

DIGERATI TECHNOLOGIES, INC.

FORM 10-Q (Quarterly Report)

Filed 03/17/22 for the Period Ending 01/31/22

Address	825 W. BITTERS RD., SUITE 104 SAN ANTONIO, TX, 78216
Telephone	(210) 775-0888
CIK	0001014052
Symbol	DTGI
SIC Code	7374 - Services-Computer Processing and Data Preparation
Industry	Integrated Telecommunications Services
Sector	Telecommunication Services
Fiscal Year	07/31

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended January 31, 2022.

or

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

For the transition period from _____ to _____

Commission File Number 001-15687

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

Nevada

74-2849995

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

**825 W. Bitters, Suite 104
San Antonio, Texas**

78216

(Address of Principal Executive Offices)

(Zip Code)

(210) 614-7240

(Registrant's Telephone Number, Including Area Code)

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting Company

Emerging growth Company

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

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

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

Number of Shares
139,988,039

Class:
Common Stock \$0.001 par value

As of:
March 17, 2022

DIGERATI TECHNOLOGIES, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JANUARY 31, 2022

INDEX

PART I– FINANCIAL INFORMATION

Item 1.	Consolidated Financial Statements (Unaudited)	1
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	32
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	39
Item 4.	Controls and Procedures	39

PART II– OTHER INFORMATION

Item 1.	Legal Proceedings	40
Item 1A.	Risk Factors	40
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	40
Item 3.	Defaults Upon Senior Securities	40
Item 4.	Mine Safety Disclosures	40
Item 5.	Other Information	40
Item 6.	Exhibits	41

<u>SIGNATURES</u>	42
--------------------------	----

DIGERATI TECHNOLOGIES, INC.
CONTENTS

PAGE 1	<u>CONSOLIDATED BALANCE SHEETS AS OF JANUARY 31, 2022, AND JULY 31, 2021 (UNAUDITED)</u>
PAGE 2	<u>CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2022, AND 2021 (UNAUDITED)</u>
PAGE 3-4	<u>CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2022, AND 2021 (UNAUDITED)</u>
PAGE 5	<u>CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JANUARY 31, 2022, AND 2021 (UNAUDITED)</u>
PAGES 6-31	<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)</u>

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	<u>January 31,</u> <u>2022</u>	<u>July 31,</u> <u>2021</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,844	\$ 1,489
Accounts receivable, net	616	617
Prepaid and other current assets	226	232
Total current assets	<u>3,686</u>	<u>2,338</u>
LONG-TERM ASSETS:		
Intangible assets, net	11,836	8,527
Goodwill	5,273	3,931
Property and equipment, net	503	529
Other assets	80	76
Investment in Itellum	185	185
Right-of-use asset	887	934
Total assets	<u>\$ 22,450</u>	<u>\$ 16,520</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,291	\$ 1,653
Accrued liabilities	2,892	2,570
Equipment financing	19	37
Convertible note payable, current, net \$180 and \$340, respectively	2,008	1,049
Note payable, current, related party, net \$0 and \$0, respectively	1,186	998
Note payable, current, net \$0 and \$714, respectively	50	2,963
Acquisition payable	1,000	-
Deferred income	3	20
Derivative liability	15,824	16,773
Operating lease liability, current	515	503
Total current liabilities	<u>25,788</u>	<u>26,566</u>
LONG-TERM LIABILITIES:		
Notes payable, related party, net \$0 and \$0, respectively	200	136
Note payable, net \$0 and \$4,641, respectively	22,247	6,241
Operating lease liability	372	431
Total long-term liabilities	<u>22,819</u>	<u>6,808</u>
Total liabilities	<u>48,607</u>	<u>33,374</u>
Commitments and contingencies		
STOCKHOLDERS' DEFICIT:		
Preferred stock, \$0.001, 50,000,000 shares authorized		
Convertible Series A Preferred stock, \$0.001, 1,500,000 shares designated, 225,000 and 225,000 issued and outstanding, respectively	-	-
Convertible Series B Preferred stock, \$0.001, 1,000,000 shares designated, 425,442 and 425,442 issued and outstanding, respectively	-	-
Convertible Series C Preferred stock, \$0.001, 1,000,000 shares designated, 55,400 and 55,400 issued and outstanding, respectively	-	-
Series F Super Voting Preferred stock, \$0.001, 100 shares designated, 100 and 100 issued and outstanding, respectively	-	-
Common stock, \$0.001, 500,000,000 shares authorized, 139,738,039 and 138,538,039 issued and outstanding, respectively (25,000,000 reserved in Treasury)	139	139
Additional paid in capital	89,175	89,100
Accumulated deficit	(113,998)	(105,380)
Other comprehensive income	1	1
Total Digerati's stockholders' deficit	<u>(24,683)</u>	<u>(16,140)</u>
Noncontrolling interest	(1,474)	(714)
Total stockholders' deficit	<u>(26,157)</u>	<u>(16,854)</u>
Total liabilities and stockholders' deficit	<u>\$ 22,450</u>	<u>\$ 16,520</u>

See accompanying notes to consolidated unaudited financial statements

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

	Three months ended		Six months ended	
	January 31,		January 31,	
	2022	2021	2022	2021
OPERATING REVENUES:				
Cloud software and service revenue	\$ 4,019	\$ 3,326	\$ 7,796	\$ 4,878
Total operating revenues	4,019	3,326	7,796	4,878
OPERATING EXPENSES:				
Cost of services (exclusive of depreciation and amortization)	1,553	1,434	3,042	2,182
Selling, general and administrative expense	2,127	1,965	3,915	2,976
Legal and professional fees	1,175	255	1,749	513
Bad debt expense	2	4	15	4
Depreciation and amortization expense	481	432	974	593
Total operating expenses	5,338	4,090	9,695	6,268
OPERATING LOSS	(1,319)	(764)	(1,899)	(1,390)
OTHER INCOME (EXPENSE):				
Gain (loss) on derivative instruments	(3,425)	(160)	1,009	18
Loss on extinguishment of debt	(5,480)	-	(5,480)	-
Gain (loss) on settlement of debt	-	197	-	197
Income tax benefit (expense)	(41)	(51)	(119)	(59)
Other income (expense)	1	-	(2)	-
Interest expense	(1,380)	(1,202)	(2,887)	(1,502)
Total other income (expense)	(10,325)	(1,216)	(7,479)	(1,346)
NET LOSS INCLUDING NONCONTROLLING INTEREST	(11,644)	(1,980)	(9,378)	(2,736)
Less: Net loss attributable to the noncontrolling interests	602	30	760	65
NET LOSS ATTRIBUTABLE TO DIGERATI'S SHAREHOLDERS	(11,042)	(1,950)	(8,618)	(2,671)
Deemed dividend on Series A Convertible preferred stock	(5)	(5)	(10)	(10)
NET LOSS ATTRIBUTABLE TO DIGERATI'S COMMON SHAREHOLDERS	\$ (11,047)	\$ (1,955)	\$ (8,628)	\$ (2,681)
LOSS PER COMMON SHARE - BASIC	\$ (0.08)	\$ (0.02)	\$ (0.06)	\$ (0.02)
LOSS PER COMMON SHARE - DILUTED	\$ (0.08)	\$ (0.02)	\$ (0.06)	\$ (0.02)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC	139,203,973	122,706,601	138,963,449	121,578,716
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED	139,203,973	122,706,601	138,963,449	121,578,716

See accompanying notes to consolidated unaudited financial statements

DIGERATI TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
For the Six Months Ended January 31, 2022
(In thousands, except for share amounts, unaudited)

Equity Digerati's Shareholders

	Preferred								Common		Additional	Accumulated	Other	Stockholders	Noncontrolling	Totals
	Convertible				Series F Shares				Shares	Par	Paid-in	Deficit	Comprehensive	Deficit	Interest	
	Series A Shares	Par	Series B Shares	Par	Series C Shares	Par	Series F Shares	Par	Shares	Par	Capital	Deficit	Income	Deficit	Interest	
BALANCE, July 31, 2021	225,000	-	425,442	-	55,400	-	100	-	138,538,039	\$ 139	\$ 89,100	\$ (105,380)	\$ 1	\$ (16,140)	\$ (714)	\$ (16,854)
Amortization of employee stock options	-	-	-	-	-	-	-	-	-	-	24	-	-	24	-	24
Common stock issued concurrent with convertible debt	-	-	-	-	-	-	-	-	600,000	-	38	-	-	38	-	38
Dividends declared	-	-	-	-	-	-	-	-	-	-	(5)	-	-	(5)	-	(5)
Net loss	-	-	-	-	-	-	-	-	-	-	-	2,424	-	2,424	(158)	2,266
BALANCE, October 31, 2021	225,000	-	425,442	-	55,400	-	100	-	139,138,039	\$ 139	\$ 89,157	\$ (102,956)	\$ 1	\$ (13,659)	\$ (872)	\$ (14,531)
Amortization of employee stock options	-	-	-	-	-	-	-	-	-	-	23	-	-	23	-	23
Common stock issued concurrent with convertible debt	-	-	-	-	-	-	-	-	600,000	-	-	-	-	-	-	-
Dividends declared	-	-	-	-	-	-	-	-	-	-	(5)	-	-	(5)	-	(5)
Net loss	-	-	-	-	-	-	-	-	-	-	-	(11,042)	-	(11,042)	(602)	(11,644)
BALANCE, January 31, 2022	225,000	-	425,442	-	55,400	-	100	-	139,738,039	\$ 139	\$ 89,175	\$ (113,998)	\$ 1	\$ (24,683)	\$ (1,474)	\$ (26,157)

See accompanying notes to consolidated unaudited financial statements

DIGERATI TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
For the Six Months Ended January 31, 2021
(In thousands, except for share amounts, unaudited)

Equity Digerati's Shareholders

	Preferred						Common Shares	Par	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income	Stockholders Deficit	Noncontrolling Interest	Totals
	Convertible													
	Series A Shares	Par	Series B Shares	Par	Series F Shares	Par								
BALANCE, July 31, 2020	225,000	-	407,477	-	100	-	101,323,590	\$ 101	\$ 86,364	\$ (88,697)	\$ 1	\$ (2,231)	\$ (382)	\$ (2,613)
Amortization of employee stock options	-	-	-	-	-	-	-	-	20	-	-	20	-	20
Common stock issued for services, to employees	-	-	-	-	-	-	7,858,820	8	257	-	-	265	-	265
Common stock issued for services	-	-	-	-	-	-	2,000,000	2	56	-	-	58	-	58
Common stock issued for debt conversion	-	-	-	-	-	-	10,000,000	10	147	-	-	157	-	157
Common stock issued concurrent with convertible debt	-	-	-	-	-	-	1,000,000	1	44	-	-	45	-	45
Beneficial conversion feature on convertible debt	-	-	-	-	-	-	-	-	111	-	-	111	-	111
Derivative liability resolved to APIC due to note conversion	-	-	-	-	-	-	-	-	205	-	-	205	-	205
Dividends declared	-	-	-	-	-	-	-	-	(5)	-	-	(5)	-	(5)
Net loss	-	-	-	-	-	-	-	-	-	(721)	-	(721)	(35)	(756)
BALANCE, October 31, 2020	225,000	-	407,477	-	100	-	122,182,410	\$ 122	\$ 87,199	\$ (89,418)	\$ 1	\$ (2,096)	\$ (417)	\$ (2,513)
Amortization of employee stock options	-	-	-	-	-	-	-	-	33	-	-	33	-	33
Common stock issued for settlement of accounts payable	-	-	-	-	-	-	1,000,000	1	59	-	-	60	-	60
Common stock issued for debt conversion	-	-	-	-	-	-	10,676,765	11	243	-	-	254	-	254
Common stock issued concurrent with convertible debt	-	-	-	-	-	-	500,000	-	24	-	-	24	-	24
Beneficial conversion feature on convertible debt	-	-	-	-	-	-	-	-	30	-	-	30	-	30
Derivative liability resolved to APIC due to note conversion	-	-	-	-	-	-	-	-	383	-	-	383	-	383
Dividends declared	-	-	-	-	-	-	-	-	(5)	-	-	(5)	-	(5)
Net loss	-	-	-	-	-	-	-	-	-	(1,950)	-	(1,950)	(30)	(1,980)
BALANCE, January 31, 2021	225,000	-	407,477	-	100	-	134,359,175	\$ 134	\$ 87,966	\$ (91,368)	\$ 1	\$ (3,267)	\$ (447)	\$ (3,714)

See accompanying notes to consolidated unaudited financial statements

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

	Six months ended January 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (9,378)	\$ (2,736)
Adjustments to reconcile net loss to cash (used in)/provided by operating activities:		
Depreciation and amortization expense	974	593
Stock compensation and warrant expense	47	376
Bad debt expense	15	4
Amortization of ROU Asset - operating	92	64
Amortization of debt discount	1,605	859
(Gain) on derivative liabilities	(1,009)	(18)
Loss on extinguishment of debt	5,480	-
(Gain) on settlement of debt	-	(197)
Accrued interest added to principal	40	-
Changes in operating assets and liabilities:		
Accounts receivable	110	(136)
Prepaid expenses and other current assets	(12)	(70)
Inventory	27	22
Right of use operating lease liability	(92)	(64)
Accounts payable	484	(179)
Accrued expenses	631	954
Deferred income	(17)	49
Net cash used in operating activities	<u>(1,003)</u>	<u>(479)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid in acquisition of equipment	(65)	(182)
Proceeds from Nexogy	162	-
Acquisition of VoIP assets, net of cash received	(4,100)	(10,108)
Net cash used in investing activities	<u>(4,003)</u>	<u>(10,290)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings from convertible debt, net of original issuance cost and discounts	707	558
Borrowings from debt, net of original issuance cost and discounts	6,000	13,036
Principal payments on debt, net	-	(1,330)
Principal payments on convertible notes, net	0	(101)
Principal payments on related party notes, net	(328)	(169)
Principal payment on equipment financing	(18)	(35)
Net cash provided by financing activities	<u>6,361</u>	<u>11,959</u>
INCREASE IN CASH AND CASH EQUIVALENTS	1,355	1,190
CASH AND CASH EQUIVALENTS, beginning of period	1,489	685
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 2,844</u>	<u>\$ 1,875</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 861	\$ 415
Income tax paid	\$ -	\$ -
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Accrued interest rolled into principal	\$ 319	\$ 148
Incentive earnout adjustment on Active PBX acquisition	\$ 121	\$ -
Stock issued with convertible debt - debt discount	\$ -	\$ 69
Beneficial conversion feature on convertible debt	\$ -	\$ 141
Debt discount from common stock issued with debt	\$ 38	\$ -
Debt discount from derivative liabilities	\$ 60	\$ 6,462
Promissory note reclassified to convertible debt	\$ -	\$ 15
Capitalization of ROU assets and liabilities - operating	\$ -	\$ 254
Common Stock issued for debt conversion	\$ -	\$ 411
Common Stock issued for accounts payable	\$ -	\$ 60
Dividend declared	\$ 10	\$ 10
Derivative liability resolved to APIC due to debt conversion	\$ -	\$ 588

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, 2021 contained in the Company’s Form 10-K filed on October 26, 2021 have been omitted.

Treasury Shares

As a result of entering into various convertible debt instruments which contained a variable conversion feature with no floor, warrants with fixed exercise price, and convertible notes with fixed conversion price or with a conversion price floor, we reserved 25,000,000 treasury shares for consideration for future conversions and exercise of warrants, for convertible notes with fixed conversion price, notes with variable conversion feature with a floor and warrants with a conversion price floor. The Company will evaluate the reserved treasury shares on a quarterly basis, and if necessary, reserve additional treasury shares. As of January 31, 2022, we believe that the treasury share reserved are sufficient for any future conversions of these instruments. As a result, these debt instruments and warrants are excluded from derivative consideration.

Basic and diluted net income (loss) per share.

The basic net loss per common share is computed by dividing the net loss attributable to common stockholders by the weighted average number of common shares outstanding. Diluted net loss per common share is computed by dividing the net loss attributable to common stockholders adjusted on an “as if converted” basis, by the weighted average number of common shares outstanding plus potential dilutive securities. For the quarter ended January 31, 2022, and the year ended July 31, 2021, potential dilutive securities including options and warrants were not included in the calculation of diluted net loss per common share. Potential dilutive securities, which are not included in dilutive weighted average shares are as follows:

	1/31/2022	7/31/2021
Options to purchase common stock	9,230,000	9,230,000
Warrants to purchase common stock	109,291,179	109,506,179
Convertible debt	26,653,354	20,506,684
Convertible Series A Preferred stock	750,000	750,000
Convertible Series B Preferred stock	25,152,847	24,936,847
Convertible Series C Preferred stock	30,742,369	30,478,369
Total:	201,819,749	195,408,079

Customers and Suppliers

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

During the six months ended January 31, 2022, and 2021, the Company did not derive a significant amount of revenue from one single customer.

As of the six months ended January 31, 2022, and 2021, the Company did not derive a significant number of accounts receivable from one single customer.

Sources of revenue:

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

Service Revenue

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

Product Revenue

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

Disaggregation of Cloud software and service revenue

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

	For the Three Months ended January 31,		For the Six Months ended January 31,	
	2022	2021	2022	2021
Cloud software and service revenue	\$ 3,966	\$ 3,226	\$ 7,669	\$ 4,774
Product revenue	53	100	127	104
Total operating revenues	\$ 4,019	\$ 3,326	\$ 7,796	\$ 4,878

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 January 31, 2022, and July 31, 2021, were \$8,246 and \$17,661, respectively.

Deferred Income

Deferred income represents billings or payment received in advance of revenue recognition and is recognized upon transfer of control. Balances consist primarily of annual plan subscription services, for services not yet provided as of the balance sheet date. Deferred revenues that will be recognized during the succeeding 12-month period are recorded as current deferred revenues in the consolidated balance sheets, with the remainder recorded as other noncurrent liabilities in the consolidated balance sheets. Deferred income as of January 31, 2022, and July 31, 2021, were \$2,994 and \$19,984, respectively.

Customer deposits

The Company in some instances requires customers to make deposits for equipment, installation charges and training. As equipment is installed and training takes place the deposits are then applied to revenue. As of January 31, 2022, and July 31, 2021, Digerati's customer deposits balance was \$0 and \$0, 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 six months ended January 31, 2022, and January 31, 2021, were \$654,070 and \$260,050, respectively.

Direct Costs - Cloud software and service

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

Derivative financial instruments.

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

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

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

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 January 31, 2022 and July 31, 2021 are approximately \$15,824,000 and \$16,773,000, respectively.

