DIGERATI TECHNOLOGIES, INC.

FORM 10-Q
(Quarterly Report)

Filed 12/14/18 for the Period Ending 10/31/18

Address	1600 NE LOOP 410, SUITE 126 SAN ANTONIO, TX, 78209
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended October 31, 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	**74-2849995**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1600 NE Loop 410, Suite 126 San Antonio, Texas	**78209**
(Address of Principal Executive Offices)	(Zip Code)

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting Company	☒
Emerging growth Company	☐		

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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

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

Number of Shares	Class:	As of:
13,628,296	Common Stock $0.001 par value	December 14, 2018

DIGERATI TECHNOLOGIES, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED OCTOBER 31, 2018

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	October 31, 2018	July 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 591	$ 388
Accounts receivable, net	193	229
Prepaid and other current assets	82	124
Total current assets	866	741
LONG-TERM ASSETS:		
Intangible assets, net	2,951	3,046
Property and equipment, net	653	713
Other assets	59	59
Total assets	$ 4,529	$ 4,559
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 1,194	$ 1,177
Accrued liabilities	1,047	893
Current portion of capital lease obligations	31	30
Convertible note payable, current, net $116 and $187, respectively	656	585
Note payable, current, related party	129	126
Note payable, current, net $31 and $0, respectively	785	725
Convertible note payable, current, net $182 and $273, respectively	124	33
Deferred income	390	262
Derivative liability	772	632
Total current liabilities	5,128	4,463
LONG-TERM LIABILITIES:		
Convertible debenture, net $213 and $273, respectively	47	27
Notes payable, related party, net $34 and $38, respectively	476	505
Note payable	500	500
Obligations under capital leases	56	64
Total long-term liabilities	1,079	1,096
Total liabilities	6,207	5,559
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, 13,116,815 and 12,775,143 issued and outstanding, respectively	13	13
Additional paid in capital	80,256	79,993
Accumulated deficit	(81,714)	(80,800)
Other comprehensive income	1	1
Total Digerati's stockholders' deficit	(1,444)	(793)
Noncontrolling interest	(234)	(207)
Total stockholders' deficit	(1,678)	(1,000)
Total liabilities and stockholders' deficit	$ 4,529	$ 4,559

See accompanying notes to consolidated financial statements

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

	Three months ended October 31, 2018	Three months ended October 31, 2017
OPERATING REVENUES:		
Cloud-based hosted services	$ 1,522	$ 55
Total operating revenues	1,522	55
OPERATING EXPENSES:		
Cost of services (exclusive of depreciation and amortization)	757	45
Selling, general and administrative expense	743	201
Stock compensation & warrant expense	144	56
Legal and professional fees	124	119
Bad debt	(3)	-
Depreciation and amortization expense	170	4
Total operating expenses	1,935	425
OPERATING LOSS	(413)	(370)
OTHER INCOME (EXPENSE):		
Loss on derivative instruments	(139)	-
Income tax	(13)	-
Interest income (expense)	(376)	-
Total other income (expense)	(528)	-
NET LOSS INCLUDING NONCONTROLLING INTEREST	(941)	(370)
Less: Net loss attributable to the noncontrolling interest	27	-
NET LOSS ATTRIBUTABLE TO DIGERATI'S SHAREHOLDERS	$ (914)	$ (370)
INCOME (LOSS) PER SHARE - BASIC	$ (0.07)	$ (0.04)
INCOME (LOSS) PER SHARE - DILUTED	$ (0.07)	$ (0.04)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC	12,905,639	8,798,089
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED	12,905,639	8,798,089

See accompanying notes to consolidated financial statements

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

	Three months ended October 31, 2018	Three months ended October 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (941)	$ (370)
Adjustments to reconcile net loss to cash used in by operating activities:		
Depreciation and amortization	170	4
Stock compensation and warrant expense	144	56
Bad debt recovery	(3)	-
Amortization of debt discount	259	-
Loss (Gain) on derivative liabilities	139	-
Changes in operating assets and liabilities:		
Accounts receivable	39	6
Prepaid expenses and other current assets	42	(16)
Accounts payable	26	62
Accrued expenses	153	14
Deferred income	128	-
Net cash provided (used in) operating activities	156	(244)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid in acquisition of equipment	(15)	-
Net cash used in investing activities	(15)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of stock	40	280
Borrowings from 3rd party promissory notes, net	100	-
Principal payments on related party notes, net	(31)	-
Principal payments on convertible notes, net	(40)	
Principal payment on financing leases	(7)	-
Net cash provided by financing activities	62	280
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	203	36
CASH AND CASH EQUIVALENTS, beginning of period	388	673
CASH AND CASH EQUIVALENTS, end of period	$ 591	$ 709
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$ 89	$ -
Income tax paid	$ -	$ -
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Debt discount from warrants issued with debt	$ 38	$ -
Debt discount from common stock issued with debt	$ 36	$ -
Common Stock issued to settle AP	$ 5	$ -

