.

THIS NOTE REPRESENTS THE FINAL AGREEMENT BETWEEN DEBTOR AND PAYEE AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BETWEEN DEBTOR AND PAYEE.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN DEBTOR AND PAYEE.

DIGERATI TECHNOLOGIES, INC.,
a Nevada corporation

By: /s/ Arthur L. Smith

Name: Arthur L. Smith

Title: CEO

Digerati Technologies, Inc. Subsidiary List

1. Shift8 Technologies, Inc.
2. Shift8 Networks, Inc.
3. T3 Communications, Inc.

CERTIFICATION

I, Arthur L. Smith, certify that:

1. I have reviewed this Annual Report on Form 10-K 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.

November 16, 2018

/s/ Arthur L. Smith

Arthur L. Smith

President and Chief Executive Officer

CERTIFICATION

I, Antonio Estrada, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K 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.

November 16, 2018

/s/ Antonio Estrada, Jr.
Antonio Estrada, Jr.
Chief Financial Officer

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 Annual Report (the "Report") of Digerati Technologies, Inc. (the "Company") on Form 10-K for the period ending July 31, 2018, 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
November 16, 2018

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 Annual Report (the "Report") of Digerati Technologies, Inc. (the "Company") on Form 10-K for the period ending July 31, 2018, 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
November 16, 2018