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

Description	Fair Value	Fair value measurements at reporting date using.		
		Quoted prices in active markets for identical liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Convertible promissory notes derivative liability at July 31, 2021	\$ 16,773,383	-	-	\$ 16,773,383
Convertible promissory notes derivative liability at January 31, 2022	\$ 15,824,793	-	-	\$ 15,824,793

The fair market value of all derivatives during the year ended July 31, 2021 was determined using the Black-Scholes option pricing model which used the following assumptions:

Expected dividend yield	0.00%
Expected stock price volatility	125.60% - 283.01%
Risk-free interest rate	0.05% - 1.65%
Expected term	0.03 - 10.00 years

The fair market value of all derivatives during the six months ended January 31, 2022 was determined using the Black-Scholes option pricing model which used the following assumptions:

Expected dividend yield	0.00%
Expected stock price volatility	81.43% - 250.19%
Risk-free interest rate	0.03% - 1.79%
Expected term	0.05 - 9.50 years

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, 2020	\$ 606,123
Derivative from new convertible promissory notes recorded as debt discount	6,820,108
Derivative liability resolved to additional paid in capital due to debt conversion	(588,097)
Derivative loss	9,935,249
Balance at July 31, 2021	\$ 16,773,383
Derivative from new convertible promissory notes recorded as debt discount	60,292
Derivative liability resolved to additional paid in capital due to debt conversion	-
Derivative gain	(1,008,882)
Balance at January 31, 2022	\$ 15,824,793

Noncontrolling interest

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

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

For the six months ending January 31, 2022, and 2021, the Company accounted for a noncontrolling interest of \$760,000 and \$65,000, respectively. Additionally, one of the buyers serves as a Board Member of T3 Communications, Inc., a Florida Corporation, one of our operating subsidiaries.

Recently issued accounting pronouncements.

Recent accounting pronouncements, other than below, issued by the Financial Accounting Standards Board (“FASB”) (including its Emerging Issues Task Force), the AICPA and the SEC did not, or are not, believed by management to have a material effect on the Company’s present or future financial statements.

In August 2020, the FASB issued “ASU 2020-06, Debt with Conversion and Other Options (Subtopic 47020) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)” which simplifies the accounting for convertible instruments. The guidance removes certain accounting models which separate the embedded conversion features from the host contract for convertible instruments. Either a modified retrospective method of transition or a fully retrospective method of transition is permissible for the adoption of this standard. Update No. 2020-06 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted no earlier than the fiscal year beginning after December 15, 2020. The Company is currently evaluating the potential on its financial statements.

NOTE 2 – GOING CONCERN

Financial Condition

The Company’s consolidated financial statements for the six months ending January 31, 2022, have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. Since the Company’s inception in 1993, the Company has incurred net losses and accumulated a deficit of approximately \$113,998,000 a working capital deficit of approximately \$22,102,000 and total liabilities of \$48,607,000, which includes \$15,824,000 in derivative liabilities, which raises substantial doubt about Digerati’s ability to continue as a going concern.

Management Plans to Continue as a Going Concern

Management believes that available resources as of January 31, 2022, will not be sufficient to fund the Company’s operations and corporate expenses over the next 12 months. The Company’s ability to continue to meet its obligations and to achieve its business objectives is dependent upon, and 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.

We are currently taking initiatives to reduce our overall cash deficiencies on a monthly basis. During fiscal 2022 certain members of our executive 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 adopt best practices from our recent acquisitions and invest in a marketing and sales strategy to grow our monthly recurring revenue; we anticipate utilizing our value-added resellers and channel partners to tap into new sources of revenue streams, we have also secured numerous agent agreements through our recent acquisitions that we anticipate will 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.

We have been successful in raising debt and equity capital in the past and as described in Notes 6,7 and 8. We have financing efforts in place to continue to raise cash through debt and equity offerings. Although we have successfully completed financings and reduced expenses in the past, we cannot assure you that our plans to address these matters in the future will be successful.

On November 17, 2020, the Company and T3 Communications, Inc (“T3 Nevada”), a majority owned subsidiary entered into a credit agreement (the “Credit Agreement”) with Post Road Administrative LLC and its affiliate Post Road Special Opportunity Fund II LLP (collectively, “Post Road”). Pursuant to the Credit Agreement, Post Road provided T3 Nevada with a secured loan of up to \$20,000,000, with initial loans of \$10,500,000 pursuant to the issuance of a Term Loan A Note and \$3,500,000 pursuant to the issuance of a Term Loan B Note, each funded on November 17, 2020.

The Company used \$14,000,000 of the credit facility for the payment of approximately \$9.452 million for the purchase price for the merger of Nexogy, \$1.190 million for the purchase price and transaction fees of certain assets of ActiveServe, Inc., \$1.487 million for the payment in full of outstanding debts owed and accrued interest to various creditors, the payment of approximately \$464,000 paid to Post Road, and recognized as deferred financing cost, and will be amortized over the terms of the notes. In addition, the Company expensed \$430,000 in legal fees associated to the acquisitions and financing.

On December 20, 2021, T3 Nevada and Post Road entered into an amendment to the Credit Agreement (the “Amendment”) in connection with which T3 Nevada issued an Amended and Restated Term Loan A Note (the “A&R Term Loan A Note”) in replacement of the Term Loan A Note. Under the First Amendment, the Term Loan B Note principal of \$3,500,000, accrued interest of \$187,442, and amendment fee of \$1,418,744 were recapitalized under the revised A&R Term Loan A Note).

Pursuant to the First Amendment, the proceeds of \$6,000,000 were used to fund the acquisition of SkyNet assets and for general corporate and working capital purposes as well as professional fees and other fees and expenses with respect to the transactions contemplated by the Amendment. Under the first amendment, total new balance of the revised Term Loan A was \$22,168,515.

Subsequently, on February 4, 2022, T3 Nevada and Post Road entered into a Credit Agreement in connection with which T3 Nevada issued a Term Loan C Note, Pursuant to the Credit Agreement, Post Road provided T3 Nevada with a secured loan of \$10,000,000. The proceeds \$10,000,000 were used to fund the acquisition of Next Level Internet and for general corporate and working capital purposes as well as professional fees and other fees and expenses with respect to the transactions contemplated by the Amendment.

The current Credit Agreement will allow the Company to continue acquiring UCaaS service providers that meet the Company’s acquisition criteria. Management anticipates that future acquisitions will provide additional operating revenues to the Company as it continues to execute on its consolidation strategy. There can be no guarantee that the planned acquisitions will close or that they will produce the anticipated revenues on the schedule anticipated by management.

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 January 31, 2022, 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 January 31, 2022, and July 31, 2021:

January 31, 2022	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
NetSapiens - license, 10 years	\$ 150,000	\$ (150,000)	\$ -
Customer relationships, 5 years	40,000	(32,682)	7,318
Customer relationships, 7 years	1,480,262	(804,651)	675,611
Customer relationships 7 years	7,688,000	(1,019,643)	6,668,357
Trademarks, 7 years	4,494,000	(512,410)	3,981,590
Non-compete, 2 & 3 years	465,000	(162,500)	302,500
Marketing & Non-compete, 5 years	800,263	(599,986)	200,277
Total Define-lived Assets	<u>15,117,525</u>	<u>(3,281,872)</u>	<u>11,835,653</u>
Goodwill, Indefinite	<u>5,273,254</u>	<u>-</u>	<u>5,273,254</u>
Balance, January 31, 2022	<u>\$ 20,390,779</u>	<u>\$ (3,281,872)</u>	<u>\$ 17,108,907</u>
July 31, 2021	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
NetSapiens - license, 10 years	\$ 150,000	\$ (150,000)	\$ -
Customer relationships, 5 years	40,000	(28,672)	11,328
Customer relationships, 7 years	1,480,000	(698,934)	781,066
Customer relationships 7 years	5,310,000	(611,786)	4,698,214
Trademarks, 7 years	2,870,000	(307,500)	2,562,500
Non-compete, 2 & 3 years	291,000	(97,500)	193,500
Marketing & Non-compete, 5 years	800,000	(520,000)	280,000
Total Define-lived Assets	<u>10,941,000</u>	<u>(2,414,392)</u>	<u>8,526,608</u>
Goodwill, Indefinite	<u>3,931,298</u>	<u>-</u>	<u>3,931,298</u>
Balance, July 31, 2021	<u>\$ 14,872,298</u>	<u>\$ (2,414,392)</u>	<u>\$ 12,457,906</u>

Total amortization expense for the six months ended January 31, 2022, and 2021 was \$867,480 and \$436,715, respectively.

NOTE 4 – STOCK-BASED COMPENSATION

In November 2015, the Company 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 the Company to retain and attract qualified individuals who will contribute to the overall success of the Company. The Company’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 six months ended January 31, 2022, the Company extended the expiration date until July 31, 2025, on 1,150,000 previously issued stock options to various employees, the exercise price of these options was set at \$0.11 per share, the modification of these stock options created a nominal expense to the Company.

During the six months ended January 31, 2021, we issued:

- 7,608,820 common shares to various employees as part of the Company’s Non-Standardized profit-sharing plan contribution. The Company recognized stock-based compensation expense of \$247,287 equivalent to the value of the shares calculated based on the share’s closing price at the grant dates.
- 250,000 common shares to a former member of the Management team for services in lieu of cash compensation. The Company recognized stock-based compensation expense of approximately \$17,500 equivalent to the value of the shares calculated based on the share’s closing price at the grant dates.
- 3,730,000 options to purchase common shares to various employees with an exercise price of \$0.04 per share and a term of 5 years. At issuance, 33,333 of the options vested, 66,667 of the options will vest equally over a period of two years, and 3,630,000 of the options will vest equally over a period of three years. The options have a fair market value of \$214,812.

During the six months ended January 31, 2021 Digerati recognized \$247,287 in stock compensation expense to employees as part of the Company’s Non-Standardized profit-sharing plan contribution and other stock compensation to employees.

The Company recognized approximately \$46,788 and \$53,455 in stock-based compensation expense for stock options to employees for the six months ended January 31, 2022 and 2021, respectively. Unamortized compensation stock option cost totaled \$149,047 and \$224,562 at January 31, 2022 and January 31, 2021, respectively.

A summary of the stock options as of January 31, 2022, and July 31, 2021, and the changes during the six months ended January 31, 2022, are presented below:

	<u>Options</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual term (years)</u>
Outstanding at July 31, 2021	9,230,000	\$ 0.17	2.93
Granted	-	-	-
Exercised	-	-	-
Forfeited and cancelled	-	-	-
Outstanding at January 31, 2022	<u>9,230,000</u>	<u>\$ 0.17</u>	<u>2.44</u>
Exercisable at January 31, 2022	<u>6,807,419</u>	<u>\$ 0.21</u>	<u>1.94</u>

The aggregate intrinsic value (the difference between the Company’s closing stock price on the last trading day of the period and the exercise price, multiplied by the number of in-the-money options) of the 9,230,000 and 9,230,000 stock options outstanding at January 31, 2022, and July 31, 2021, was \$359,160 and \$392,891, respectively.

The aggregate intrinsic value of 6,807,419 and 6,091,863 stock options exercisable at January 31, 2022, and July 31, 2021, was \$113,927 and \$91,978, respectively.

NOTE 5 – WARRANTS

During the six months ended January 31, 2022, the Company did not issue any warrants.

During the six months ended January 31, 2021, the Company issued the following warrants:

On November 17, 2020, the Company issued 107,701,179 Warrants to Post Road Special Opportunity Fund II LP (the “Warrant”) to purchase, initially, twenty-five percent (25%) of the Company’s total shares (the “Warrant”), calculated on a fully-diluted basis as of the date of issuance (the “Warrant Shares”) and subject to a reduction to fifteen percent (15%) as described below.

The number of Warrant Shares is adjustable to allow the holder to maintain, subject to certain share issuances that are exceptions, the right to purchase twenty-five percent (25%) of the Company’s total shares, calculated on a fully-diluted basis. The Warrant has an exercise price of \$0.01 per share and the Warrant expires on November 17, 2030. Seventy-five percent (75%) of the Warrant Shares are immediately fully vested and not subject to forfeiture at any time for any reason. The remaining twenty-five percent (25%) of the Warrant Shares are subject to forfeiture based on the Company achieving certain performance targets which, if achieved, would result in twenty percent (20%) warrant coverage. If the minority shareholders of T3 Nevada convert their T3 Nevada shares into shares of the Company’s common stock, par value \$0.001 per share (the “Common Stock”), the Warrant Shares percentage shall also be lowered such that when combined with the achievement of the performance targets, the warrant coverage could be reduced to fifteen percent (15%).

In connection with the issuance of the Warrant, the three executives of the Company, Art Smith, Antonio Estrada, and Craig Clement entered into a Tag-Along Agreement (the “Tag-Along Agreement”) whereby they agreed that the holder of the Warrant or Warrant Share will have the right to participate or “tag-along” in any agreements to sell any shares of their Common Stock that such executives enter into. The Company also agreed, in connection with the issuance of the Warrant and pursuant to a Board Observer Agreement (the “Board Observer Agreement”), to grant Post Road the right to appoint a representative to each of the boards of directors of the Company and each of its subsidiaries, to attend all board meeting in a non-voting observer capacity. In addition, at issuance the Company recognized \$6,462,050 in Derivative liability associated with these warrants.

A summary of the warrants as of January 31, 2022, and July 31, 2021, and the changes during the six months ended January 31, 2022, are presented below:

	<u>Warrants</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual term (years)</u>
Outstanding at July 31, 2021	109,506,179	\$ 0.01	9.17
Granted	-	-	-
Exercised	-	-	-
Forfeited and cancelled	(215,000)	\$ 0.13	-
Outstanding at January 31, 2022	<u>109,291,179</u>	<u>\$ 0.01</u>	<u>8.68</u>
Exercisable at January 31, 2022	<u>82,065,885</u>	<u>\$ 0.01</u>	<u>8.67</u>

The aggregate intrinsic value (the difference between the Company’s closing stock price on the last trading day of the period and the exercise price, multiplied by the number of in-the-money warrants) of the 109,291,179 and 109,506,179 warrants outstanding at January 31, 2022 and July 31, 2021 was \$13,822,091 and \$14,795,002, respectively.

The aggregate intrinsic value of 82,065,885 and 82,280,885 warrants exercisable at January 31, 2022 and July 31, 2021 was \$10,375,653 and \$11,108,930, respectively.

Warrant expense for the six months ended January 31, 2022 and 2020 was \$0 and \$0, respectively. Unamortized warrant expense totaled \$0 and \$0 respectively as of January 31, 2022 and July 31, 2021.

For the six months ended January 31, 2022, 215,000 warrants expired with an average exercise price of \$0.13.

NOTE 6 – NOTES PAYABLE NON-CONVERTIBLE

On October 22, 2018, the Company issued a secured promissory note for \$50,000, bearing interest at a rate of 8% per annum, with maturity date of December 31, 2018. The maturity date was extended multiple times and on February 26, 2022, the lender agreed to extend the maturity until July 31, 2022. 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. The outstanding balance as of January 31, 2022, and July 31, 2021, was \$50,000.

Credit Agreement and Notes

On November 17, 2020, T3 Communications, Inc., a Nevada corporation (“T3 Nevada”), a majority owned subsidiary of Digerati Technologies, Inc. (the “Company”) and the Company’s other subsidiaries entered into a credit agreement (the “Credit Agreement”) with Post Road. The Company is a party to certain sections of the Credit Agreement. Pursuant to the Credit Agreement, Post Road will provide T3 Nevada with a secured loan of up to \$20,000,000 (the “Loan”), with initial loans of \$10,500,000 pursuant to the issuance of a Term Loan A Note and \$3,500,000 pursuant to the issuance of a Term Loan B Note, each funded on November 17, 2020, and an additional \$6,000,000 on loans, in increments of \$1,000,000 as requested by T3 Nevada before the 18 month anniversary of the initial funding date to be lent pursuant to the issuance of a Delayed Draw Term Note. After payment of transaction-related expenses and closing fees of \$964,000, net proceeds to the Company from the Note totaled \$13,036,000. The Company recorded these discounts and cost of \$964,000 as a discount to the Notes and will be amortized as interest expense over the term of the notes.

During the six months ended January 31, 2022, the Company amortized \$1,294,201 of the total debt discount as interest expense for the Term Loan A Note and the Term Loan B Note. The total debt discount outstanding on the notes as of January 31, 2022, and July 31, 2021, were \$0 and \$5,355,322, respectively.

Term Loan A Note has maturity dates of November 17, 2024, and an interest rate of LIBOR (with a minimum rate of 1.5%) plus twelve percent (12%). Term Loan A is non-amortized (interest only payments) through the maturity date and contains an option for the Company to pay interest in kind (PIK) for up to five percent (5%) of the interest rate in year one, four percent (4%) in year two and three percent (3%) in year three.

Term Loan B had a maturity date of December 31, 2021, and an interest rate of LIBOR (with a minimum rate of 1.5%) plus twelve percent (12%). Term Loan B is non-amortized (interest only payments) through the maturity date and contains an option for the Company to pay interest in kind (PIK) for up to five percent (5%) of the interest rate in year one, four percent (4%) in year two and three percent (3%) in year three. The Term Loan B was recapitalized under the revised A&R Term Loan A Note as indicated below.

On December 20, 2021, T3 Nevada and Post Road entered into an amendment to the Credit Agreement (the “Amendment”) in connection with which T3 Nevada issued an Amended and Restated Term Loan A Note (the “A&R Term Loan A Note”) in replacement of the Term Loan A Note. Under the First Amendment, the Term Loan B Note principal of \$3,500,000, accrued interest of \$187,442, and amendment fee of \$1,418,744 were recapitalized under the revised A&R Term Loan A Note.

Pursuant to the First Amendment, the additional proceeds of \$6,000,000 were used to fund the acquisition of SkyNet assets and for general corporate and working capital purposes as well as professional fees and other fees and expenses with respect to the transactions contemplated by the Amendment. The Company evaluated the amendment and the recapitalization of the notes and accounted for these changes as an extinguishment of debt and recognized a loss on extinguishment of debt of \$5,479,865, the loss is composed of the full amortization debt discount of \$4,061,121, and the amendment fees of \$1,418,744.

The A&R Term Loan A Note has maturity dates of November 17, 2024, and an interest rate of LIBOR (with a minimum rate of 1.5%) plus twelve percent (12%). The principal balance and accrued PIK interest outstanding on the A&R Term Loan A Note were \$22,168,515 and \$78,937, respectively as of January 31, 2022.

Subsequently, on February 4, 2022, T3 Nevada and Post Road entered into a Credit Agreement in connection with which T3 Nevada issued a Term Loan C Note. Pursuant to the Credit Agreement, Post Road provided T3 Nevada with a secured loan of \$10,000,000. The proceeds \$10,000,000 were used to fund the acquisition of Next Level Internet and for general corporate and working capital purposes as well as professional fees and other fees and expenses with respect to the transactions contemplated by the Amendment.