See accompanying notes to consolidated financial statements

DIGERATI TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of Digerati Technologies, Inc. ("we;" "us," "our," or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the United States Securities and Exchange Commission. In the opinion of management, these interim financial statements contain all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of financial position and the results of operations for the interim periods presented. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the consolidated financial statements, which would substantially duplicate the disclosure contained in the audited consolidated financial statements for the year ended July 31, 2018 contained in the Company's Form 10-K filed on November 16, 2018 have been omitted.

Revenue Recognition

On August 1, 2018, we adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of August 1, 2018. Results for reporting periods beginning after August 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605. There was no impact to the opening balance of accumulated deficit or revenues for the quarter ended October 31, 2018 as a result of applying Topic 606.

The Company recognizes cloud-based hosted services revenue, mainly from subscription services to its cloud-based 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. The Company applies a five-step approach in determining the amount and timing of revenue to be recognized: (1) identifying the contract with a customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations in the contract and (5) recognizing revenue when the performance obligation is satisfied. Substantially all of the Company's revenue is recognized at the time control of the products transfers to the customer.

Service Revenue

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

Product Revenue

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

Disaggregation of Revenue

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

	For the three months ended October 31, 2018	For the three months ended October 31, 2017
Service revenue	$ 1,474	$ 55
Product revenue	48	-
Total revenue	$ 1,522	$ 55

Contract Assets

Contract assets are recorded for those parts of the contract consideration not yet invoiced but for which the performance obligations are completed. The revenue is recognized when the customer receives services or equipment for a reduced consideration at the onset of an arrangement, for example when the initial month's services or equipment are discounted. Contract assets are included in prepaid and other current assets in the consolidated balance sheets, depending on if their reduction is recognized during the succeeding 12-month period or beyond. Contract assets as of October 31, 2018 and July 31, 2018, were $19,405 and $12,155, respectively.

Deferred Income

Deferred income represent billings or payments received in advance of revenue recognition and is recognized upon transfer of control. Balances consist primarily of annual plan subscription services, for services not yet provided as of the balance sheet date. Deferred revenues that will be recognized during the succeeding 12-month period are recorded as current deferred revenues in the consolidated balance sheets, with the remainder recorded as other noncurrent liabilities in the consolidated balance sheets. Deferred income as of October 31, 2018 and July 31, 2018, were $390,000 and $262,000, respectively.

Costs to Obtain a Customer Contract

Sales commissions are paid upon collections of related revenue and are expensed during the same period.

Sales commissions for the three months ended October 31, 2018. and year ended October 31, 2017, were $10,620 and $4,000, respectively.

NOTE 2 – GOING CONCERN

Financial Condition

Digerati's consolidated financial statements for the three months ending October 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 $81,714,000 and a working capital deficit of approximately $4,262,000 which raises doubt about Digerati's ability to continue as a going concern.

Management Plans to Continue as a Going Concern

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

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

Digerati's consolidated financial statements as of October 31, 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

Below are summarized changes in intangible assets at October 31, 2018 and July 31, 2018:

October 31, 2018	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
NetSapeins - license, 10 years	$ 150,000	$ (150,000)	$ -
Customer relationships, 5 years	40,000	(6,666)	33,334
Customer relationships, 7 years	1,480,000	(117,510)	1,362,490
Marketing & Non-compete, 5 years	800,000	(80,000)	720,000
Total Define-lived Assets	2,470,000	(354,176)	2,115,824
Goodwill, Indefinite	834,828	-	834,828
Balance, October 31, 2018	$ 3,304,828	$ (354,176)	$ 2,950,652

July 31, 2018	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
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

Total amortization expense for the periods ended October 31, 2018 and 2017 was approximately $94,857 and $3,750, respectively. Additional details on intangible assets are disclosed in the Company's Form 10-K filed on November 16, 2018.

NOTE 4 – STOCK-BASED COMPENSATION

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

During the three months ended October 31, 2018, we did not issue any stock to employees.

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

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

Digerati recognized approximately $95,000 and $51,000 in stock-based compensation expense to employees during the three months ended October 31, 2018 and 2017, respectively. Unamortized compensation cost totaled $294,000 and $34,000 at October 31, 2018 and October 31, 2017, respectively.

A summary of the stock options as of October 31, 2018 and July 31, 2018 and the changes during the three months ended October 31, 2018 and July 31,2018:

	Options	Weighted-average exercise price	Weighted-average remaining contractual term (years)
Outstanding at July 31, 2018	3,415,000	$ 0.33	4.58
Granted	-	-	-
Exercised	-	-	-
Forfeited and cancelled	-	-	-
Outstanding at October 31, 2018	3,415,000	$ 0.33	3.97
Exercisable at October 31, 2018	2,448,701	$ 0.30	3.97

The aggregate intrinsic value (the difference between the Company's closing stock price on the last trading day of the three months and the exercise price, multiplied by the number of in-the-money options) of the 3,415,000 and 3,415,000 stock options outstanding at October 31, 2018 and July 31, 2018 was $34,500 and $706,372, respectively.

The aggregate intrinsic value of 2,448,701 and 2,006,111 stock options exercisable at October 31, 2018 and July 31, 2018 was $34,500 and $587,389, respectively.

NOTE 5 – NON-STANDARDIZED PROFIT-SHARING PLAN

We currently provide a Non-Standardized Profit-Sharing Plan ("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 three months ended October 31, 2018 and October 31, 2017, the Company did not make any contributions under the plan.

NOTE 6 – WARRANTS

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

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. The Company adopted a sequencing policy, and determined that the warrants with fixed exercise price were excluded from derivative consideration.

In October 2018, Digerati issued 200,000 warrants under an extension of payments to an existing promissory note, with a current principal balance of $75,000, the warrants vested at time of issuance. The warrants have a term of 3 years, with an exercise price of $0.10. Under a Black-Scholes valuation the relative fair market value of the warrants at time of issuance was approximately $38,000 and was recognized as a discount on the promissory note, the company will amortize the fair market value as interest expense over 3 months. The Company adopted a sequencing policy, and determined that the warrants with fixed exercise price were excluded from derivative consideration.

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

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

A summary of the warrants as of October 31, 2018 and July 31, 2018 and the changes during the three months ended October 31, 2018 and July 31, 2018 are presented below:

	Warrants	Weighted-average exercise price	Weighted-average remaining contractual term (years)
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
Granted	215,000	$ 0.13	3.00
Exercised	-	-	-
Forfeited and cancelled	(240,000)	$ 0.15	3.43
Outstanding at October 31, 2018	2,345,000	$ 0.34	2.60
Exercisable at October 31, 2018	2,045,000	$ 0.24	2.48

The aggregate intrinsic value (the difference between the Company's closing stock price on the last trading day of the period and the exercise price, multiplied by the number of in-the-money warrants) of the 2,345,000 and 2,370,000 warrants outstanding at October 31, 2018 and July 31, 2018 was $205,000 and $607,557, respectively.

During the three months ended October 31, 2018, we cancelled 240,000 warrants with an exercise price of $0.15. Additionally, the Company issued 240,000 common shares to replace these warrants, in conjunction with two promissory notes with a principal balance of $50,000, in addition at the time of issuance we recognized a discount of $36,000.

The aggregate intrinsic value of 2,045,000 and 2,070,000 warrants exercisable at October 31, 2018 and July 31, 2018 was $205,000 and $597,927, respectively.

In December 2017, Digerati issued 100,000 warrants to a consultant for services, the warrants vested at time of issuance. The warrants have a term of 5 years, with an exercise price of $0.50. Under a Black-Scholes valuation the fair market value of the warrants at time of issuance was approximately $49,000, the company will amortize the fair market value as warrant expense over 12 months. Additionally, Digerati committed to issue 100,000 warrants if the Company's stock price traded at $0.75 per share for 10 consecutive days, to issue 100,000 warrants if the Company's stock price traded at $1.00 per share for 10 consecutive days, and to issue 100,000 warrants if the Company's stock price traded at $1.25 per share for 10 consecutive days. Under a Black-Scholes valuation the fair market value of the warrants at time of issuance was approximately $143,000, the company will amortize the fair market value as warrant expense over 12 months. During the three months ended October 31, 2018 and 2017, the Company amortized $48,000 and $0, respectively in warrant expense related to these warrants. Unamortized warrant expense totaled $16,000 and $0, respectively as of October 31, 2018 and October 31, 2017.

NOTE 7 – EQUITY

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

On August 1, 2018, the Company secured $40,000 from an 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. The Company adopted a sequencing policy, and determined that the warrants with fixed exercise price were excluded from derivative consideration.