The Term Loan C Note has maturity dates of August 4, 2023, and an interest rate of LIBOR (with a minimum rate of 1.5%) plus twelve percent (12%).

The Credit Agreement contains customary representations, warranties, and indemnification provisions. The Credit Agreement also contains affirmative and negative covenants with respect to operation of the business and properties of the loan parties as well as financial performance. Below are key covenants requirements, (measured quarterly):

1. Maximum Allowed - Senior Leverage Ratio of 4.06 to 1.00
2. Minimum Allowed - EBITDA of \$912,665
3. Minimum Allowed - Liquidity of \$1,500,000
4. Maximum Allowed - Capital Expenditures of \$94,798
5. Minimum Allowed – Fixed Charge Coverage Ratio of 1.5 to 1.00

Under the second amendment to the Credit Agreement, dated as of February 4, 2022, the Company and the lender agreed to defer the financial covenants requirements testing mentioned above until April 30, 2022.

T3 Nevada's obligations under the Credit Agreement are secured by a first-priority security interest in all of the assets of T3 Nevada and guaranteed by the other subsidiaries of the Company pursuant to the Guaranty and Collateral Agreement, dated November 17, 2020, subsequently amended on December 31, 2021, and February 4, 2022, by and among T3 Nevada, the Company's other subsidiaries, and Post Road Administrative LLC (the "Guaranty and Collateral Agreement"). In addition, T3 Nevada's obligations under the Credit Agreement are, pursuant to a Pledge Agreement (the "Pledge Agreement"), secured by a pledge of a first priority security interest in T3 Nevada's 100% equity ownership of each of T3 Nevada's operating companies.

NOTE 7 – RELATED PARTY TRANSACTIONS

During the six months ended January 31, 2022, and 2021, the Company provided VoIP Hosted and fiber services to a Company owned by one of the Board members of T3 Communications, Inc., for \$94,815 and \$84,700, respectively.

On November 17, 2020, as a result of the of the acquisition of ActiveServe's asset, the two sellers became related parties as they continued to be involved as consultants to manage the customer relationship, the Company paid on an annual basis \$90,000 to each of the consultants. These agreements expired as of January 17, 2022, and the parties agreed not to extend. As of January 31, 2022, there's no balance outstanding under the consulting agreements. In addition, part of the Purchase Price is payable in 8 equal quarterly payments to the sellers. During the six months ended January 31, 2022, the Company paid \$327,509 of the principal balance outstanding. In addition, on January 7, 2022, the Company recognized a reduction of \$120,621 on the note balance due to the sellers not achieving certain requirement under the "Customer renewal Value". As a result, the Company recognized a reduction of \$120,621 in the Goodwill value associated with the ActiveServe asset acquisition. The total principal outstanding on the notes as of January 31, 2022, and July 31, 2021, were \$686,160 and \$1,134,291, respectively.

On December 31, 2021, as a result of the of the acquisition of Skynet's asset, the two sellers became related parties as they continued to be involved as consultants for 12 months to manage the customer relationship, the Company will pay on an annual basis \$100,000 to each of the consultants. As of January 31, 2022, there's no balance outstanding under the consulting agreements. Part of the Purchase Price of \$600,000 (the "Earn-out Amount") was retained by the Company at the Closing and will be paid to Seller in 6 equal quarterly payments. An additional \$100,000 (the "Holdback Amount") was retained by the Company at the Closing and will be paid to Seller in accordance with the Purchase Agreement. The total principal outstanding on the notes as of January 31, 2022, was \$700,000.

Acquisition Payable

As part of the acquisition of Skynet's assets, the Company will pay to the Seller's a \$1,000,000 (the "Share Payment") by issuance of restricted shares of the Company's common stock to the Owners. The Share Payment will be made via the issuance of shares on the earlier of (i) the effective date of that certain Registration Statement on Form S-1 filed by the Company with the Securities and Exchange Commission on August 11, 2021 (in which case the stock will be valued at the price set forth in the prospectus that is a part of such Registration Statement, without underwriter discounts) and (ii) 180 days after December 31, 2021 (in which case the stock will be valued at the average of the last transaction price on the OTCQB for each of the 10 trading days immediately preceding such issuance date). The total principal outstanding on the acquisitions payable as of January 31, 2022, was \$1,000,000.

NOTE 8 – CONVERTIBLE NOTES PAYABLE

At January 31, 2022, and July 31, 2021, convertible notes payable consisted of the following:

CONVERTIBLE NOTES PAYABLE NON-DERIVATIVE	January 31, 2022	July 31, 2021
On October 13, 2020, the Company entered into a variable convertible promissory note with an aggregate principal amount of \$330,000, annual interest rate of 8% and an original maturity date of October 13, 2021, the maturity date was extended until December 15, 2021 and subsequently the maturity date was extended until July 31, 2022. After payment of transaction-related expenses and closing fees of \$32,000, net proceeds to the Company from the Note totaled \$298,000. The Company recorded \$32,000 as a discount to the Note and amortized over the term of the note. In connection with the execution of the note, the Company issued 1,000,000 shares of our common stock to the note holder, at the time of issuance, the Company recognized the relative fair market value of the shares of \$45,003 as debt discount, and it will be amortized to interest expense during the term of the promissory note. Additionally, the Company recognized \$134,423 as debt discount for the intrinsic value of the conversion feature, and it will be amortized to interest expense during the term of the promissory note. The Company analyzed the Note for derivative accounting consideration and determined that since the note has a fix conversion price at issuance, it does not require to be accounted as a derivative instrument. The Company will evaluate every reporting period and identify if any default provisions and other requirements triggered a variable conversion price and if the note needs to be classified as a derivative instrument. The Company amortized \$17,620 as interest expense during the six months ended January 31, 2022. The total unamortized discount on the Note as of January 31, 2022, and July 31, 2021, were \$0 and \$17,620, respectively. The total principal balance outstanding as of January 31, 2022 and July 31, 2021 was \$165,000. (See below variable conversion terms No.1)	\$ 165,000	\$ 165,000
On January 27, 2021, the Company entered into a variable convertible promissory note with an aggregate principal amount of \$250,000, annual interest rate of 8% and a maturity date of January 27, 2022. In connection with the execution of the note, the Company issued 500,000 shares of our common stock to the note holder, at the time of issuance, the Company recognized the relative fair market value of the shares of \$24,368 as debt discount, and it will be amortized to interest expense during the term of the promissory note. Additionally, the Company recognized \$44,368 as debt discount for the intrinsic value of the conversion feature, and it will be amortized to interest expense during the term of the promissory note. The Holder may elect to convert up to 100% of the principal amount outstanding and any accrued interest on the Note into Common Stock at any time after 180 days of funding the Note. The Conversion Price shall be the greater of \$0.05 or 75% of the lowest daily volume weighted average price ("VWAP") for the ten (10) trading day period immediately preceding the conversion date. The Holder shall, in its sole discretion, be able to convert any amounts due hereunder at a twenty-five percent (25%) discount to the per share price of the Qualified Uplisting Financing. The Company analyzed the Note for derivative accounting consideration and determined that since the note has a conversion price floor, it does not require to be accounted as a derivative instrument. The Company will evaluate every reporting period and identify if any default provisions and other requirements triggered a variable conversion price and if the note needs to be classified as a derivative instrument. On January 17, 2022, the lender agreed to extend the maturity date until July 31, 2022. In connection with the extension of the maturity date on the note, the Company agreed to increase the principal balance by \$25,000 and recognizing \$25,000 as interest expense at the time of the extension. The Company amortized \$34,368 as interest expense during the six months ended January 31, 2022. The total unamortized discount on the Note as of January 31, 2022 and July 31, 2021, were \$0 and \$34,368, respectively. The total principal balance outstanding as of January 31, 2022 and July 31, 2021, were \$275,000 and \$250,000, respectively.	275,000	250,000

<p>On April 14, 2021, the Company entered into a variable convertible promissory note with an aggregate principal amount of \$250,000, annual interest rate of 8% and a maturity date of April 14, 2022. In connection with the execution of the note, the Company issued 500,000 shares of our common stock to the note holder, at the time of issuance, the Company recognized the relative fair market value of the shares of \$63,433 as debt discount, and it will be amortized to interest expense during the term of the promissory note. Additionally, the Company recognized \$96,766 as debt discount for the intrinsic value of the conversion feature, and it will be amortized to interest expense during the term of the promissory note. The Holder may elect to convert up to 100% of the principal amount outstanding and any accrued interest on the Note into Common Stock at any time after 180 days of funding the Note. The Conversion Price shall be the greater of \$0.15 or 75% of the lowest daily volume weighted average price (“VWAP”) for the ten (10) trading day period immediately preceding the conversion date. The Company analyzed the Note for derivative accounting consideration and determined that since the note has a conversion price floor, it does not require to be accounted as a derivative instrument. The Company will evaluate every reporting period and identify if any default provisions and other requirements triggered a variable conversion price and if the note needs to be classified as a derivative instrument. The Company amortized \$80,100 as interest expense during the six months ended January 31, 2022. The total unamortized discount on the Note as of January 31, 2022 and July 31, 2021, were \$26,699 and \$106,799, respectively. The total principal balance outstanding as of January 31, 2022 and July 31, 2021, was \$250,000.</p>	250,000	250,000
---	---------	---------

<p>On August 31, 2021, the Company entered into a variable convertible promissory note with an aggregate principal amount of \$75,000, annual interest rate of 8% and a default interest rate of 20%, and a maturity date of August 31, 2022. In connection with the execution of the note, the Company issued 150,000 shares of our common stock to the note holder, at the time of issuance, the Company recognized the relative fair market value of the shares of \$13,635 as debt discount, and it will be amortized to interest expense during the term of the promissory note. The Holder may elect to convert up to 100% of the principal amount outstanding and any accrued interest on the Note into Common Stock at any time after 180 days of funding the Note. The Conversion Price shall be the greater of \$0.15 or 75% of the lowest daily volume weighted average price (“VWAP”) for the ten (10) trading day period immediately preceding the conversion date. The holder may elect to convert up to 100% of the principal plus accrued interest into the common stock into a qualified uplist financing at a 25% discount. The Company analyzed the Note for derivative accounting consideration and determined that since the note has a conversion price floor, it does not require to be accounted as a derivative instrument. The Company will evaluate every reporting period and identify if any default provisions and other requirements triggered a variable conversion price and if the note needs to be classified as a derivative instrument. The Company amortized as interest expense during the six months ended January 31, 2022, \$5,680. The total unamortized discount on the Note as of January 31, 2022, was \$7,955. The total principal balance outstanding as of January 31, 2022, was \$75,000.</p>	75,000	-
---	--------	---

<p>On September 29, 2021, the Company entered into a variable convertible promissory note with an aggregate principal amount of \$75,000, annual interest rate of 8% and a default interest rate of 20%, and a maturity date of September 29, 2022. In connection with the execution of the note, the Company issued 150,000 shares of our common stock to the note holder, at the time of issuance, the Company recognized the relative fair market value of the shares of \$10,788 as debt discount, and it will be amortized to interest expense during the term of the promissory note. The Holder may elect to convert up to 100% of the principal amount outstanding and any accrued interest on the Note into Common Stock at any time after 180 days of funding the Note. The Conversion Price shall be the greater of \$0.15 or 75% of the lowest daily volume weighted average price (“VWAP”) for the ten (10) trading day period immediately preceding the conversion date. The holder may elect to convert up to 100% of the principal plus accrued interest into the common stock into a qualified uplist financing at a 25% discount. The Company analyzed the Note for derivative accounting consideration and determined that since the note has a conversion price floor, it does not require to be accounted as a derivative instrument. The Company will evaluate every reporting period and identify if any default provisions and other requirements triggered a variable conversion price and if the note needs to be classified as a derivative instrument. The Company amortized \$3,596 as interest expense during the six months ended January 31, 2022. The total unamortized discount on the Note as of January 31, 2022, was \$7,192. The total principal balance outstanding as of January 31, 2022, was \$75,000.</p>	75,000	-
--	--------	---

<p>On October 22, 2021, the Company entered into a variable convertible promissory note with an aggregate principal amount of \$150,000, annual interest rate of 8% and a default interest rate of 20%, and a maturity date of October 22, 2022. In connection with the execution of the note, the Company issued 300,000 shares of our common stock to the note holder, at the time of issuance, the Company recognized the relative fair market value of the shares of \$13,965 as debt discount, and it will be amortized to interest expense during the term of the promissory note. The Holder may elect to convert up to 100% of the principal amount outstanding and any accrued interest on the Note into Common Stock at any time after 180 days of funding the Note. The Conversion Price shall be the greater of \$0.15 or 75% of the lowest daily volume weighted average price (“VWAP”) for the ten (10) trading day period immediately preceding the conversion date. The holder may elect to convert up to 100% of the principal plus accrued interest into the common stock into a qualified uplist financing at a 25% discount. The Company analyzed the Note for derivative accounting consideration and determined that since the note has a conversion price floor, it does not require to be accounted as a derivative instrument. The Company will evaluate every reporting period and identify if any default provisions and other requirements triggered a variable conversion price and if the note needs to be classified as a derivative instrument. The Company amortized \$3,492 as interest expense during the six months ended January 31, 2022. The total unamortized discount on the Note as of January 31, 2022, was \$10,473. The total principal balance outstanding as of January 31, 2022, was \$150,000.</p>	150,000	-
Total convertible notes payables non-derivative :	\$ 990,000	\$ 665,000

CONVERTIBLE NOTES PAYABLE - DERIVATIVE

<p>On July 27, 2020, the Company entered into a variable convertible promissory note with an aggregate principal amount of \$275,000, annual interest rate of 8% and a maturity date of March 27, 2021. After payment of transaction-related expenses and closing fees of \$35,000, net proceeds to the Company from the Note totaled \$240,000. The Company recorded these discounts and cost of \$35,000 as a discount to the Note and amortized over the term of the note. In connection with the execution of the note, the Company issued 500,000 shares of our common stock to the note holder, at the time of issuance, the Company recognized the relative fair market value of the shares of \$11,626 as debt discount, and it will be amortized to interest expense during the term of the promissory note. Until the earlier of 6 months or the Company listing on Nasdaq or NYSE American, the Holder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount into fully paid and nonassessable shares of Common Stock the Note Conversion Price shall equal the greater of \$0.05 (five) cents or 25% discount to up-listing price or offering/underwriting price concurrent with the Company listing on Nasdaq or NYSE American., subject to adjustment as provided in this Note. If an Event of Default occurs, the Conversion Price shall be the lesser of (a) \$0.05 (five) cents or (b) 75% of the lowest traded price in the prior fifteen trading days immediately preceding the Notice of Conversion. The Company analyzed the note for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. The Company recognized \$61,678 of derivative liability and directly amortized all associated debt discount of \$61,678 as interest expense. On July 31, 2021, the holder agreed to extend the maturity date until January 31, 2022. Subsequently, on February 14, 2022, the holder agreed to extend the maturity date until July 31, 2022. The total principal balance outstanding as of January 31, 2022, and July 31, 2021, was \$355,000.</p>	355,000	355,000
--	---------	---------

<p>On January 31, 2021, the Company entered into a variable convertible promissory note with an aggregate principal amount of \$80,235, annual interest rate of 8% and a maturity date of February 17, 2022. Subsequently, on March 7, 2022, the holder agreed to extend the maturity date until July 31, 2022. Until the earlier of 6 months or the Company listing on Nasdaq or NYSE American, the Holder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount into fully paid and nonassessable shares of Common Stock the Note Conversion Price shall equal the greater of \$0.05 (five) cents or seventy-five percent (75%) of the lowest daily volume weighted average price (“VWAP”) over the ten (10) consecutive trading day period ending on the trading day immediately prior to the applicable conversion date (the “Variable Conversion Price”); provided, however, that the Holder shall, in its sole discretion, be able to convert any amounts due hereunder at a twenty-five percent (25%) discount to the per share price of the Qualified Uplisting Financing of over \$4MM. If, no later than December 31, 2021, the Borrower shall fail to uplist to any tier of the NASDAQ Stock Market, the New York Stock Exchange or the NYSE MKT, the conversion price under the Note (and the Exchange Note) will be adjusted to equal the lesser of (i) \$0.05 per share; or (ii) seventy-five percent (75%) of the lowest VWAP (as defined in the Note and Exchange Note) in the preceding twenty (20) consecutive Trading Days. The Company analyzed the note for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. As a result, the Company recognized derivative liability for the convertible note of \$61,819, of which \$61,819 was recorded as debt discount and amortized over the term of the note. The Company amortized \$27,840 of debt discount as interest expense during the six months ended January 31, 2022. The total unamortized discount on the Note as of January 31, 2022, and July 31, 2021, were \$0 and \$27,840, respectively. The total principal balance outstanding as of January 31, 2022, and July 31, 2021, was \$80,235.</p>	80,235	80,235
--	--------	--------

<p>On February 17, 2021, the Company entered into a variable convertible promissory note with an aggregate principal amount of \$175,000, annual interest rate of 8% and a maturity date of February 17, 2022. After payment of transaction-related expenses and closing fees of \$5,000, net proceeds to the Company from the Note totaled \$170,000. Additionally, the Company recorded \$5,000 as a discount to the Note and amortized over the term of the note. Until the earlier of 6 months or the Company listing on Nasdaq or NYSE American, the Holder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount into fully paid and nonassessable shares of Common Stock the Note Conversion Price shall equal the greater of \$0.05 (five) cents or seventy-five percent (75%) of the lowest daily volume weighted average price (“VWAP”) over the ten (10) consecutive trading day period ending on the trading day immediately prior to the applicable conversion date (the “Variable Conversion Price”); provided, however, that the Holder shall, in its sole discretion, be able to convert any amounts due hereunder at a twenty-five percent (25%) discount to the per share price of the Qualified Uplisting Financing of over \$4MM. If, no later than December 31, 2021, the Borrower shall fail to uplist to any tier of the NASDAQ Stock Market, the New York Stock Exchange or the NYSE MKT, the conversion price under the Note (and the Exchange Note) will be adjusted to equal the lesser of (i) \$0.05 per share; or (ii) seventy-five percent (75%) of the lowest VWAP (as defined in the Note and Exchange Note) in the preceding twenty (20) consecutive Trading Days. The Company analyzed the note for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. As a result, the Company recognized derivative liability for the convertible note of \$346,091, of which \$170,000 was recorded as debt discount and amortized over the term of the note, and \$176,091 was recorded as day 1 derivative loss. The total unamortized discount on the Note as of January 31, 2022, and July 31, 2021, were \$14,576 and \$102,083, respectively. The Company amortized \$87,507 of debt discount as interest expense during the six months ended January 31, 2022. The total principal balance outstanding as of January 31, 2022, and July 31, 2021, was \$175,000. Subsequently, on March 7, 2022, the Company paid in full the total principal balance outstanding of \$175,000 and accrued interest and prepayment penalty of \$30,000.</p>	175,000	175,000
--	---------	---------