On September 28, 2018, the Company issued an aggregate of 21,672 shares of common stock with a market value at time of issuance of $5,794. The shares were issued to settle accounts payables of $5,287 to a professional, the Company recognized a loss of $507 upon issuance of the shares. This loss is immaterial, thus presented in stock-based compensation expense on the statement of cash flows.

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

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

NOTE 8 - DEBT

Non-convertible - debt

On October 12, 2018, the Company issued a promissory note for $25,000, bearing interest at a rate of 8% per annum, with maturity date of November 12, 2018. In conjunction with the promissory note, the Company issued 140,000 common shares, the shares vested at time of issuance, these shares replace previously issued warrants with an exercise price of $0.15, therefore the exercise price of $21,000 was recognized as a discount on the promissory note. The Company will amortize the fair market value as interest expense over the term of the note. During the three months ended October 31, 2018, the Company amortized $14,334 of the debt discount as interest expense related to the note. The total principal outstanding and unamortized discount as of October 31, 2018 were $25,000 and $6,666, respectively.

On October 18, 2018, the Company issued a promissory note for $25,000, bearing interest at a rate of 8% per annum, with maturity date of November 18, 2018. In conjunction with the promissory note, the Company issued 100,000 common shares, the shares vested at time of issuance, these shares replace previously issued warrants with an exercise price of $0.15, therefore the exercise price of $15,000 was recognized as a discount on the promissory note. During the three months ended October 31, 2018, the Company amortized $12,500 of the debt discount as interest expense related to the note. The total principal outstanding and unamortized discount as of October 31, 2018 were $25,000 and $2,500, respectively.

On October 22, 2018, the Company issued a promissory note for $50,000, bearing interest at a rate of 8% per annum, with maturity date of December 31, 2018. The promissory note is secured by a Pledge and Escrow Agreement, whereby the Company agreed to pledge rights to a collateral due under certain Agreement. As of October 31, 2018, the outstanding principal balance was $50,000.

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 promissory note, the company amortized $1,688 as interest expense during the three months ended October 31, 2018. During the three months ended October 31, 2018, the Company paid $18,000 of the principal balance. The total principal outstanding and unamortized discount as of October 31, 2018 were $388,000 and $12,000, 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 three months ended October 31, 2018. During the three months ended October 31, 2018, the Company paid $13,000 of the principal balance. The total principal outstanding and unamortized discount as of October 31, 2018 were $250,000 and $22,000, 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 interes t on September 15, 2018. T he 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 $43,457 as a non-cash interest during the period ended October 31, 2018. The total principal outstanding and unamortized discount as of October 31, 2018 were $500,000 and $41,000, 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 255,000 warrants under the promissory notes, the warrants vested at time of issuance. The warrants have a term of 3 years, with an exercise price of $0.10. Under a Black-Scholes valuation the relative fair market value of the warrants at time of issuance was approximately $119,000 and was recognized as a discount on the promissory notes. The company amortized $33,892 as interest expense during the three months ended October 31, 2018. The total principal outstanding and unamortized discount as of October 31, 2018 were $272,000 and $75,000, respectively.

Convertible debt - derivative

During the three months ended October 31, 2018, the Company redeemed $40,000 of the principal outstanding under the convertible debenture, dated January 12, 2018 with Peak One Opportunity Fund, L. P., at a redemption price of $56,000. The Company recognized the deference between the redemption price and principal balance paid as interest expense of $16,000 during the three months ended October 31, 2018. In addition, during the three months ended October 31, 2018, the Company amortized $44,000 of the debt discount as interest expense related to the convertible debenture. The total principal outstanding and unamortized discount as of October 31, 2018 were $40,000 and $35,863, respectively

During the three months ended October 31, 2018, the Company amortized $16,066 of the debt discount as interest expense related to the convertible debenture, dated July 31, 2018 with Peak One Opportunity Fund L.P. The total principal outstanding and unamortized discount as of October 31, 2018 were $220,000 and $176,732, respectively.

During the three months ended October 31, 2018, the Company amortized $90,834 of the debt discount as interest expense related to the convertible note, dated May 30, 2018 with Firstfire Global Opportunities Fund, LLC. The total principal outstanding and unamortized discount as of October 31, 2018 were $305,556 and $181,666, respectively.

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

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

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

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

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

Our derivative liabilities as of October 31, 2018 and July 31, 2018 were $771,524 and $632,268, respectively.

The fair market value of all derivatives during the three months ended October 31, 2018 was determined using the Black-Scholes option pricing model which used the following assumptions:

Expected dividend yield	0.00%
Expected stock price volatility	165.84% - 179.03%
Risk-free interest rate	2.21% -2.93%
Expected term	0.58 - 2.75 years

Level 3 inputs.

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

Balance at July 31, 2018	$	632,268
Derivative loss		139,256
Balance at October 31, 2018	$	771,524

9 – SUBSEQUENT EVENTS

On November 14, 2018, the Company received $75,000 for the issuance of 258,621 shares of Common Stock. At the time of issuance the shares of Common Stock were priced at $0.29.

On November 21, 2018, the Company entered into an Amendment to the Convertible Promissory Note dated May 30, 2018 with FirstFire Global Opportunity Fund, LLC. ("FirstFire"). Under the Amendment FirstFire agreed to extend the "conversion period" from 180 days after the issuance date to 210 days after the issuance date. No other changes were made to the Convertible Promissory Note. In conjunction with the Amendment, the Company issued 85,000 shares of Common Stock at price per share of $0.28.

On November 26, 2018, Peak One Opportunity Fund, L. P., converted $20,000 of the principal outstanding under the convertible debenture dated January 12, 2018. At the time of conversion, the Company issued 139,860 shares of Common Stock at a price per share of $0.14.

On December 7, 2018, the Company secured a promissory note for $28,000, bearing interest at a rate of 0% per annum, with maturity date of January 22, 2019. In conjunction with the note, the Company issued 28,000 shares of Common Stock, the shares vested at time of issuance. The relative fair market value of the shares of Common Stock at time of issuance was approximately $5,000 and was recognized as a discount on the promissory note, the company will amortize the fair market value as interest expense over the term of the note.

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

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. "Forward-looking statements" are those statements that describe management's beliefs and expectations about the future. We have identified forward-looking statements by using words such as "anticipate," "believe," "could," "estimate," "may," "expect," "plan," and "intend." Although we believe these expectations are reasonable, our operations involve a number of risks and uncertainties. Some of these risks include the availability and capacity of competitive data transmission networks and our ability to raise sufficient capital to continue operations. Additional risks are included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2018 filed with the Securities and Exchange Commission on November 16, 2018.

The following is a discussion of the unaudited interim consolidated financial condition and results of operations of Digerati for the three months ended October 31, 2018 and 2017. It should be read in conjunction with our audited Consolidated Financial Statements, the Notes thereto, and the other financial information included in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2018 filed with the Securities and Exchange Commission on November 16, 2018. For purposes of the following discussion, fiscal 2019 or 2019 refers to the year ended July 31, 2019 and fiscal 2018 or 2018 refers to the year ended July 31, 2018.

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 smart-phones 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 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

Three Months ended October 31, 2018 Compared to Three Months ended October 31, 2017

Cloud-based hosted Services . Cloud-based hosted services revenue increased by $1,467,000, or 2667% from the three months ended October 31, 2017 to the three months ended October 31, 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 51 customers at the end of the three months ended October 31, 2017 to 638 customers at the end of the three months ended October 31, 2018. Additionally, our average monthly revenue per customer increased from $333 for the three months ended October 31, 2017 to $792 for the three months ended October 31, 2018.

C *ost of Services (exclusive of depreciation and amortization)*. The cost of services increased by $712,000, or 1582%, from the three months ended October 31, 2017 to the three months ended October 31, 2018. The increase in cost of services between periods is primarily attributed to the additional costs arising from our acquisitions and the acquired customers. Although our consolidated cost of services increases between periods, our consolidated gross margin increased from 18% during the three months ended October 31, 2017 to 50% during the tree moths ended October 31, 2018. 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.

Selling, General and Administrative (SG&A) Expenses (exclusive of legal and professional fees). SG&A expenses increased by $542,000, or 270%, from the three months ended October 31, 2017 to the three months ended October 31, 2018. The increase in SG&A expenses between periods is primarily attributed to the additional salaries and other employee related expenses of approximately $436,000 attributable to the T3 Communications, Inc. acquisition and $105,000 increase in additional salaries and other related expenses attributable to the asset acquisition from Synergy Telecom.

Stock Compensation. Stock compensation expense increased by $88,000, from the three months ended October 31, 2017 to the three months ended October 31, 2018. The increase between periods is attributed to the recognition of stock option expense of $96,000 recognized during the three months ended October 31, 2018 associated with the stock options awarded to various employees during FY2017 and FY2018. The Company also recognized $48,000 in warrant expense for warrants issued for professional services during the period ended October 31, 2018.

Legal and professional fees . Legal and professional fees increased by $5,000, or 4%, from three months ended October 31, 2017 to the three months ended October 31, 2018.