<p>On April 15, 2021, the Company entered into a variable convertible promissory note with an aggregate principal amount of \$113,000, annual interest rate of 8% and a maturity date of January 15, 2022. After payment of transaction-related expenses and closing fees of \$13,000, net proceeds to the Company from the Note totaled \$100,000. Additionally, the Company recorded \$13,000 as a discount to the Note and amortized over the term of the note. In connection with the execution of the note, the Company issued 100,000 shares of our common stock to the note holder, at the time of issuance, the Company recognized the relative fair market value of the shares of \$14,138 as debt discount, and it will be amortized to interest expense during the term of the promissory note. Until the earlier of 6 months or the Company listing on Nasdaq or NYSE American, the Holder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount into fully paid and nonassessable shares of Common Stock. The Note Conversion Price shall equal the greater of \$0.15 (fifteen) cents or 25% discount to up-listing price or offering/underwriting price concurrent with the Company listing on Nasdaq or NYSE American., subject to adjustment as provided in the Note. If an Event of Default occurs, the Conversion Price shall be the lesser of (a). \$0.15 (fifteen) cents or (b). seventy-five percent (75%) of the lowest traded price in the prior fifteen (15) consecutive trading day period ending on the trading day immediately prior to the applicable conversion date (the “Variable Conversion Price”). Outstanding Balance shall immediately increase to 125% of the Outstanding Balance immediately prior to the occurrence of the Event of Default and a daily penalty of \$500 will accrue until the default is remedied. The Company analyzed the note for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. As a result, the Company recognized derivative liability for the convertible note of \$64,561, of which \$42,822 was recorded as debt discount and amortized over the term of the note. On January 15, 2022, the lender agreed to extend the maturity date until March 31, 2022. As consideration for the extension on the note, the Company agreed to add \$15,000 to the principal amount outstanding and recognized \$15,000 as interest expense. The total unamortized discount on the Note as of January 31, 2022, and July 31, 2021, were \$0 and \$50,945, respectively. The Company amortized \$50,945 of debt discount as interest expense during the six months ended January 31, 2022. The total principal balance outstanding as of January 31, 2022, and July 31, 2021, were, \$128,000 and \$113,000, respectively.</p>	128,000	113,000
--	---------	---------

<p>On January 21, 2022, the Company entered into a variable convertible promissory note with an aggregate principal amount of \$230,000, annual interest rate of 8% and a maturity date of October 21, 2022. After payment of transaction-related expenses and closing fees of \$26,300, net proceeds to the Company from the Note totaled \$203,700. Additionally, the Company recorded \$26,300 as a discount to the Note and amortized over the term of the note. In connection with the execution of the note, the Company issued 300,000 shares of our common stock to the note holder. Until the earlier of 6 months or the Company listing on Nasdaq or NYSE American, the Holder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount into fully paid and nonassessable shares of Common Stock. The Note Conversion Price shall equal the greater of \$0.15 (fifteen) cents or 25% discount to up-listing price or offering/underwriting price concurrent with the Company listing on Nasdaq or NYSE American., subject to adjustment as provided in the Note. Outstanding Balance shall immediately increase to 125% of the Outstanding Balance immediately prior to the occurrence of the Event of Default and a daily penalty of \$500 will accrue until the default is remedied. The Company analyzed the note for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. As a result, the Company recognized derivative liability for the convertible note of \$55,866. The Company recorded \$30,146 debt discount from derivative. The total unamortized discount on the Note as of January 31, 2022, was \$56,446. The Company amortized \$0 of debt discount as interest expense during the six months ended January 31, 2022. The total principal balance outstanding as of January 31, 2022, was \$230,000.</p>	230,000	-
--	---------	---

On January 21, 2022, the Company entered into a variable convertible promissory note with an aggregate principal amount of \$230,000, annual interest rate of 8% and a maturity date of October 21, 2022. After payment of transaction-related expenses and closing fees of \$26,300, net proceeds to the Company from the Note totaled \$203,700. Additionally, the Company recorded \$26,300 as a discount to the Note and amortized over the term of the note. In connection with the execution of the note, the Company issued 300,000 shares of our common stock to the note holder. Until the earlier of 6 months or the Company listing on Nasdaq or NYSE American, the Holder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount into fully paid and nonassessable shares of Common Stock. The Note Conversion Price shall equal the greater of \$0.15 (fifteen) cents or 25% discount to up-listing price or offering/underwriting price concurrent with the Company listing on Nasdaq or NYSE American., subject to adjustment as provided in the Note. Outstanding Balance shall immediately increase to 125% of the Outstanding Balance immediately prior to the occurrence of the Event of Default and a daily penalty of \$500 will accrue until the default is remedied. The Company analyzed the note for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. As a result, the Company recognized derivative liability for the convertible note of \$55,866. The Company recorded \$30,146 debt discount from derivative. The total unamortized discount on the Note as of January 31, 2022, was \$56,446. The Company amortized \$0 of debt discount as interest expense during the six months ended January 31, 2022. The total principal balance outstanding as of January 31, 2022, was \$230,000.

Total convertible notes payable - derivative:	\$ 1,198,235	\$ 723,235
Total convertible notes payable derivative and non-derivative	2,188,235	1,388,235
Less: discount on convertible notes payable	(179,787)	(339,654)
Total convertible notes payable, net of discount	2,008,448	1,048,581
Less: current portion of convertible notes payable	(2,008,448)	(1,048,581)
Long-term portion of convertible notes payable	\$ -	\$ -

Additional terms No.1: The Holder shall have the right at any time on or after six (6) months from the Issue Date to convert any portion of the outstanding and unpaid principal balance into fully paid and nonassessable shares of Common Stock. The Note Conversion Price shall equal (1) \$0.05 (five) cents provided however that in the event the Borrower fails to complete the acquisition of Nexogy, Inc., the Conversion Price shall equal (2) the Variable Conversion Price (as defined herein) (subject to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower relating to the Borrower’s securities or the securities of any subsidiary of the Borrower, combinations, recapitalization, reclassifications, extraordinary distributions and similar events). The “Variable Conversion Price” shall mean eighty-five percent (85%) multiplied by the Market Price (as defined herein) (representing a discount rate of fifteen percent (15%)). “Market Price” means the lowest Trading Price for the Common Stock during the ten (10) Trading Day period ending on the latest complete Trading Day prior to the Conversion Date.

Variable Conversion No.2: The notes are immediately convertible into shares of the Company’s Common Stock, at any time, at a conversion price for each share of Common Stock equal to the lesser of (i) the lowest trading price of the Common Stock (as defined in the Note) as reported on the National Quotations Bureau OTC Marketplace exchange upon which the Company’s shares are traded during the twenty (20) consecutive Trading Day period immediately preceding the issuance date of each Note; or (ii) 60% multiplied by the lowest traded price of the Common Stock during the twenty (20) consecutive Trading Day period immediately preceding the Trading Day that the Company receives a notice of conversion (the “Variable Conversion Price”). The Variable Conversion Price may further be adjusted in connection with the terms of the Notes at a discount of 35% to the average of the three lowest trading closing prices of the stock for ten days prior to conversion.

The total unamortized discount on the convertible notes as of January 31, 2022, and July 31, 2021, were \$179,787 and \$339,654, respectively. The total principal balance outstanding as of January 31, 2022, and July 31, 2021, were \$2,188,235 and \$1,388,235, respectively. During the six months ended January 31, 2022, and January 31, 2021, the Company amortized \$311,148 and \$339,845, respectively, of debt discount as interest expense.

NOTE 9 - LEASES

The leased properties have a remaining lease term of twelve to thirty-seven months as of August 1, 2021. At the option of the Company, it can elect to extend the term of the leases. See table below:

<u>Location</u>	<u>Annual Rent</u>	<u>Lease Expiration Date</u>	<u>Business Use</u>	<u>Approx. Sq. Ft.</u>
825 W. Bitters, Suite 104, San Antonio, TX 78216	\$ 26,529	Jul-22	Executive offices	1,546
8023 Vantage Dr., Suite 660, San Antonio, Texas 78230	\$ 49,752	Sep-22	Office space	2,843
1610 Royal Palm Avenue, Suite 300, Fort Myers, FL 33901	\$ 82,102	Dec-25	Office space and network facilities	6,800
2121 Ponce de Leon Blvd., Suite 200, Coral Gables FL 33134	\$ 164,475	Jul-22	Office space & wireless internet network	4,623
7218 McNeil Dr., FL-1, Austin, TX 78729	\$ 21,000	Mar-24	Network facilities	25
6606 Lyndon B. Johnson, Fwy., FL1, Suite 125, Dallas, TX 75240	\$ 14,200	May-22	Network facilities	25
9701 S. John Young Parkway, Orlando, FL 32819	\$ 30,528	May-23	Network facilities	540
50 NE 9th St, Miami, FL 3313	\$ 49,560	May-23	Network facilities	25
350 NW 215 St., Miami Gardens, FL 33169	\$ 23,403	May-22	Wireless internet network	100
8333 NW 53rd St, Doral, FL 33166	\$ 13,612	Jul-25	Wireless internet network	100
100 SE 2nd Street, Miami, FL 33131	\$ 36,024	Jan-24	Wireless internet network	100
9055 SW 73rd Ct, Miami, FL 33156	\$ 8,674	Dec-23	Wireless internet network	100
9517 Fontainebleau Blvd., Miami, FL 33172	\$ 11,860	Aug-24	Wireless internet network	100

The Company has not entered into any sale and leaseback transactions during the six months ended January 31, 2022

In December 2021, as part of the acquisition of SkyNet’s assets, the Company assumed an office lease in San Antonio, Texas. The lease is identified in the table above. The lease expires in September 2022, and at the option of the Company, the lease can be extended for a period of five years, with a base rent at the prevailing market rate at the time of the renewal.

In January 2021, the Company entered into a new office lease, with a monthly base lease payment and applicable shared expenses of \$4,750 and \$2,140, respectively. The base rent will increase on an annual basis by 2% of the base lease payment. The lease expires on January 1, 2026, and at the option of the Company, the lease can be extended for one (1) five (5) year term with a base rent at the prevailing market rate at the time of the renewal.

In November 2020, as part of the acquisition of Nexogy, Inc., the Company assumed an office lease in Coral Gable Florida, two network facilities and five wireless internet network leases. These leases are identified in the table above. The leases’ expiration dates range from May 2022 to July 2025, and at the option of the Company, the leases can be extended for various periods ranging from one to five years, with a base rent at the prevailing market rate at the time of the renewal.

Amounts recognized on July 31, 2021, and January 31, 2022, for operating leases are as follows:

ROU Asset	July 31, 2021	\$ 934,260
Amortization		\$ (91,587)
Addition - Asset		\$ 44,476
ROU Asset	January 31, 2022	\$ 887,149
Lease Liability	July 31, 2021	\$ 934,260
Amortization		\$ (91,587)
Addition - Liability		\$ 44,476
Lease Liability	January 31, 2022	\$ 887,149
Lease Liability	Short term	\$ 514,672
Lease Liability	Long term	\$ 372,477
Lease Liability	Total:	\$ 887,149
Operating lease cost:		\$ 251,003
Cash paid for amounts included in the measurement of lease liabilities		
Operating cashflow from operating leases:		\$ 251,003
Weighted-average remain lease term-operating lease:		2.8 years
Weighted-average discount rate		5.0%

For the period ended January 31, 2022, the amortization of operating ROU assets was \$91,587.

For the period ended January 31, 2022, the amortization of operating lease liabilities was \$91,587.

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

Period Ending July, 31	Lease Payments
2022 (remaining 6 Months)	\$ 441,922
2023	260,370
2024	163,305
2025	112,991
2026	-
Total:	\$ 978,588

NOTE 10 – PREFERRED STOCK

CONVERTIBLE SERIES A PREFERRED STOCK

In March 2019, the Company’s Board of Directors designated and authorized the issuance up to 1,500,000 shares of the Series A Preferred Stock. Each share of Series A Preferred Stock has a par value of \$0.001 per share and a stated value equal to one dollar (\$1.00) (the “Stated Value”) and are entitled to a dividend at an annual rate of eight percent (8%) per share. The Company had 225,000 shares of the Convertible Series A Preferred Stock outstanding as of January 31, 2022. During the six months ending January 31, 2022, the Company declared a dividend of \$10,000 and had \$48,000 as accumulated dividends as of January 31, 2022.

The “Conversion Price” at which shares of Common Stock shall be issuable upon conversion of any shares of Series A Preferred Stock shall initially be the greater of (i) \$0.30 per share, (ii) a 30% discount to the offering price of the Common Stock (or Common Stock equivalent) in a \$10 million or greater equity financing that closes concurrently with an up-listing of the Company Common Stock on the NYSE American or Nasdaq, in the event of such up-listing, and (iii) a 30% discount to the average closing price per share of the Common Stock for the 5 consecutive trading days commencing upon the date the Common Stock is up-listed on either the NYSE American or Nasdaq in which there is no concurrent \$10 million equity financing.

During the six months ended January 31, 2022, the Company evaluated Series A Convertible Preferred Stock and concluded that none of the mandatory conversion events occurred during the period and determined that the convertible shares were classified as equity instruments.

CONVERTIBLE SERIES B PREFERRED STOCK

In April 2020, the Company’s Board of Directors designated and authorized the issuance up to 1,000,000 shares of the Series B Preferred Stock. The Series B Preferred Stock is only issuable to the Company’s debt holders as of March 25, 2020 (“Existing Debt Holders”) who may purchase shares of Series B Preferred Stock at the Stated Value by converting all or part of the debt owed to them by the Corporation as of March 25, 2020. Each share of Series B Preferred Stock has a par value of \$0.001 per share and a stated value equal to one dollar (\$1.00) (the “Stated Value”). In April 2020, the Company issued a total of 407,477 shares of Series B Preferred Stock for settlement of debt of \$370,000 on various promissory notes and \$37,477 in accrued interest. In March 2021, the Company issued a total of 17,965 shares of Series B Preferred Stock for settlement of debt of \$16,000 on a promissory note and \$1,965 in accrued interest.

The Company had 425,442 shares of Convertible Series B Preferred Stock outstanding as of January 31, 2022. No dividends are payable on the Convertible Series B Preferred Stock.

The terms of our Series B Preferred Stock allow for:

Mandatory Conversion. Upon (i) an up-listing of the Corporation’s Common Stock to Nasdaq or a US national securities exchange, (ii) an underwriting involving the sale of \$5,000,000 or more of the Corporation’s Common Stock or Common Stock Equivalents (a “Material Underwriting”), (iii) the Corporation ceases to be a public corporation as the result of a going private transaction, (iv) the Corporation, directly or indirectly, effects any sale, lease, exclusive license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions (including a transaction involving the Corporation’s spin-off of its operating subsidiary, T3 Communications, Inc.), (v) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Corporation or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (vi) the Corporation, directly or indirectly, in one or more related transactions, effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, or (vii) the Corporation, directly or indirectly, in one or more related transactions, consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person, other than an officer or director of the Company, whereby such other Person acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination), all shares of Series B Preferred Stock shall be automatically converted, without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent, into the number of fully paid and nonassessable shares of Common Stock in an amount equal, following conversion, to 18% of the Corporation’s issued and outstanding shares of Common Stock. Each of (i)-(vii) above shall be hereafter referred to as a “Conversion Event” and the date of a Conversion Event shall be hereafter referred to as a “Conversion Date”. Upon any such mandatory conversion and the issuance of Conversion Shares further thereto, the shares of Series B Preferred Stock shall be deemed cancelled and of no further force or effect. A mandatory conversion is the only means by which Series B Preferred Stock is convertible as the shares of Series B Preferred Stock are not convertible at the option of the Holder. For purposes of the foregoing Conversion Events, conversion will be deemed to have taken place immediately prior to the Conversion Event. By way of example, if the Corporation engages in a Material Underwriting, the Series B Preferred Stock will be treated as having been converted immediately prior to the issuance of the securities in the Material Underwriting.

During the six months ended January 31, 2022, the Company evaluated Series B Convertible Preferred Stock and concluded that none of the mandatory conversion events occurred during the period and determined that the convertible shares were classified as equity instruments.

CONVERTIBLE SERIES C PREFERRED STOCK

In July 2020, the Company's Board of Directors designated and authorized the issuance up to 1,000,000 shares of the Series C Preferred Stock. Each share of Series C Preferred Stock has a par value of \$0.001 per share and a stated value equal to ten dollars (\$10.00) (the "Stated Value").

On February 25, 2021, Digerati's Board of Directors approved the issuance of the following shares of Series C Convertible Preferred Stock.:

- Arthur L. Smith – 28,928 shares of Series C Convertible Preferred Stock
- Antonio Estrada – 19,399 shares of Series C Convertible Preferred Stock
- Craig Clement – 7,073 shares of Series C Convertible Preferred Stock

The Series C Convertible Preferred Stock were issued for accrued compensation to the management team of \$554,000.

The Company had 55,400 shares of Convertible Series C Preferred Stock outstanding as of January 31, 2022. No dividends are payable on the Convertible Series C Preferred Stock.

The terms of our Series C Preferred Stock allow for:

Automatic Conversion. Upon (i) an up-listing of the Corporation's Common Stock to Nasdaq or a US national securities exchange, (ii) a financing or offering involving the sale of \$5,000,000 or more of the Corporation's Common Stock or Common Stock Equivalents (a "Material Financing"), (iii) the Corporation ceases to be a public corporation as the result of a going private transaction, (iv) the Corporation, directly or indirectly, effects any sale, lease, exclusive license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions (including a transaction involving the Corporation's spin-off of its Nevada subsidiary, T3 Communications, Inc.), (v) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Corporation or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (vi) the Corporation, directly or indirectly, in one or more related transactions, effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, or (vii) the Corporation, directly or indirectly, in one or more related transactions, consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person, other than an officer or director of the Company, whereby such other Person acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination), all issued shares of Series C Preferred Stock shall be automatically converted, without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent, into the number of fully paid and nonassessable shares of Common Stock in an amount equal, following conversion, to 22% of the Corporation's issued and outstanding shares of Common Stock. Each of (i)-(vii) above shall be hereafter referred to as a "Conversion Event" and the date of a Conversion Event shall be hereafter referred to as a "Conversion Date". Upon any such mandatory conversion and the issuance of Conversion Shares further thereto, the shares of Series C Preferred Stock shall be deemed cancelled and of no further force or effect. A mandatory conversion is the only means by which Series C Preferred Stock is convertible as the shares of Series C Preferred Stock are not convertible at the option of the Holder. For purposes of the foregoing Conversion Events, conversion will be deemed to have taken place immediately prior to the Conversion Event. By way of example, if the Corporation engages in a Material Financing, the Series C Preferred Stock will be treated as having been converted immediately prior to the issuance of the securities in the Material Underwriting.