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

Depreciation and amortization . Depreciation and amortization increased by $166,000, from the three months ended October 31, 2017 to the three months ended October 31, 2018, mainly due to increase 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 $413,000 for the three months ended October 31, 2018 compared to an operating loss of $370,000 for the three months ended October 31, 2017. The increase in operating loss between periods is primarily due to the increase of $542,000 in SG&A, the increase of $88,000 in stock compensation expense, the increase of $5,000 in legal and professional fees, and the increase of $166,000 in depreciation and amortization expense. The increase was offset between periods by the increase in gross margin of $755,000 and the recognition of $3,000 in recovery of bad debt for accounts that were previously deemed uncollectable.

Gain (loss) on derivative instruments. Gain (loss) on derivative instruments increased by $139,000 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.

Income tax expense. During the three months ended October 31, 2018, the Company recognized an income tax expense of $13,000. The primary reason for the income tax expense is due to the accrual of state income tax.

Interest expense . Interest income (expense) increased by $376,000 from the three months ended October 31, 2017 to the three months ended October 31, 2018. The primary reason for the increase in interest expenses is attributed to the recognition of non-cash interest / accretion expense of $259,000 related to the adjustment to the present value of various convertible notes and debentures. Additionally, the company recognized $89,000 in interest expense for cash interest payments on various promissory notes, accrual of $30,000 for interest expense for various promissory notes and interest income of $2,000.

Net income (loss) including noncontrolling interest. Net loss including noncontrolling interest for the three months ended October 31, 2018 was $941,000 compared to a net loss for the three months ended October 31, 2017 of $370,000. The increase in net loss including noncontrolling interest between periods is primarily due to the increase of $542,000 in SG&A, the increase of $88,000 in stock compensation expense, the increase of $5,000 in legal and professional fees, the increase of $166,000 in depreciation and amortization expense, the increase in loss on derivative instruments of $139,000 and the increase in interest expense of $376,000. The increase was offset between periods by the increase in gross margin of $755,000 and the recognition of $3,000 in recovery of bad debt for accounts that were previously deemed uncollectable.

Noncontrolling interest. During the three months ended October 31, 2018, the consolidated entity recognized a gain on noncontrolling interest of $27,000. The noncontrolling interest is presented as a separate line item in the Company's stockholders equity section of the balance sheet.

Net income (loss) attributable to Digerati's shareholders. Net loss for the three months ended October 31, 2018 was $914,000 compared to a net loss for the three months ended October 31, 2017 of $370,000. The increase in net loss between periods is primarily due to the increase of $542,000 in SG&A, the increase of $88,000 in stock compensation expense, the increase of $5,000 in legal and professional fees, the increase of $166,000 in depreciation and amortization expense, the increase in loss on derivative instruments of $139,000 and the increase in interest expense of $376,000. The increase was offset between periods by the increase in gross margin of $755,000 and the recognition of $3,000 in recovery of bad debt for accounts that were previously deemed uncollectable.

Liquidity and Capital Resources

Cash Position: We had a consolidated cash balance of $591,000 as of October 31, 2018. Net cash provided by operating activities during the three months ended October 31, 2018 was approximately $156,000, primarily as a result of operating expenses, that included $144,000 in stock compensation and warrant expense, depreciation and amortization expense of $170,000. Additionally, we had an increase of $26,000 in accounts payable, increase in accrued expenses of $153,000, decrease in accounts receivables of $39,000, increase in deferred income of $128,000 and a decrease in prepaid expenses and other current assets of $42,000.

Cash used in investing activities during the three months ended October 31, 2018 was $15,000, which included $15,000 of cash paid for the purchase of equipment.

Cash provided by financing activities during the three months ended October 31, 2018 was $62,000, the Company secured $40,000 from an accredited investor through the issuance of 80,000 restricted common shares with a price of $0.50 per share and 15,000 warrants with an exercise price of $0.50 per share. In addition, the Company secured $100,000 from 3rd party promissory notes. Also, the Company made principal payments of $31,000 on related notes, $40,000 in principal payments on convertible notes, and $7,000 in principal payments on financing leases. Overall, our net operating, investing and financing activities during the three months ended October 31, 2018 provided approximately $203,000 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 year ended 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 allowed 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 October 31, 2018, our total liabilities were approximately $6,207,000, which included $772,000 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 3rd party promissory notes to pay existing notes and we anticipate raising additional debt financing to meet our working capital needs.

During Fiscal 2019, the Company raised $40,000 through the issuance of 80,000 shares of common stock and three-year warrants to purchase 15,000 shares of common stock at $0.50 per share.

Digerati’s consolidated financial statements for the three months ending October 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 $81,714,000 and a working capital deficit of approximately $4,262,000 which raises substantial doubt about Digerati’s ability to continue as a going concern.

Item 3. Quantitative and Qualitative Disclosures About Market Risks.

Not Applicable.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this quarterly report on Form 10-Q for the quarter ended October 31, 2018, our Principal Executive Officer ("PEO") and Principal Financial Officer ("PFO") evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our PEO and PFO concluded that our disclosure controls and procedures as of the end of the period covered by this report were not effective such that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our Chief Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting, as defined in Rule 13a-15(f) or 15d-15(f) under the Securities Exchange Act of 1934, during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 1A. Risk Factors.

Not Applicable

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

In August 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.

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

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

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

In November 2018, the Company received $75,000 for the issuance of 258,621 shares of Common Stock. At the time of issuance the shares of Common Stock were priced at $0.29.

In November 2018, the Company entered into an Amendment to the Convertible Promissory Note dated May 30, 2018 with FirstFire Global Opportunity Fund, LLC. ("FirstFire"). Under the Amendment FirstFire agreed to extend the "conversion period" from 180 days after the issuance date to 210 days after the issuance date. No other changes were made to the Convertible Promissory Note. In conjunction with the Amendment, the Company issued 85,000 shares of Common Stock at price per share of $0.28.

In November 2018, Peak One Opportunity Fund, L. P., converted $20,000 of the principal outstanding under the convertible debenture dated January 12, 2018. At the time of conversion, the Company issued 139,860 shares of Common Stock at a price per share of $0.14.

In December 2018, the Company entered secured a promissory note for $28,000, bearing interest at a rate of 0% per annum, with maturity date of January 22, 2019. In conjunction with the note, the Company issued 28,000 shares of Common Stock, the shares vested at time of issuance. The relative fair market value of the shares of Common Stock at time of issuance was approximately $5,000 and was recognized as a discount on the promissory note, the company will amortize the fair market value as interest expense over the term of the note.

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

Item 3. Defaults Upon Senior Securities.

None

Item 5. Other Information.

None

Item 6. Exhibits

Exhibit Number	Exhibit Title
10.1	Promissory Note for $25,000 dated October 12, 2018.
10.2	Promissory Note for $25,000 dated October 18, 2018.
10.3	Promissory Note for $50,000 and Pledge and Security Agreement dated October 22, 2018.
31.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DIGERATI TECHNOLOGIES, INC .
(Registrant)

Date: December 14, 2018	By:	/s/ Arthur L. Smith
	Name:	Arthur L. Smith
	Title:	President and Chief Executive Officer (Duly Authorized Officer and Principal Executive Officer)
Date: December 14, 2018	By:	/s/ Antonio Estrada Jr.
	Name:	Antonio Estrada Jr.
	Title:	Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

Exhibit 10.1

Execution

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

Exhibit 10.2

Execution

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

Exhibit 10.3

Execution

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**	**November 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 Graham Gardner whose address is 3604 Beverly Drive, Dallas, Texas 75205, (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

PLEDGE AND SECURITY AGREEMENT

This Pledge and Security Agreement (the "Agreement") is entered into October 22, 2018 by and between Digerati Technologies, Inc., a Nevada corporation (the "Company"), and TV Fund VII, LP (the "Secured Party").

RECITALS

WHEREAS , the Secured Party has made certain financial accommodations for the benefit of the Company pursuant to that certain Promissory Note of even date herewith among the Company and Secured Party (the "Note"); and

WHEREAS , in order to secure the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all of the Company's obligations to the Secured Party, or any successor to the Secured Party, under the Note, the Company has agreed to irrevocably pledge to the Secured Party the Purchase Price Adjustment in favor of the Company under that certain Agreement and Plan of Merger dated May 8, 2017 between Shift8 Technologies, Inc., T3 Acquisition, Inc., T3 Communications, Inc. and representative of the Shareholders of T3 Communications, Inc.

NOW, THEREFORE , in consideration of the mutual covenants, agreements, warranties, and representations herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Grant of Security Interest. As security for the payment of the Note and any renewal, extension or modification of the Note, the Company, hereby grants to the Secured Party a security interest in, and pledges to the Secured Party the Purchase Price Adjustment in favor of the Company under that certain Agreement and Plan of Merger dated May 8, 2017 between Shift8 Technologies, Inc., T3 Acquisition, Inc., T3 Communications, Inc. and representative of the Shareholders of T3 Communications, Inc.

2. Warranties. Secured Party hereby warrants that the Company is the owner of the Collateral and has the right to pledge the Collateral. The Company further represents and warrants that it has net assets (not including the Collateral) in excess of the amount of the Note.