SERIES F SUPER VOTING PREFERRED STOCK

In July 2020, the Company's Board of Directors designated and authorized the issuance up to 100 shares of the Series F Super Voting Preferred Stock. Each share of Series F Super Voting Preferred Stock has a par value of \$0.001 per share and a stated value equal to one cent (\$0.01) (the "Stated Value").

On November 17, 2020, Digerati's Board of Directors approved the issuance of the following shares of Series F Super Voting Preferred Stock:

- Arthur L. Smith - 34 shares of Series F Super Voting Preferred Stock
- Antonio Estrada - 33 shares of Series F Super Voting Preferred Stock
- Craig Clement - 33 shares of Series F Super Voting Preferred Stock

The Company had 100 shares outstanding of the Series F Super Voting Preferred Stock as of January 31, 2022. No dividends are payable on the Series F Super Voting Preferred Stock.

The terms of our Series F Super Voting Preferred Stock allow for:

Voting Rights. As long as any shares of Series F Preferred Stock are outstanding, the Corporation shall not, without the affirmative vote of the Holders of a majority of the then outstanding shares of the Series F Preferred Stock, (a) alter or change adversely the powers, preferences or rights given to the Series F Preferred Stock or alter or amend this Certificate of Designation, (b) amend its certificate of incorporation or other charter documents in any manner that adversely affects any rights of the Holders, (c) increase the number of authorized shares of Series F Preferred Stock, (d) sell or otherwise dispose of any assets of the Corporation not in the ordinary course of business, (e) sell or otherwise effect or undergo any change of control of the corporation, (f) effect a reverse split of its Common Stock, or (g) enter into any agreement with respect to any of the foregoing.

Holder of the Series F Preferred Stock shall be entitled to vote on all matters subject to a vote or written consent of the holders of the Corporation's Common Stock, and on all such matters, the shares of Series F Preferred Stock shall be entitled to that number of votes equal to the number of votes that all issued and outstanding shares of Common Stock and all other securities of the Corporation are entitled to, as of any such date of determination, on a fully diluted basis, *plus* one million (1,000,000) votes, it being the intention that the Holders of the Series F Preferred Stock shall have effective voting control of the Corporation. The Holders of the Series F Preferred Stock shall vote together with the holders of Common Stock as a single class on all matters requiring approval of the holders of the Corporation's Common Stock and separately on matters not requiring the approval of holders of the Corporation's Common Stock.

Conversion. No conversion rights apply to the Series F Preferred Stock.

NOTE 11 – EQUITY

During the six months ended January 31, 2022, the Company issued the following shares of common stock:

On August 31, 2021, the Company entered into a \$75,000 promissory note, with a maturity date of August 31, 2022, and annual interest rate of 8%. In conjunction with the promissory note, we issued 150,000 shares of common stock. At the time of issuance, the Company recognized the relative fair market value of the shares of \$13,635 as debt discount, and it will be amortized to interest expense during the term of the promissory note.

On September 29, 2021, the Company entered into a \$75,000 promissory note, with a maturity date of September 29, 2022, and annual interest rate of 8%. In conjunction with the promissory note, we issued 150,000 shares of common stock. At the time of issuance, the Company recognized the relative fair market value of the shares of \$10,788 as debt discount, and it will be amortized to interest expense during the term of the promissory note.

On October 22, 2021, the Company entered into a \$150,000 promissory note, with a maturity date of October 22, 2022, and annual interest rate of 8%. In conjunction with the promissory note, we issued 300,000 shares of common stock. At the time of issuance, the Company recognized the relative fair market value of the shares of \$13,965 as debt discount, and it will be amortized to interest expense during the term of the promissory note.

On January 21, 2022, the Company secured two promissory notes for \$460,000, with a maturity date of October 21, 2022, and annual interest rate of 8%. In conjunction with the promissory notes, we issued 600,000 shares of common stock.

Subsequently, on February 14, 2022, the Company entered into a note extension agreement, and as consideration for the extension, the Company issued 250,000 shares of common stock. At the time of issuance, the Company recognized the fair market value of the shares of \$34,150 as interest expense. In addition, the Company agreed to add \$75,000 to the principal amount outstanding and the Company recognized \$75,000 as interest expense.

NOTE 12 – ACQUISITION

On December 31, 2021, our indirect, wholly owned subsidiary, Shift8 Networks, Inc., a Texas corporation (“Shift8”), executed and closed on an Asset Purchase Agreement (the “Purchase Agreement”) with Skynet Telecom LLC, a Texas limited liability company (“Seller” “Skynet”), and Paul Golibart and Jerry Ou, each an individual resident in the State of Texas (each, an “Owner” and collectively, the “Owners”). The Company also executed the Purchase Agreement.

Pursuant to the Purchase Agreement, Shift8 acquired the customer base, certain equipment, certain intellectual property, inventory, contract rights, software and other licenses and miscellaneous assets used in connection with the operation of Seller’s communications business, including but not limited to subscriber-based Interconnected Voice Over Internet Protocol communication services (“I-VoIP”), Unified Cloud Communications Services (“UCCS”), and IPPBX based systems of telephony (collectively, the “Purchased Assets”).

The aggregate purchase price for the Purchased Assets was \$5,800,000, subject to adjustment as provided in the Purchase Agreement (the “Purchase Price”). An amount of \$4,100,000 in cash, subject to a Net Working Capital Adjustment as defined in the Purchase Agreement, was paid by Shift8 on the Closing Date. Included within the \$4.1 million cash payment were amounts paid by Shift8 directly to creditors of the Seller as set forth in payoff letters. An additional \$600,000 (the “Earn-out Amount”) was retained by Shift8 at the Closing and will be paid to Seller in accordance with the Purchase Agreement. An additional \$100,000 (the “Holdback Amount”) was retained by Shift8 at the Closing and will be paid to Seller in accordance with the Purchase Agreement. Finally, \$1,000,000 (the “Share Payment”) will be paid by Shift8 to Seller by issuance of restricted shares of the Company’s common stock to the Owners. The Share Payment will be made via the issuance of shares on the earlier of (i) the effective date of that certain Registration Statement on Form S-1 (File No. 333-258733) filed by the Company with the Securities and Exchange Commission on August 11, 2021 (in which case the stock will be valued at the price set forth in the prospectus that is a part of such Registration Statement, without underwriter discounts) and (ii) 180 days after December 31, 2021 (in which case the stock will be valued at the average of the last transaction price on the OTCQB for each of the 10 trading days immediately preceding such issuance date).

The acquisition was accounted for under the purchase method of accounting, with Digerati identified as the acquirer. Under the purchase method of accounting, the aggregate amount of consideration assumed by Digerati was allocated to customer contracts acquired and intangible assets based on their estimated fair values as of December 31, 2020. Allocation of the purchase price is based on the best estimates of management.

The following table presents the preliminary allocation of the purchase price to the assets acquired and liabilities assumed for the Skynet Asset Acquisition. The allocation of fair values is preliminary and is subject to change in the future during the measurement period.

	Skynet (in thousands)
Accounts receivable, net	\$ 124
Inventory	8
Intangible assets and Goodwill	5,800
Property and Equipment, net	16
Operating lease right-of-use asset	45
Deposits and other assets	6
Total identifiable assets	\$ 5,999
Less: Liabilities assumed	199
Total Purchase price	\$ 5,800

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

	Skynet (in thousands)	Useful Life (in Years)
Customer Relationships	\$ 2,378	7
Trade Names and Trademarks	1,624	7
Non-Compete Agreement	174	2-3
Goodwill	1,624	-
Total intangible assets	\$ 5,800	

In addition, the Company incurred approximately \$276,000 in costs associated with the Skynet Asset acquisition. These included legal, regulatory, and accounting, these costs of \$276,000 were expensed during the six months ended January 31, 2022.

As part of the acquisitions of Skynet's assets, the Company secured an office lease, with monthly base lease payment of \$3,909 from July 1, 2021, through June 30, 2022, and a monthly base lease payment of \$4,027 from July 1, 2022, through September 30, 2022. The lease expires in September 2022, and at the option of the Company, the lease can be extended for a period of five years, with a base rent at the prevailing market rate at the time of the renewal.

Proforma

The results of Skynet Telecom LLC are included in the consolidated financial statements effective August 1, 2020.

The following schedule contains proforma consolidated results of operations for the six months ended January 31, 2022 and 2021 as if the acquisition occurred on August 1, 2020. The proforma results of operations are presented for informational purposes only and are not indicative of the results of operations that would have been achieved if the acquisition had taken place on August 1, 2020, or of results that may occur in the future.

	(In thousands)			
	Six months ended January 31,			
	2022		2021	
	Reported	Proforma	Reported	Proforma
Revenue	\$ 7,796	\$ 9,338	\$ 4,878	\$ 6,570
Income (loss) from operations	(1,899)	(1,654)	(1,390)	(1,052)
Net income (loss)	<u>\$ (8,628)</u>	<u>\$ (8,381)</u>	<u>\$ (2,681)</u>	<u>\$ (2,191)</u>
Earnings (loss) per common share-Basic and Diluted	<u>\$ (0.06)</u>	<u>\$ (0.06)</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>

NOTE 13 – SUBSEQUENT EVENTS

PRG Term Loan C Note

On February 4, 2022, Digerati Technologies, Inc. (the “Company”), T3 Communications, Inc., a controlled subsidiary of the Company (“T3 Nevada”) and Post Road entered into a Credit Agreement in connection with which T3 Nevada issued a Term Loan C Note, Pursuant to the Credit Agreement, Post Road provided T3 Nevada with a secured loan of \$10,000,000. The proceeds \$10,000,000 were used to fund the acquisition of Next Level Internet and for general corporate and working capital purposes as well as professional fees and other fees and expenses with respect to the transactions contemplated by the Amendment.

The Term Loan C Note has maturity dates of August 4, 2023, and an interest rate of LIBOR (with a minimum rate of 1.5%) plus twelve percent (12%).

Next Level Equity Purchase Agreement

On February 4, 2022, Digerati Technologies, Inc. (the “Company”), T3 Communications, Inc., a controlled subsidiary of the Company (“T3”) and the two owners of Next Level Internet, Inc. (the “Sellers”), entered into and closed on an Equity Purchase Agreement (the “Purchase Agreement”). Pursuant to the Purchase Agreement, T3 bought all of the equity interests in Next Level Internet, Inc. (“Next Level”) from the Sellers. Next Level is engaged in the business of providing cloud based Unified Communications as a Service, collaboration, contact center, managed connectivity and other voice and data services to small, medium, and large enterprises.

The total purchase price is up to \$12.90 million consisting of: (i) \$8.9 million in cash which includes payoff of certain indebtedness held at closing by Next Level and certain transaction expenses; (ii) unsecured promissory notes in the aggregate principal amount of \$2 million issued by T3 to the Sellers (the “Unsecured Notes”) with such notes payable in eight equal quarterly installments in the aggregate amount of \$250,000 each starting on June 15, 2022 through and including March 16, 2024. With a base annual interest rate of 0% and a default annual interest rate of 18%. The amount owed is subject to change based on certain revenue milestones needing to be met by Next Level; and (iii) unsecured convertible promissory notes (the “Convertible Notes”) in the aggregate principal amount of \$2 million issued by T3 to the Sellers with such notes payable in eight equal quarterly installments in the aggregate amount of \$250,000 each starting on April 30, 2022 through and including January 31, 2024. With a base annual interest rate of 0% and a default annual interest rate of 18%. The Sellers have a onetime right to convert all or a portion of the Convertible Notes commencing on the six-month anniversary of the notes being issued and ending 30 days after such six-month anniversary. The conversion price is the volume weighted average price per share for the ten (10) consecutive trading days immediately preceding the date on which a conversion notice is received by T3.

T3 paid \$8.9 million in cash to the Sellers on the closing date of February 4, 2022.

In addition, 120 days after the closing of the transaction, T3 will pay the Sellers the amount by which net working capital deficit is better than \$2.16 million or the Sellers will pay T3 the amount by which net working capital deficit is worse than \$2.36 million.

The acquisition was accounted for under the purchase method of accounting, with Digerati identified as the acquirer. Under the purchase method of accounting, the aggregate amount of consideration assumed by Digerati was allocated to customer contracts acquired and intangible assets based on their estimated fair values as of February 4, 2022. Allocation of the purchase price is based on the best estimates of management.

The following table presents the preliminary allocation of the purchase price to the assets acquired and liabilities assumed for the Next Level Internet Acquisition. The allocation of fair values is preliminary and is subject to change in the future during the measurement period.

	Next Level Internet (in thousands)
Cash	\$ 258
Accounts receivable, net	559
Prepaid and other current assets	525
Intangible assets and Goodwill	17,837
Property and Equipment, net	1,299
Deposits and other assets	414
Operating lease right-of-use asset	1,312
Total identifiable assets	\$ 22,204
Less: Liabilities assumed	7,822
Less: Operating lease liability	1,480
Total Purchase price	\$ 12,902

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

	Next Level Internet (in thousands)	Useful Life (in Years)
Customer Relationships	\$ 7,313	7
Trade Names and Trademarks	4,994	7
Non-Compete Agreement	1,963	2-3
Goodwill	3,567	-
Total intangible assets	\$ 17,837	

In addition, the Company incurred approximately \$845,000 in costs associated with the Next Level Internet Acquisition. These included legal, regulatory, and accounting, \$578,000 were expensed during the six months ended January 31, 2022. Subsequently, in February 2022, the Company recognized \$267,000 in legal, regulatory and accounting expenses.

Proforma

The results of Next Level Internet, Inc. are included in the consolidated financial statements effective August 1, 2020.

The following schedule contains proforma consolidated results of operations for the six months ended January 31, 2022, and 2021 as if the acquisition occurred on August 1, 2020. The proforma results of operations are presented for informational purposes only and are not indicative of the results of operations that would have been achieved if the acquisition had taken place on August 1, 2020, or of results that may occur in the future.

	(In thousands)			
	Six months ended January 31,			
	2022		2021	
	Reported	Proforma	Reported	Proforma
Revenue	\$ 7,796	\$ 15,128	\$ 4,878	\$ 10,880
Income (loss) from operations	(1,899)	(1,539)	(1,390)	(1,511)
Net income (loss)	<u>\$ (8,628)</u>	<u>\$ (8,284)</u>	<u>\$ (2,681)</u>	<u>\$ (2,826)</u>
Earnings (loss) per common share-Basic and Diluted	<u>\$ (0.06)</u>	<u>\$ (0.06)</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>

As part of the acquisition of Next Level Internet, Inc., the Company secured an office lease, with a monthly base lease payment of \$27,351. The lease expires on March 11, 2026. At the option of the Company, the lease can be extended for two additional five-year terms, with a base rent at the prevailing market rate at the time of the renewal.

Promissory Note paid in full

On March 7, 2022, the Company paid in full a promissory note originally date February 17, 2021. The amount paid was the total principal balance outstanding of \$175,000, plus interest and prepayment penalty for a total of \$30,000. At the time of the payment, the Company recognized \$30,000 as interest expense.

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, 2021, filed with the Securities and Exchange Commission on October 26, 2021.

The following is a discussion of the unaudited interim consolidated financial condition and results of operations of Digerati for the three and six months ended January 31, 2022, and 2021. 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, 2021, filed with the Securities and Exchange Commission on October 26, 2021. For purposes of the following discussion, fiscal 2022 or 2022 refers to the year that will end on July 31, 2022, and fiscal 2021 or 2021 refers to the year ended July 31, 2021.

Overview

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

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

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

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

Recent events

On December 31, 2021, the Company closed on an Asset Purchase Agreement with Skynet Telecom LLC. Pursuant to the Purchase Agreement, the Company acquired the customer base, certain equipment, certain intellectual property, inventory, contract rights, software and other licenses and miscellaneous assets used in connection with the operation of Seller’s communications business, including but not limited to subscriber-based Interconnected Voice Over Internet Protocol communication services (“I-VoIP”), Unified Cloud Communications Services (“UCCS”), and IPPBX based systems of telephony.

On February 4, 2022, the Company acquired the equity interest in San Diego based Next Level Internet, Inc., a service provider engaged in the business of providing cloud based Unified Communications as a Service, collaboration, contact center, managed connectivity and other voice and data services to small, medium, and large enterprises. The acquisition of Next Level Internet expands the Company’s growing nationwide footprint and adds a strong West Coast presence with nearly 1,000 SMB clients in California.

Sources of revenue:

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

Direct Costs:

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

Results of Operations

Three Months ended January 31, 2022, Compared to Three Months ended January 31, 2021.

Cloud Software and Service Revenue. Cloud software and service revenue increased by \$693,000, or 21% from the three months ended January 31, 2021, to the three months ended January 31, 2022. The increase in revenue is primarily attributed to the increase in total customers between periods due to the acquisitions of Skynet in December 2021 and the acquisitions of Nexogy and ActivePBX during FY2021. Our total number of customers increased from 2,583 for the three months ended January 31, 2021, to 2,960 customers for the three months ended January 31, 2022.

Cost of Services (exclusive of depreciation and amortization). The cost of services increased by \$119,000, or 8%, from the three months ended January 31, 2021, to the three months ended January 31, 2022. The increase in cost of services is primarily attributed to the consolidation of various networks as part of the increase in total customers between periods due to the acquisition of Skynet on December 2021 and the acquisitions of Nexogy and ActivePBX during FY2021. Our total number of customers increased from 2,583 for the three months ended January 31, 2021, to 2,960 customers for the three months ended January 31, 2022. However, our consolidated gross margin improved by \$574,000 from the three months ended January 31, 2021, to the three months ended January 31, 2022.

Selling, General and Administrative (SG&A) Expenses (exclusive of legal and professional fees and stock compensation expense). SG&A expenses increased by \$172,000, or 9%, from the three months ended January 31, 2021, to the three months ended January 31, 2022. The increase in SG&A is attributed to the acquisition of Skynet in December 2021 and the acquisitions of Nexogy and ActivePBX during FY2021, as part of the consolidation, the Company absorbed all of the employees responsible for managing the customer base, technical support, sales, customer service, and administration.

Stock Compensation expense. Stock compensation expense decreased by \$10,000, from the three months ended January 31, 2021, to the three months ended January 31, 2022. The decrease between periods is attributed to the recognition during the three months ended January 31, 2021 of stock option expense of \$33,000. During the three months ended January 31, 2022, the Company only recognized \$23,000 in stock compensation for the amortization of stock options issued to our team over the last few years.

Legal and professional fees. Legal and professional fees increased by \$920,000, from the three months ended January 31, 2021, to the three months ended January 31, 2022. The increase between periods is attributed to the recognition during the three months ended January 31, 2022 of \$1,021,720 in professional fees for the audits, quality of earnings and due diligence related to the acquisitions of Skynet and Next Level Internet.

Bad debt. Bad debt decreased by \$2,000, from the three months ended January 31, 2021, to the three months ended January 31, 2022. The decrease is attributed to the recognition of \$4,000 in bad debt for accounts deemed uncollectible during the period ended January 31, 2021.

Depreciation and amortization. Depreciation and amortization increased by \$49,000, from the three months ended January 31, 2021, to the three months ended January 31, 2022. The increase is primarily attributed to the acquisitions and related amortization of \$434,000 for intangible assets, in addition to the depreciation of the assets acquired from Nexogy and ActivePBX.

Operating loss. The Company reported an operating loss of \$1,319,000 for the three months ended January 31, 2022 compared to an operating loss of \$764,000 for the three months ended January 31, 2021. The increase in operating loss between periods is primarily due to the increase in legal fees of \$920,000, the increase in depreciation of \$49,000, and the increase in SG&A of \$172,000. These increases were slightly offset by the decrease in stock compensation expense of \$10,000, the decrease of \$2,000 in bad debt expense and the improvement of \$574,000 gross margin.

Gain (loss) on derivative instruments. Gain (loss) on derivative instruments increased by \$3,265,000 from the three months ended January 31, 2021, to the three months ended January 31, 2022. 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.

Loss on extinguishment of debt. Loss on extinguishment of debt increased by \$5,480,000 from the three months ended January 31, 2021, to the three months ended January 31, 2022. On December 20, 2021, the Company and our lender entered into an amendment to a Credit Agreement, as described in Note 6, in connection with the amendment, the Company recognized a loss on extinguishment of debt for the amendment fee of \$1,419,000 and the debt discount associated with the note of \$4,061,000 was also recognized as a loss on extinguishment of debt.

Gain (loss) on settlement of debt. Gain (loss) on settlement of debt decreased by \$197,000 from the three months ended January 31, 2021, to the three months ended January 31, 2022. The Company determined that a previously accrued obligation was satisfied with our vendors and recognized a gain of \$197,000 during the three months ended January 31, 2021.

Income tax benefit (expense). During the three months ended January 31, 2022, the Company recognized an income tax expense of \$41,000. During the three months ended January 31, 2021, the Company recognized an income tax expense of \$51,000.

Other income (expense). Other income (expense) improved by \$1,000 from the three months ended January 31, 2021, to the three months ended January 31, 2022. During the three months ended January 31, 2022, the Company recognized other income of \$1,000 and during the period ended January 31, 2021, the Company did not recognize other income.

Interest expense. Interest expense increased by \$178,000 from the three months ended January 31, 2021, to the three months ended January 31, 2022. During the quarter ended January 31, 2022, the Company recognized non-cash interest / accretion expense of \$663,000 related to the adjustment to the present value of various convertible notes and debt. Additionally, the Company recognized \$506,000 in interest expense for cash interest payments on various promissory notes, accrual of \$172,000 for interest expense for various promissory notes and \$40,000 in interest expense added to the principal balance on two promissory notes as consideration for extension of the maturity date.

Net income (loss) including noncontrolling interest. Net loss including noncontrolling interest for the three months ended January 31, 2022, was \$11,644,000, an increase in net loss of \$9,664,000, as compared to a net loss for the three months ended January 31, 2021, of \$1,980,000. The increase in net loss including noncontrolling interest between periods is primarily due to the increase in derivative loss of \$3,265,000, increase in loss on extinguishment of debt of \$5,480,000, the increase of \$172,000 in SG&A, the increase of \$920,000 in legal and professional fees, and the increase of \$49,000 in depreciation expense. These increases were slightly offset by the decrease of \$10,000 in stock compensation expense, the decrease of \$2,000 in bad debt and the improvement of \$574,000 in gross margin.

Net loss attributable to the noncontrolling interest. During the three months ended January 31, 2022, and 2021, the consolidated entity recognized net income in noncontrolling interest of \$602,000 and \$30,000, respectively. 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 January 31, 2022, was \$11,042,000 compared to a net loss for the three months ended January 31, 2021, of \$1,950,000.

Deemed dividend on Series A Convertible Preferred Stock. Dividend declared on convertible preferred stock for the three months ended January 31, 2022 and 2021, was \$5,000, respectively.

Net income (loss) attributable to Digerati's common shareholders. Net loss for the three months ended January 31, 2022, was \$11,047,000 compared to a net loss for the three months ended January 31, 2021, of \$1,955,000.

Six Months ended January 31, 2022, Compared to Six Months ended January 31, 2021.

Cloud Software and Service Revenue. Cloud software and service revenue increased by \$2,918,000, or 60% from the six months ended January 31, 2021, to the six months ended January 31, 2022. The increase in revenue is primarily attributed to the increase in total customers between periods due to the acquisitions of Skynet on December 2021 and the acquisitions of Nexogy and ActivePBX during FY2021. Our total number of customers increased from 2,583 for the six months ended January 31, 2021, to 2,960 customers for the six months ended January 31, 2022.

Cost of Services (exclusive of depreciation and amortization). The cost of services increased by \$860,000, or 39%, from the six months ended January 31, 2021, to the six months ended January 31, 2022. The increase in cost of services is primarily attributed to the consolidation of various networks as part of the increase in total customers between periods due to the acquisition of Skynet on December 2021 and the acquisitions of Nexogy and ActivePBX during FY2021. Our total number of customers increased from 2,583 for the six months ended January 31, 2021, to 2,960 customers for the six months ended January 31, 2022. However, our consolidated gross margin improved by \$2,058,000 from the six months ended January 31, 2021, to the six months ended January 31, 2022.

Selling, General and Administrative (SG&A) Expenses (exclusive of legal and professional fees and stock compensation expense). SG&A expenses increased by \$1,268,000, or 49%, from the six months ended January 31, 2021, to the six months ended January 31, 2022. The increase in SG&A is attributed to the acquisition of Skynet on December 2021 and the acquisitions of Nexogy and ActivePBX during FY2021., as part of the consolidation, the Company absorbed all of the employees responsible for managing the customer base, technical support, sales, customer service, and administration.

Stock Compensation expense. Stock compensation expense decreased by \$329,000, from the six months ended January 31, 2021, to the six months ended January 31, 2022. The decrease between periods is attributed to the recognition during the six months ended January 31, 2021 of stock option expense of \$53,000, the recognition of \$247,000 in stock compensation expense associated with the funding of the 401(K)-profit sharing plan, the recognition of \$18,000 in stock compensation for stock issued in lieu of cash payments to an employee and the recognition of \$58,000 in stock issued consultants for professional services. During the six months ended January 31, 2022, the Company only recognized \$47,000 in stock compensation for the amortization of stock options issued to our team over the last few years.

Legal and professional fees. Legal and professional fees increased by \$1,236,000, from the six months ended January 31, 2021, to the six months ended January 31, 2022. The increase between periods is attributed to the recognition during the six months ended January 31, 2022 of \$1,389,260 in professional fees for the audits, quality of earnings and due diligence related to the acquisitions of Skynet and Next Level Internet.

Bad debt. Bad debt increased by \$11,000, from the six months ended January 31, 2021, to the six months ended January 31, 2022. The increase is attributed to the recognition of \$15,000 in bad debt for accounts deemed uncollectible during the period ended January 31, 2022.

Depreciation and amortization. Depreciation and amortization increased by \$381,000, from the six months ended January 31, 2021, to the six months ended January 31, 2022. The increase is primarily attributed to the acquisitions and related amortization of \$868,000 for intangible assets, in addition to the depreciation of the assets acquired from Nexogy and ActivePBX.

Operating loss. The Company reported an operating loss of \$1,899,000 for the six months ended January 31, 2022, compared to an operating loss of \$1,390,000 for the six months ended January 31, 2021. The increase in operating loss between periods is primarily due to the increase in legal fees of \$1,236,000, the increase in depreciation of \$381,000, the increase of \$11,000 in bad debt and the increase in SG&A of \$1,268,000. These increases were slightly offset by the decrease in stock compensation expense of \$329,000 and the improvement of \$2,058,000 gross margin.

Gain (loss) on derivative instruments. Gain (loss) on derivative instruments improved by \$991,000 from the six months ended January 31, 2021, to the six months ended January 31, 2022. 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.

Loss on extinguishment of debt. Loss on extinguishment of debt increased by \$5,480,000 from the six months ended January 31, 2021, to the six months ended January 31, 2022. On December 20, 2021, the Company and our lender entered into an amendment to a Credit Agreement, as described in Note 6, in connection with the amendment, the Company recognized a loss on extinguishment of debt for the amendment fee of \$1,419,000 and the debt discount associated with the note of \$4,061,000 was also recognized as a loss on extinguishment of debt.

Gain (loss) on settlement of debt. Gain (loss) on settlement of debt decreased by \$197,000 from the six months ended January 31, 2021, to the six months ended January 31, 2022. The Company determined that a previously accrued obligation was satisfied with our vendors and recognized a gain of \$197,000 during the six months ended January 31, 2021.

Income tax benefit (expense). During the six months ended January 31, 2022, the Company recognized an income tax expense of \$119,000. During the six months ended January 31, 2021, the Company recognized an income tax expense of \$59,000.

Other income (expense). Other income (expense) increased by \$2,000 from the six months ended January 31, 2021, to the six months ended January 31, 2022. During the six months ended January 31, 2022, the Company recognized other expense of \$2,000 and during the six months ended January 31, 2021, the Company did not recognize other expense.

Interest expense. Interest expense increased by \$1,385,000 from the six months ended January 31, 2021, to the six months ended January 31, 2022. During the six months ended January 31, 2022, the Company recognized non-cash interest / accretion expense of \$1,605,000 related to the adjustment to the present value of various convertible notes and debt. Additionally, the Company recognized \$861,000 in interest expense for cash interest payments on various promissory notes, accrual of \$381,000 for interest expense for various promissory notes and \$40,000 in interest expense added to the principal balance on two promissory notes as consideration for extension of the maturity date.

Net income (loss) including noncontrolling interest. Net loss including noncontrolling interest for the six months ended January 31, 2022, was \$9,378,000, an increase in net loss of \$6,642,000, as compared to a net loss for the six months ended January 31, 2021, of \$2,736,000. The increase of \$1,268,000 in SG&A, the increase of \$1,236,000 in legal and professional fees, the increase of \$11,000 in bad debt expense, the increase of \$381,000 in depreciation expense and the increase of \$5,480,000 in loss on extinguishment of debt. These increases were slightly offset by the decrease of \$329,000 in stock compensation expense, the improvement of \$991,000 in derivative loss, and the improvement of \$2,058,000 in gross margin.

Net loss attributable to the noncontrolling interest. During the six months ended January 31, 2022, and 2021, the consolidated entity recognized net income in noncontrolling interest of \$760,000 and \$65,000, respectively. 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 six months ended January 31, 2022, was \$8,618,000 compared to a net loss for the six months ended January 31, 2021, of \$2,671,000.

Deemed dividend on Series A Convertible Preferred Stock. Dividend declared on convertible preferred stock for the six months ended January 31, 2022 and 2021, was \$10,000, respectively.

Net income (loss) attributable to Digerati's common shareholders. Net loss for the six months ended January 31, 2022, was \$8,628,000 compared to a net loss for the six months ended January 31, 2021, of \$2,681,000.

Liquidity and Capital Resources

Cash Position: We had a consolidated cash balance of \$2,844,000 as of January 31, 2022. Net cash consumed by operating activities during the six months ended January 31, 2022 was approximately \$1,003,000, primarily as a result of operating expenses, that included \$47,000 in stock compensation and warrant expense, bad debt expense of \$15,000, loss on extinguishment of debt of \$5,480,000, amortization of debt discount of \$1,605,000, gain on derivative liability of \$1,009,000, depreciation and amortization expense of \$974,000, increase in accrued expense of \$631,000, increase in accounts receivable of \$110,000, increase of \$484,000 in accounts payable and decrease in deferred revenue of \$17,000. Additionally, we had an decrease in prepaid expenses and other current assets of \$12,000, increase in inventory of \$27,000 and the recognition of \$40,000 in accrued interest added to principal.

Cash used in investing activities during the six months ended January 31, 2022, was \$4,003,000, \$65,000 was used for the purchase of VoIP equipment, \$4,100,000 was used to acquire the Skynet's assets and the Company received \$162,000 from Nexogy as an adjustment consideration for payables from the acquisition.

Cash provided by financing activities during the six months ended January 31, 2022, was \$6,361,000. The Company secured \$707,000 from convertible notes, net of issuance costs and discounts and secured \$6,000,000 from debt financing, net of issuance costs and discounts. The Company made principal payments of \$328,000 on related party notes, and \$18,000 in principal payments on equipment financing. Overall, our net operating, investing, and financing activities during the six months ended January 31, 2022, contributed approximately \$1,355,000 of our available cash.

Digerati's consolidated financial statements for the six months ending January 31, 2022, have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. Since the Company's inception in 1993, Digerati has incurred net losses and accumulated a deficit of approximately \$113,998,000 and a working capital deficit of approximately \$22,102,000 which raises doubt about Digerati's ability to continue as a going concern.

We are currently taking initiatives to reduce our overall cash deficiencies on a monthly basis. During fiscal 2022 certain members of our management team will continue to receive a portion of their compensation in common stock to reduce the depletion of our available cash. To strengthen our business, we intend to adopt best practices from or recent acquisitions and invest in a marketing and sales strategy to grow our monthly recurring revenue; we anticipate utilizing our value-added resellers and channel partners to tap into new sources of revenue streams, we have also secured various agent agreements to accelerate revenue growth. In addition, we will continue to focus on selling a greater number of comprehensive services to our existing customer base. Further, in an effort to increase our revenues, we will continue to evaluate the acquisition of various assets with emphasis in VoIP Services and Cloud Communication Services. As a result, during the due diligence process we anticipate incurring significant legal and professional fees.

Management believes that available resources as of January 31, 2022, will not be sufficient to fund the Company's operations, debt service and corporate expenses over the next 12 months. The Company's ability to continue to meet its obligations and to achieve its business objectives is dependent upon, and 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 \$700,000 per month, including wages, rent, utilities, corporate expenses, and legal professional fees associated with potential acquisitions. As described elsewhere herein, we are not generating sufficient cash from operations to pay for our corporate and ongoing operating expenses, or to pay our current liabilities. As of January 31, 2022, our total liabilities were approximately \$48,607,000, which included \$15,824,000 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 \$80,000 per month of additional working capital to fund our corporate expenses during Fiscal 2022.

We have been successful in raising debt capital and equity capital in the past and as described in Notes 6, 7, and 8 to our consolidated financial statements. We have financing efforts in place to continue to raise cash through debt and equity offerings. Although we have successfully completed financings and reduced expenses in the past, we cannot assure you that our plans to address these matters in the future will be successful.

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 January 31, 2022, our Principal Executive Officer (“PEO”) and Principal Financial Officer (“PFO”) evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our PEO and PFO concluded that our disclosure controls and procedures as of the end of the period covered by this report were not effective such that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our Chief Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Changes in Internal Controls over Financial Reporting

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

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

On September 21, 2021, T3 Communications, Inc. (“T3”), a subsidiary of the Company, entered into a settlement agreement with Carolina Financial Securities, LLC (“CFS”). Under the settlement agreement the parties agreed to resolve all issues and claims related to the lawsuit. Pursuant to the settlement agreement, T3 agreed to pay CFS a total of \$300,000, payable as follows: \$100,000 by October 15, 2021, and \$200,000 payable in 15 monthly installments of \$13,333.33 beginning November 15, 2021. On October 15, 2021, the Company submitted a payment of \$100,000 and as of the date of this filing, the Company submitted five (5) monthly payment for \$13,333.33 each.

Item 1A. Risk Factors.

Not Applicable

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

There were no unregistered sales of the Company’s equity securities during the period ended January 31, 2022, that were not previously reported in a Current Report on Form 8-K or in a Quarterly Report on Form 10-Q except:

On January 21, 2022, the Company secured two promissory notes for \$460,000, with a maturity date of October 21, 2022, and annual interest rate of 8%. In conjunction with the promissory notes, we issued 600,000 shares of common stock.

Subsequently, on February 14, 2022, the Company entered into a note extension agreement, and as consideration for the extension, the Company issued 250,000 shares of common stock. At the time of issuance, the Company recognized the fair market value of the shares of \$34,150 as interest expense. In addition, the Company agreed to add \$75,000 to the principal amount outstanding and the Company recognized \$75,000 as interest expense.

The sales and issuances of the securities described above were made pursuant to the exemptions from registration contained into Section 4(a) (2) of the Securities Act 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 Quarterly Report on Form 10-Q, 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 4. Mine Safety Disclosures.

Not Applicable

Item 5. Other Information.

Item 1.01 Entry into a Material Definitive Agreement.

Item 2.03 Creation of Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

Item 3.02 Unregistered Sales of Equity Securities.

On January 21, 2022, the Company secured two promissory notes for \$460,000, with a maturity date of October 21, 2022, and annual interest rate of 8%.

For a description of this transaction, see the paragraph that begins with the words “On January 21, 2022” in Note 8 – Convertible Notes Payable to our unaudited consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Note 8 – Convertible Notes Payable and Part II, Item 5 of this Quarterly Report on Form 10-Q contains only a brief description of the material terms of the January 21st convertible promissory notes and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such description is qualified in its entirety by reference to the full text of the January 21st convertible promissory notes along with the Securities Purchase Agreement entered into in connection with the January 21st convertible promissory notes, filed as Exhibit 4.4 to the Quarterly Report on this Form 10-Q filed with the SEC.