3. Rights Upon Default. In the event of default in payment when due of any indebtedness under the Note, the Secured Party may elect then, or at any time thereafter, to exercise all rights available to a secured party under the Uniform Commercial Code, including the right to demand transfer of the Collateral to the Secured Party. The transfer of the Collateral to the Secured Party, which will be in the form of cash, shall be applied in the following order:

(a) To the extent necessary, cash shall be used to pay all reasonable expenses of the Secured Party in enforcing this Agreement and the Note, including, without limitation, reasonable attorneys' fees and legal expenses incurred by the Secured Party.

(b) To the extent necessary, cash shall be used to satisfy any remaining indebtedness under the Note.

(c) Any remaining cash shall be returned to the Company.

4. Release of Collateral. Promptly after full payment by Company of all principal, accrued interest and other amounts outstanding under the Note, Secured Party shall deliver to Company acknowledgement of full payment and Company shall thereupon be discharged of all further obligations under this Agreement.

5. Payment of Taxes and Other Charges. The Company shall pay, prior to the delinquency date, all taxes, assessments and other charges against the Collateral, and in the event of the Company's failure to do so, the Secured Party may at its election pay any or all of such taxes and charges without contesting the validity or legality thereof. Any payments so made by the Secured Party shall become part of the indebtedness secured hereunder and until paid shall bear interest at the minimum per annum rate, compounded annually, required to avoid the imputation of interest income to the Secured Party and income to the Company under the federal tax laws.

6. Assignment of Collateral. In connection with the assignment of the Note (whether by negotiation, discount or otherwise), the Secured Party may assign all or any part of the Collateral, and the transferee shall thereupon succeed to all the rights, powers and remedies granted the Secured Party hereunder with respect to the Collateral so assigned. Upon such assignment, the Secured Party shall be fully discharged from all liability and responsibility for the assigned Collateral.

7. Costs and Expenses. All costs and expenses (including reasonable attorneys' fees) incurred by the Secured Party in the exercise or enforcement of any right, power or remedy granted it under this Agreement shall become part of the indebtedness secured hereunder and shall constitute a liability of Company payable immediately upon demand and bearing interest until paid.

8. Severability. Any provision of this Agreement that is deemed invalid or unenforceable shall be ineffective to the extent of such invalidity or unenforceability, without rendering invalid or unenforceable the remaining provisions of this Agreement.

9. Waiver. No provision of this Agreement shall be deemed to have been waived unless such waiver is in writing signed by the waiving party. No failure by any party to insist upon the strict performance of any provision of this Agreement, or to exercise any right or remedy consequent upon a breach thereof, shall constitute a waiver of any such breach, of such provision or of any other provision. No waiver of any provision of this Agreement shall be deemed a waiver of any other provision of this Agreement or a waiver of such provision with respect to any subsequent breach, unless expressly provided in writing.

10. Counterparts. This Agreement may be executed in any number of counterparts, all of which when taken together shall constitute one agreement binding on all parties, notwithstanding that all parties are not signatories to the same counterpart. This Agreement may be executed with signatures transmitted among the parties by facsimile, and no party shall deny the validity of a signature or this Agreement signed and transmitted by facsimile on the grounds that a signature is represented by facsimile rather than an original.

11. Further Assurances. Each party agrees, at the request of the other party, at any time and from time to time after the date hereof, promptly to execute and deliver all such further documents, and promptly to take and forbear from all such action, as may be reasonably necessary or appropriate in order to more effectively confirm or carry out the provisions of this Agreement.

The parties have executed this Pledge and Security Agreement as of the date first set forth above.

Digerati Technologies, Inc.

By: /s/ Arthur L. Smith
Name: Arthur L. Smith
Date: 10/22/2018

SECURED PARTY
TV Fund VII, LP

By: /s/ E. Scott Crist
Name: E. Scott Crist
Date: 10/22/18

<u>**EXHIBIT 31.1**</u>

CERTIFICATION

I, Arthur L. Smith, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 14, 2018

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

EXHIBIT 31.2

CERTIFICATION

I, Antonio Estrada, Jr., certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 14, 2018

/s/ Antonio Estrada, Jr.

Antonio Estrada, Jr.
Chief Financial Officer

EXHIBIT 32.1

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

In connection with the Quarterly Report (the "Report") of Digerati Technologies, Inc. (the "Company") on Form 10-Q for the period ending October 31, 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.

December 14, 2018

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

EXHIBIT 32.2

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

In connection with the Quarterly Report (the “Report”) of Digerati Technologies, Inc. (the “Company”) on Form 10-Q for the period ending October 31, 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.

December 14, 2018

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