Item 6. Exhibits

Exhibit Number	Exhibit Title
4.1	<u>Convertible Promissory Note for \$75,000 with Tysadco Partners, LLC. dated August 31, 2021 (filed as Exhibit 4.1 to the Form 10-K filed with the SEC on October 26, 2021).</u>
4.2	<u>Convertible Promissory Note for \$75,000 with Tysadco Partners, LLC. dated September 29, 2021 (filed as Exhibit 4.2 to the Form 10-K filed with the SEC on October 26, 2021).</u>
4.3	<u>Convertible Promissory Note for \$150,000 with Tysadco Partners, LLC. dated October 22, 2021. (Filed as Exhibit 4.3 to the Form 10-Q filed with the SEC on December 14, 2021).</u>
4.4*	<u>Convertible Promissory Notes for \$460,000 with LGH Investments LLC., and Lucas Ventures, LLC, dated January 21, 2022.</u>
4.5*	<u>First Amendment to Credit Agreement by and among T3 Communications, Inc., the Subsidiaries of T3 Communications, Post Road Administrative LLC, and Post Road Special Opportunity Fund II LP, dated December 20, 2021.</u>
4.6*	<u>Amended and Restated Term Loan A Note, dated December 20, 2021.</u>
10.1	<u>Asset Purchase Agreement, dated December 31, 2021, by and between Skynet Telecom LLC, Shift8 Networks, Inc., Digerati Technologies, Inc, Paul Golibart, and Jerry Ou (filed as Exhibit 10.1 to the Form 8-K filed with the SEC on January 6, 2022).</u>
10.2	<u>Employment Agreement dated December 31, 2021, by and between Shift8 Networks, Inc. and Paul Golibart (filed as Exhibit 10.2 to the Form 8-K filed with the SEC on January 6, 2022).</u>
10.3	<u>Employment Agreement, dated December 31, 2021, by and between Shift8 Networks, Inc. and Jerry Ou (filed as Exhibit 10.3 to the Form 8-K filed with the SEC on January 6, 2022).</u>
31.1*	<u>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.</u>
31.2*	<u>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.</u>
32.1+	<u>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.</u>
32.2+	<u>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.</u>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

Certain schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish supplementally copies of omitted schedules and exhibits to the Securities and Exchange Commission or its staff upon its request.

* Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K because such information is (i) not material and (ii) would likely be competitively harmful if publicly disclosed. The Company will furnish supplementally an unredacted copy of such exhibit to the Securities and Exchange Commission or its staff upon its request.

* Filed herewith

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

SIGNATURES

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

DIGERATI TECHNOLOGIES, INC.

Date: March 17, 2022

By: /s/ Arthur L. Smith

Name: Arthur L. Smith

Title: President and Chief Executive Officer
(Duly Authorized Officer and
Principal Executive Officer)

Date: March 17, 2022

By: /s/ Antonio Estrada Jr.

Name: Antonio Estrada Jr.

Title: Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

NOTES: (1) LUCAS VENTURES FOR \$230,000 (2) LGH INVESTMENTS LLC FOR \$230,000

NEITHER THIS NOTE NOR THE SECURITIES INTO WHICH THIS NOTE IS CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE. THESE SECURITIES HAVE BEEN SOLD IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

**Digerati Technologies, Inc.
 CONVERTIBLE PROMISSORY NOTE**

Issuance Date: **January 21, 2022**
 Note No. DTGI-3-LV

Original Principal Amount: **\$230,000**
 Consideration Paid at Close: **\$210,000**

FOR VALUE RECEIVED, Digerati Technologies, Inc., a Nevada corporation with a par value of \$0.0001 per common share (“Par Value”) (the “Company”), hereby promises to pay to the order of Lucas Ventures, LLC, a Arizona limited liability company or registered assigns (the “Holder”) the amount set out above as the Original Principal Amount (as reduced pursuant to the terms hereof pursuant to redemption, conversion or otherwise, the “Principal”) when due, whether upon the Maturity Date (as defined below), acceleration, redemption or otherwise (in each case in accordance with the terms hereof) and to pay interest (“Interest”) on any outstanding Principal at the applicable Interest Rate from the date set out above as the Issuance Date (the “Issuance Date”) until the same becomes due and payable, upon the Maturity Date or acceleration, conversion, redemption or otherwise (in each case in accordance with the terms hereof).

The Original Principal Amount is \$230,000 (two hundred thirty thousand) plus accrued and unpaid interest and any other fees. The Consideration is \$210,000 (two hundred ten thousand) payable by wire transfer (there exists a \$20,000 original issue discount (the “OID”). The Holder shall pay \$210,000 of Consideration upon closing of this Note.

(1) GENERAL TERMS

(a) Payment of Principal. The “Maturity Date” shall be nine months from the date of closing, as may be extended at the option of the Holder in the event that, and for so long as, an Event of Default (as defined below) shall not have occurred and be continuing on the Maturity Date (as may be extended pursuant to this Section 1) or any event shall not have occurred and be continuing on the Maturity Date (as may be extended pursuant to this Section 1) that with the passage of time and the failure to cure would result in an Event of Default.

(b) Interest. A one-time interest charge of eight percent (8%) (“Interest Rate”) shall be applied on the Issuance Date to the Original Principal Amount. Interest hereunder shall be paid on the Maturity Date (or sooner as provided herein) to the Holder or its assignee in whose name this Note is registered on the records of the Company regarding registration and transfers of Notes in cash or converted into Common Stock at the Conversion Price provided the Equity Conditions are satisfied.

(c) Security. This Note shall not be secured by any collateral or any assets pledged to the Holder

(2) EVENTS OF DEFAULT.

(a) An “Event of Default”, wherever used herein, means any one of the following events (whatever the reason and whether it shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

(i) The Company’s failure to pay to the Holder any amount of Principal, Interest, or other amounts when and as due under this Note (including, without limitation, the Company’s failure to pay any redemption payments or amounts hereunder);

(ii) A Conversion Failure as defined in section 3(b)(ii)

(iii) The Company or any subsidiary of the Company shall commence, or there shall be commenced against the Company or any subsidiary of the Company under any applicable bankruptcy or insolvency laws as now or hereafter in effect or any successor thereto, or the Company or any subsidiary of the Company commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the Company or any subsidiary of the Company or there is commenced against the Company or any subsidiary of the Company any such bankruptcy, insolvency or other proceeding which remains undismissed for a period of 61 days; or the Company or any subsidiary of the Company is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the Company or any subsidiary of the Company suffers any appointment of any custodian, private or court appointed receiver or the like for it or any substantial part of its property which continues undischarged or unstayed for a period of sixty one (61) days; or the Company or any subsidiary of the Company makes a general assignment for the benefit of creditors; or the Company or any subsidiary of the Company shall fail to pay, or shall state that it is unable to pay, or shall be unable to pay, its debts generally as they become due; or the Company or any subsidiary of the Company shall call a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts; or the Company or any subsidiary of the Company shall by any act or failure to act expressly indicate its consent to, approval of or acquiescence in any of the foregoing; or any corporate or other action is taken by the Company or any subsidiary of the Company for the purpose of effecting any of the foregoing;

(iv) The Company or any subsidiary of the Company shall default in any of its obligations under any other Note or any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced any indebtedness for borrowed money or money due under any long term leasing or factoring arrangement of the Company or any subsidiary of the Company in an amount exceeding \$50,000, whether such indebtedness now exists or shall hereafter be created; and

(v) The Common Stock is suspended or delisted for trading on the Over the Counter OTCQB Venture Marketplace or OTCPink Open Marketplace (the “Primary Market”).

(vi) The Company loses its ability to deliver shares via “DWAC/FAST” electronic transfer.

(vii) The Company loses its status as “DTC Eligible.”

(viii) The Company shall become late or delinquent in its filing requirements as a fully-reporting issuer registered with the Securities & Exchange Commission and the Company shall not have remedied such delinquency within four (4) business days.

(ix) The Company shall fail to reserve and keep available out of its authorized Common Stock a number of shares equal to at least the full number of shares of Common Stock issuable upon conversion of all outstanding amounts under this Note.

(b) Upon the occurrence of any Event of Default that has not been cured within five calendar days from the date of the Event of Default (a “Cure Failure”), the Outstanding Balance shall immediately increase to 125% of the Outstanding Balance immediately prior to the occurrence of the Event of Default (the “Default Effect”) and a daily penalty of \$500 (five hundred) will accrue until the default is remedied. The Default Effect shall automatically apply upon the occurrence of an Event of Default without the need for any party to give any notice or take any other action. Upon the occurrence of any Event of Default, the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the Outstanding Balance, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

(3) CONVERSION OF NOTE. The Holder shall have the right, but not the obligation, to convert the Outstanding Balance into shares of the Company’s Common Stock, on the terms and conditions set forth in this Section 3.

(a) Conversion Right. Subject to the provisions of Section 3(c) and in no case until the earlier of 6 months or the Company listing on Nasdaq or NYSE American, the Holder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount (as defined below) into fully paid and nonassessable shares of Common Stock in accordance with Section 3(b), at the Conversion Price (as defined below). The number of shares of Common Stock issuable upon conversion of any Conversion Amount pursuant to this Section 3(a) shall be equal to the quotient of dividing the Conversion Amount by the Conversion Price. The Company shall not issue any fraction of a share of Common Stock upon any conversion. If the issuance would result in the issuance of a fraction of a share of Common Stock, the Company shall round such fraction of a share of Common Stock up to the nearest whole share. The Company shall pay any and all transfer agent fees, legal fees, costs and any other fees or costs that may be incurred or charged in connection with the issuance of shares of the Company’s Common Stock to the Holder arising out of or relating to the conversion of this Note.

(i) “Conversion Amount” means the portion of the Original Principal Amount and Interest to be converted, plus any penalties, redeemed or otherwise with respect to which this determination is being made.

(ii) “Conversion Price” shall equal the greater of \$0.15 (fifteen) cents or 25% discount to up-listing price or offering/underwriting price concurrent with the Company listing on Nasdaq or NYSE American., subject to adjustment as provided in this Note.

(b) Mechanics of Conversion.

(i) Optional Conversion. To convert any Conversion Amount into shares of Common Stock on any date (a “Conversion Date”), the Holder shall (A) transmit by email, facsimile (or otherwise deliver), for receipt on or prior to 11:59 p.m., New York, NY Time, on such date, a copy of an executed notice of conversion in the form attached hereto as Exhibit A (the “Conversion Notice”) to the Company. On or before the third Business Day following the date of receipt of a Conversion Notice (the “Share Delivery Date”), the Company shall (A) if legends are not required to be placed on certificates of Common Stock pursuant to the then existing provisions of Rule 144 of the Securities Act of 1933 (“Rule 144”) and provided that the Transfer Agent is participating in the Depository Trust Company’s (“DTC”) Fast Automated Securities Transfer Program, credit such aggregate number of shares of Common Stock to which the Holder shall be entitled to the Holder’s or its designee’s balance account with DTC through its Deposit Withdrawal Agent Commission system or (B) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and deliver to the address as specified in the Conversion Notice, a certificate, registered in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder shall be entitled which certificates shall not bear any restrictive legends unless required pursuant the Rule 144. If this Note is physically surrendered for conversion and the outstanding Principal of this Note is greater than the Principal portion of the Conversion Amount being converted, then the Company shall, upon request of the Holder, as soon as practicable and in no event later than three (3) Business Days after receipt of this Note and at its own expense, issue and deliver to the holder a new Note representing the outstanding Principal not converted. The Person or Persons entitled to receive the shares of Common Stock issuable upon a conversion of this Note shall be treated for all purposes as the record holder or holders of such shares of Common Stock upon the transmission of a Conversion Notice.

(ii) Company's Failure to Timely Convert. If within two (2) Trading Days after the Company's receipt of the facsimile or email copy of a Conversion Notice the Company shall fail to issue and deliver to Holder via "DWAC/FAST" electronic transfer the number of shares of Common Stock to which the Holder is entitled upon such holder's conversion of any Conversion Amount (a "Conversion Failure"), the Original Principal Amount of the Note shall increase by \$500 per day until the Company issues and delivers a certificate to the Holder or credit the Holder's balance account with DTC for the number of shares of Common Stock to which the Holder is entitled upon such holder's conversion of any Conversion Amount (under Holder's and Company's expectation that any damages will tack back to the Issuance Date). *Company will not be subject to any penalties once its transfer agent processes the shares to the DWAC system.* If the Company fails to deliver shares in accordance with the timeframe stated in this Section, resulting in a Conversion Failure, the Holder, at any time prior to selling all of those shares, may rescind any portion, in whole or in part, of that particular conversion attributable to the unsold shares and have the rescinded conversion amount returned to the Outstanding Balance with the rescinded conversion shares returned to the Company (under Holder's and Company's expectations that any returned conversion amounts will tack back to the original date of the Note).

(iii) Book-Entry. Notwithstanding anything to the contrary set forth herein, upon conversion of any portion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Company unless (A) the full Conversion Amount represented by this Note is being converted or (B) the Holder has provided the Company with prior written notice (which notice may be included in a Conversion Notice) requesting reissuance of this Note upon physical surrender of this Note. The Holder and the Company shall maintain records showing the Principal and Interest converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Company, so as not to require physical surrender of this Note upon conversion.

(c) Limitations on Conversions or Trading.

(i) Beneficial Ownership. The Company shall not effect any conversions of this Note and the Holder shall not have the right to convert any portion of this Note or receive shares of Common Stock as payment of interest hereunder to the extent that after giving effect to such conversion or receipt of such interest payment, the Holder, together with any affiliate thereof, would beneficially own (as determined in accordance with Section 13(d) of the Exchange Act and the rules promulgated thereunder) in excess of 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to such conversion or receipt of shares as payment of interest. Since the Holder will not be obligated to report to the Company the number of shares of Common Stock it may hold at the time of a conversion hereunder, unless the conversion at issue would result in the issuance of shares of Common Stock in excess of 4.99% of the then outstanding shares of Common Stock without regard to any other shares which may be beneficially owned by the Holder or an affiliate thereof, the Holder shall have the authority and obligation to determine whether the restriction contained in this Section will limit any particular conversion hereunder and to the extent that the Holder determines that the limitation contained in this Section applies, the determination of which portion of the principal amount of this Note is convertible shall be the responsibility and obligation of the Holder. If the Holder has delivered a Conversion Notice for a principal amount of this Note that, without regard to any other shares that the Holder or its affiliates may beneficially own, would result in the issuance in excess of the permitted amount hereunder, the Company shall notify the Holder of this fact and shall honor the conversion for the maximum principal amount permitted to be converted on such Conversion Date in accordance with Section 3(a) and, any principal amount tendered for conversion in excess of the permitted amount hereunder shall remain outstanding under this Note.

(ii) Capitalization. So long as this as this Note is outstanding, upon written request of the Holder, the Company shall furnish to the Holder the then-current number of common shares issued and outstanding, the then-current number of common shares authorized, and the then-current number of shares reserved for third parties.

(d) Other Provisions.

(i) Share Reservation. The Company shall at all times reserve and keep available out of its authorized Common Stock a number of shares equal to at least the full number of shares of Common Stock issuable upon conversion of all outstanding amounts under this Note; and within 3 (three) Business Days following the receipt by the Company of a Holder's notice that such minimum number of shares of Common Stock is not so reserved, the Company shall promptly reserve a sufficient number of shares of Common Stock to comply with such requirement. The Company will at all times reserve at least 2,750,000 shares of Common Stock for conversion.

(ii) Prepayment. The Company may prepay this Note at any time without penalty.

(iii) All calculations under this Section 3 shall be rounded up to the nearest \$0.00001 or whole share.

(iv) Nothing herein shall limit a Holder's right to pursue actual damages or declare an Event of Default pursuant to Section 2 herein for the Company's failure to deliver certificates representing shares of Common Stock upon conversion within the period specified herein and such Holder shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief, in each case without the need to post a bond or provide other security. The exercise of any such rights shall not prohibit the Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

(4) Terms of Future Financings. So long as this Note is outstanding, upon any issuance by the Company or any of its subsidiaries of any security with any term more favorable to the holder of such security or with a term in favor of the holder of such security that was not similarly provided to the Holder in this Note, then the Company shall notify the Holder of such additional or more favorable term and such term, at Holder's option, shall become a part of the transaction documents with the Holder. The types of terms contained in another security that may be more favorable to the holder of such security include, but are not limited to, terms addressing conversion discounts, conversion lookback periods, interest rates, original issue discounts, stock sale price, private placement price per share, and warrant coverage. Financings in which the Company receives proceeds of one million dollars or greater or excluded from the Terms of Future Financings.

(5) REISSUANCE OF THIS NOTE.

(a) Assignability. The Company may not assign this Note. This Note will be binding upon the Company and its successors and will inure to the benefit of the Holder and its successors and assigns and may be assigned by the Holder to anyone of its choosing without Company's approval.

(b) Lost, Stolen or Mutilated Note. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of this Note, the Company shall execute and deliver to the Holder a new Note representing the outstanding Principal.

(6) NOTICES. Any notices, consents, waivers or other communications required or permitted to be given under the terms hereof must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party) (iii) upon receipt, when sent by email; or (iv) one (1) Trading Day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be those set forth in the communications and documents that each party has provided the other immediately preceding the issuance of this Note or at such other address and/or facsimile number and/or to the attention of such other person as the recipient party has specified by written notice given to each other party three (3) Business Days prior to the effectiveness of such change. Written confirmation of receipt (i) given by the recipient of such notice, consent, waiver or other communication, (ii) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (iii) provided by a nationally recognized overnight delivery service, shall be rebuttable evidence of personal service, receipt by facsimile or receipt from a nationally recognized overnight delivery service in accordance with clause (i), (ii) or (iii) above, respectively.

The addresses for such communications shall be:

If to the Company, to:

Digerati Technologies, Inc.
ATT: Arthur Smith, CEO
825 W. Bitters
Suite 104
San Antonio, TX 78216
Email: a.smith@t3com.net

If to the Holder:

Lucas Hoppel
Phone: 858-232-5110
Email: Luke@LGHInvestments.com

(7) APPLICABLE LAW AND VENUE. This Note shall be governed by and construed in accordance with the laws of the State of California, without giving effect to conflicts of laws thereof. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of California or in the federal courts located in the city of San Diego, in the State of California. Both parties and the individuals signing this Agreement agree to submit to the jurisdiction of such courts.

(8) WAIVER. Any waiver by the Holder of a breach of any provision of this Note shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Note. The failure of the Holder to insist upon strict adherence to any term of this Note on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Note. Any waiver must be in writing.

(9) LIQUIDATED DAMAGES. Holder and Company agree that in the event Company fails to comply with any of the terms or provisions of this Note, Holder's damages would be uncertain and difficult (if not impossible) to accurately estimate because of the parties' inability to predict future interest rates, future share prices, future trading volumes and other relevant factors. Accordingly, Holder and Company agree that any fees, balance adjustments, default interest or other charges assessed under this Note are not penalties but instead are intended by the parties to be, and shall be deemed, liquidated damages (under Holder's and Company's expectations that any such liquidated damages will tack back to the Closing Date for purposes of determining the holding period under Rule 144).

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Convertible Note to be duly executed by a duly authorized officer as of the date set forth above.

COMPANY:

Digerati Technologies, Inc.

By: /s/ Arthur Smith

Name: Arthur Smith

Title: Chief Executive Officer

HOLDER:

Lucas Ventures, LLC

By: /s/ Lucas Hoppel

Name: Lucas Hoppel

Title: Managing Member

[Signature Page to Note No. DTGI-3-LV]

**EXHIBIT A
CONVERSION NOTICE**

[Company Contact, Position]
[Company Name]
[Company Address]
[Contact Email Address]

The undersigned hereby elects to convert a portion of the \$_____Convertible Note _____ issued to Lucas Hoppel on _____ into Shares of Common Stock of _____ according to the conditions set forth in such Note as of the date written below.

By accepting this notice of conversion, you are acknowledging that the number of shares to be delivered represents less than 5% (ten percent) of the common stock outstanding. If the number of shares to be delivered represents more than 4.99% of the common stock outstanding, this conversion notice shall immediately automatically extinguish and debenture Holder must be immediately notified.

Date of Conversion: _____

Conversion Amount: _____

Conversion Price: _____

Shares to be Delivered: _____

Shares delivered in name of:

Lucas Ventures, LLC

Signature: _____

NEITHER THIS NOTE NOR THE SECURITIES INTO WHICH THIS NOTE IS CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE. THESE SECURITIES HAVE BEEN SOLD IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

Digerati Technologies, Inc.
CONVERTIBLE PROMISSORY NOTE

Issuance Date: **January 21, 2022**
Note No. DTGI-4-LGH

Original Principal Amount: **\$230,000**
Consideration Paid at Close: **\$210,000**

FOR VALUE RECEIVED, Digerati Technologies, Inc., a Nevada corporation with a par value of \$0.0001 per common share ("Par Value") (the "Company"), hereby promises to pay to the order of LGH Investments, LLC, a Wyoming limited liability company or registered assigns (the "Holder") the amount set out above as the Original Principal Amount (as reduced pursuant to the terms hereof pursuant to redemption, conversion or otherwise, the "Principal") when due, whether upon the Maturity Date (as defined below), acceleration, redemption or otherwise (in each case in accordance with the terms hereof) and to pay interest ("Interest") on any outstanding Principal at the applicable Interest Rate from the date set out above as the Issuance Date (the "Issuance Date") until the same becomes due and payable, upon the Maturity Date or acceleration, conversion, redemption or otherwise (in each case in accordance with the terms hereof).

The Original Principal Amount is \$230,000 (two hundred thirty thousand) plus accrued and unpaid interest and any other fees. The Consideration is \$210,000 (two hundred ten thousand) payable by wire transfer (there exists a \$20,000 original issue discount (the "OID")). The Holder shall pay \$210,000 of Consideration upon closing of this Note.

(1) GENERAL TERMS

(a) Payment of Principal. The "Maturity Date" shall be nine months from the date of closing, as may be extended at the option of the Holder in the event that, and for so long as, an Event of Default (as defined below) shall not have occurred and be continuing on the Maturity Date (as may be extended pursuant to this Section 1) or any event shall not have occurred and be continuing on the Maturity Date (as may be extended pursuant to this Section 1) that with the passage of time and the failure to cure would result in an Event of Default.

(b) Interest. A one-time interest charge of eight percent (8%) ("Interest Rate") shall be applied on the Issuance Date to the Original Principal Amount. Interest hereunder shall be paid on the Maturity Date (or sooner as provided herein) to the Holder or its assignee in whose name this Note is registered on the records of the Company regarding registration and transfers of Notes in cash or converted into Common Stock at the Conversion Price provided the Equity Conditions are satisfied.

(c) Security. This Note shall not be secured by any collateral or any assets pledged to the Holder

(2) EVENTS OF DEFAULT.

(a) An “Event of Default”, wherever used herein, means any one of the following events (whatever the reason and whether it shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

(i) The Company’s failure to pay to the Holder any amount of Principal, Interest, or other amounts when and as due under this Note (including, without limitation, the Company’s failure to pay any redemption payments or amounts hereunder);

(ii) A Conversion Failure as defined in section 3(b)(ii)

(iii) The Company or any subsidiary of the Company shall commence, or there shall be commenced against the Company or any subsidiary of the Company under any applicable bankruptcy or insolvency laws as now or hereafter in effect or any successor thereto, or the Company or any subsidiary of the Company commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the Company or any subsidiary of the Company or there is commenced against the Company or any subsidiary of the Company any such bankruptcy, insolvency or other proceeding which remains undismissed for a period of 61 days; or the Company or any subsidiary of the Company is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the Company or any subsidiary of the Company suffers any appointment of any custodian, private or court appointed receiver or the like for it or any substantial part of its property which continues undischarged or unstayed for a period of sixty one (61) days; or the Company or any subsidiary of the Company makes a general assignment for the benefit of creditors; or the Company or any subsidiary of the Company shall fail to pay, or shall state that it is unable to pay, or shall be unable to pay, its debts generally as they become due; or the Company or any subsidiary of the Company shall call a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts; or the Company or any subsidiary of the Company shall by any act or failure to act expressly indicate its consent to, approval of or acquiescence in any of the foregoing; or any corporate or other action is taken by the Company or any subsidiary of the Company for the purpose of effecting any of the foregoing;

(iv) The Company or any subsidiary of the Company shall default in any of its obligations under any other Note or any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced any indebtedness for borrowed money or money due under any long term leasing or factoring arrangement of the Company or any subsidiary of the Company in an amount exceeding \$50,000, whether such indebtedness now exists or shall hereafter be created; and

(v) The Common Stock is suspended or delisted for trading on the Over the Counter OTCQB Venture Marketplace or OTCPink Open Marketplace (the “Primary Market”).

(vi) The Company loses its ability to deliver shares via “DWAC/FAST” electronic transfer.

(vii) The Company loses its status as “DTC Eligible.”

(viii) The Company shall become late or delinquent in its filing requirements as a fully-reporting issuer registered with the Securities & Exchange Commission and the Company shall not have remedied such delinquency within four (4) business days.

(ix) The Company shall fail to reserve and keep available out of its authorized Common Stock a number of shares equal to at least the full number of shares of Common Stock issuable upon conversion of all outstanding amounts under this Note.

(b) Upon the occurrence of any Event of Default that has not been cured within five calendar days from the date of the Event of Default (a “Cure Failure”), the Outstanding Balance shall immediately increase to 125% of the Outstanding Balance immediately prior to the occurrence of the Event of Default (the “Default Effect”) and a daily penalty of \$500 (five hundred) will accrue until the default is remedied. The Default Effect shall automatically apply upon the occurrence of an Event of Default without the need for any party to give any notice or take any other action. Upon the occurrence of any Event of Default, the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the Outstanding Balance, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

(3) CONVERSION OF NOTE. The Holder shall have the right, but not the obligation, to convert the Outstanding Balance into shares of the Company’s Common Stock, on the terms and conditions set forth in this Section 3.

(a) Conversion Right. Subject to the provisions of Section 3(c) and in no case until the earlier of 6 months or the Company listing on Nasdaq or NYSE American, the Holder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount (as defined below) into fully paid and nonassessable shares of Common Stock in accordance with Section 3(b), at the Conversion Price (as defined below). The number of shares of Common Stock issuable upon conversion of any Conversion Amount pursuant to this Section 3(a) shall be equal to the quotient of dividing the Conversion Amount by the Conversion Price. The Company shall not issue any fraction of a share of Common Stock upon any conversion. If the issuance would result in the issuance of a fraction of a share of Common Stock, the Company shall round such fraction of a share of Common Stock up to the nearest whole share. The Company shall pay any and all transfer agent fees, legal fees, costs and any other fees or costs that may be incurred or charged in connection with the issuance of shares of the Company’s Common Stock to the Holder arising out of or relating to the conversion of this Note.

(i) “Conversion Amount” means the portion of the Original Principal Amount and Interest to be converted, plus any penalties, redeemed or otherwise with respect to which this determination is being made.

(ii) “Conversion Price” shall equal the greater of \$0.15 (fifteen) cents or 25% discount to up-listing price or offering/underwriting price concurrent with the Company listing on Nasdaq or NYSE American., subject to adjustment as provided in this Note.

(b) Mechanics of Conversion.

(i) Optional Conversion. To convert any Conversion Amount into shares of Common Stock on any date (a “Conversion Date”), the Holder shall (A) transmit by email, facsimile (or otherwise deliver), for receipt on or prior to 11:59 p.m., New York, NY Time, on such date, a copy of an executed notice of conversion in the form attached hereto as Exhibit A (the “Conversion Notice”) to the Company. On or before the third Business Day following the date of receipt of a Conversion Notice (the “Share Delivery Date”), the Company shall (A) if legends are not required to be placed on certificates of Common Stock pursuant to the then existing provisions of Rule 144 of the Securities Act of 1933 (“Rule 144”) and provided that the Transfer Agent is participating in the Depository Trust Company’s (“DTC”) Fast Automated Securities Transfer Program, credit such aggregate number of shares of Common Stock to which the Holder shall be entitled to the Holder’s or its designee’s balance account with DTC through its Deposit Withdrawal Agent Commission system or (B) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and deliver to the address as specified in the Conversion Notice, a certificate, registered in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder shall be entitled which certificates shall not bear any restrictive legends unless required pursuant the Rule 144. If this Note is physically surrendered for conversion and the outstanding Principal of this Note is greater than the Principal portion of the Conversion Amount being converted, then the Company shall, upon request of the Holder, as soon as practicable and in no event later than three (3) Business Days after receipt of this Note and at its own expense, issue and deliver to the holder a new Note representing the outstanding Principal not converted. The Person or Persons entitled to receive the shares of Common Stock issuable upon a conversion of this Note shall be treated for all purposes as the record holder or holders of such shares of Common Stock upon the transmission of a Conversion Notice.

(ii) Company's Failure to Timely Convert. If within two (2) Trading Days after the Company's receipt of the facsimile or email copy of a Conversion Notice the Company shall fail to issue and deliver to Holder via "DWAC/FAST" electronic transfer the number of shares of Common Stock to which the Holder is entitled upon such holder's conversion of any Conversion Amount (a "Conversion Failure"), the Original Principal Amount of the Note shall increase by \$500 per day until the Company issues and delivers a certificate to the Holder or credit the Holder's balance account with DTC for the number of shares of Common Stock to which the Holder is entitled upon such holder's conversion of any Conversion Amount (under Holder's and Company's expectation that any damages will tack back to the Issuance Date). *Company will not be subject to any penalties once its transfer agent processes the shares to the DWAC system.* If the Company fails to deliver shares in accordance with the timeframe stated in this Section, resulting in a Conversion Failure, the Holder, at any time prior to selling all of those shares, may rescind any portion, in whole or in part, of that particular conversion attributable to the unsold shares and have the rescinded conversion amount returned to the Outstanding Balance with the rescinded conversion shares returned to the Company (under Holder's and Company's expectations that any returned conversion amounts will tack back to the original date of the Note).

(iii) Book-Entry. Notwithstanding anything to the contrary set forth herein, upon conversion of any portion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Company unless (A) the full Conversion Amount represented by this Note is being converted or (B) the Holder has provided the Company with prior written notice (which notice may be included in a Conversion Notice) requesting reissuance of this Note upon physical surrender of this Note. The Holder and the Company shall maintain records showing the Principal and Interest converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Company, so as not to require physical surrender of this Note upon conversion.

(c) Limitations on Conversions or Trading.

(i) Beneficial Ownership. The Company shall not effect any conversions of this Note and the Holder shall not have the right to convert any portion of this Note or receive shares of Common Stock as payment of interest hereunder to the extent that after giving effect to such conversion or receipt of such interest payment, the Holder, together with any affiliate thereof, would beneficially own (as determined in accordance with Section 13(d) of the Exchange Act and the rules promulgated thereunder) in excess of 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to such conversion or receipt of shares as payment of interest. Since the Holder will not be obligated to report to the Company the number of shares of Common Stock it may hold at the time of a conversion hereunder, unless the conversion at issue would result in the issuance of shares of Common Stock in excess of 4.99% of the then outstanding shares of Common Stock without regard to any other shares which may be beneficially owned by the Holder or an affiliate thereof, the Holder shall have the authority and obligation to determine whether the restriction contained in this Section will limit any particular conversion hereunder and to the extent that the Holder determines that the limitation contained in this Section applies, the determination of which portion of the principal amount of this Note is convertible shall be the responsibility and obligation of the Holder. If the Holder has delivered a Conversion Notice for a principal amount of this Note that, without regard to any other shares that the Holder or its affiliates may beneficially own, would result in the issuance in excess of the permitted amount hereunder, the Company shall notify the Holder of this fact and shall honor the conversion for the maximum principal amount permitted to be converted on such Conversion Date in accordance with Section 3(a) and, any principal amount tendered for conversion in excess of the permitted amount hereunder shall remain outstanding under this Note.

(ii) Capitalization. So long as this as this Note is outstanding, upon written request of the Holder, the Company shall furnish to the Holder the then-current number of common shares issued and outstanding, the then-current number of common shares authorized, and the then-current number of shares reserved for third parties.

(d) Other Provisions.

(i) Share Reservation. The Company shall at all times reserve and keep available out of its authorized Common Stock a number of shares equal to at least the full number of shares of Common Stock issuable upon conversion of all outstanding amounts under this Note; and within 3 (three) Business Days following the receipt by the Company of a Holder's notice that such minimum number of shares of Common Stock is not so reserved, the Company shall promptly reserve a sufficient number of shares of Common Stock to comply with such requirement. The Company will at all times reserve at least 2,750,000 shares of Common Stock for conversion.

(ii) Prepayment. The Company may prepay this Note at any time without penalty.

(iii) All calculations under this Section 3 shall be rounded up to the nearest \$0.00001 or whole share.

(iv) Nothing herein shall limit a Holder's right to pursue actual damages or declare an Event of Default pursuant to Section 2 herein for the Company's failure to deliver certificates representing shares of Common Stock upon conversion within the period specified herein and such Holder shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief, in each case without the need to post a bond or provide other security. The exercise of any such rights shall not prohibit the Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

(4) Terms of Future Financings. So long as this Note is outstanding, upon any issuance by the Company or any of its subsidiaries of any security with any term more favorable to the holder of such security or with a term in favor of the holder of such security that was not similarly provided to the Holder in this Note, then the Company shall notify the Holder of such additional or more favorable term and such term, at Holder's option, shall become a part of the transaction documents with the Holder. The types of terms contained in another security that may be more favorable to the holder of such security include, but are not limited to, terms addressing conversion discounts, conversion lookback periods, interest rates, original issue discounts, stock sale price, private placement price per share, and warrant coverage. Financings in which the Company receives proceeds of one million dollars or greater or excluded from the Terms of Future Financings.

(5) REISSUANCE OF THIS NOTE.

(a) Assignability. The Company may not assign this Note. This Note will be binding upon the Company and its successors and will inure to the benefit of the Holder and its successors and assigns and may be assigned by the Holder to anyone of its choosing without Company's approval.

(b) Lost, Stolen or Mutilated Note. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of this Note, the Company shall execute and deliver to the Holder a new Note representing the outstanding Principal.

(6) NOTICES. Any notices, consents, waivers or other communications required or permitted to be given under the terms hereof must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party) (iii) upon receipt, when sent by email; or (iv) one (1) Trading Day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be those set forth in the communications and documents that each party has provided the other immediately preceding the issuance of this Note or at such other address and/or facsimile number and/or to the attention of such other person as the recipient party has specified by written notice given to each other party three (3) Business Days prior to the effectiveness of such change. Written confirmation of receipt (i) given by the recipient of such notice, consent, waiver or other communication, (ii) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (iii) provided by a nationally recognized overnight delivery service, shall be rebuttable evidence of personal service, receipt by facsimile or receipt from a nationally recognized overnight delivery service in accordance with clause (i), (ii) or (iii) above, respectively.

The addresses for such communications shall be:

If to the Company, to:

Digerati Technologies, Inc.
ATT: Arthur Smith, CEO
825 W. Bitters
Suite 104
San Antonio, TX 78216
Email: a.smith@t3com.net

If to the Holder:

Lucas Hoppel
Phone: 858-232-5110
Email: Luke@LukeHoppel.com

(7) APPLICABLE LAW AND VENUE. This Note shall be governed by and construed in accordance with the laws of the State of California, without giving effect to conflicts of laws thereof. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of California or in the federal courts located in the city of San Diego, in the State of California. Both parties and the individuals signing this Agreement agree to submit to the jurisdiction of such courts.

(8) WAIVER. Any waiver by the Holder of a breach of any provision of this Note shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Note. The failure of the Holder to insist upon strict adherence to any term of this Note on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Note. Any waiver must be in writing.

(9) LIQUIDATED DAMAGES. Holder and Company agree that in the event Company fails to comply with any of the terms or provisions of this Note, Holder's damages would be uncertain and difficult (if not impossible) to accurately estimate because of the parties' inability to predict future interest rates, future share prices, future trading volumes and other relevant factors. Accordingly, Holder and Company agree that any fees, balance adjustments, default interest or other charges assessed under this Note are not penalties but instead are intended by the parties to be, and shall be deemed, liquidated damages (under Holder's and Company's expectations that any such liquidated damages will tack back to the Closing Date for purposes of determining the holding period under Rule 144).

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Convertible Note to be duly executed by a duly authorized officer as of the date set forth above.

COMPANY:

Digerati Technologies, Inc.

By: /s/ Arthur Smith

Name: Arthur Smith

Title: Chief Executive Officer

HOLDER:

LGH Investments, LLC

By: /s/ Lucas Hoppel

Name: Lucas Hoppel

Title: Managing Member

[Signature Page to Note No. DTGI-4-LGH]

**EXHIBIT A
CONVERSION NOTICE**

[Company Contact, Position]
[Company Name]
[Company Address]
[Contact Email Address]

The undersigned hereby elects to convert a portion of the \$ _____ Convertible Note _____ issued to Lucas Hoppel on _____ into Shares of Common Stock of _____ according to the conditions set forth in such Note as of the date written below.

By accepting this notice of conversion, you are acknowledging that the number of shares to be delivered represents less than 5% (ten percent) of the common stock outstanding. If the number of shares to be delivered represents more than 4.99% of the common stock outstanding, this conversion notice shall immediately automatically extinguish and debenture Holder must be immediately notified.

Date of Conversion: _____

Conversion Amount: _____

Conversion Price: _____

Shares to be Delivered: _____

Shares delivered in name of:

LGH Investments, LLC

Signature: _____

FIRST AMENDMENT TO CREDIT AGREEMENT

This First Amendment to Credit Agreement (this "Amendment"), dated as of December 20, 2021 (the "First Amendment Closing Date"), is by and among **T3 COMMUNICATIONS, INC.**, a Nevada corporation (the "Company"), the subsidiary guarantors identified on the signature pages hereto (each a "Guarantor" and collectively, the "Guarantors"; the Company and the Guarantors are each referred to herein individually as a "Loan Party" and collectively as the "Loan Parties"), the Lenders party hereto, and **POST ROAD ADMINISTRATIVE LLC**, a Delaware limited liability company, as administrative agent for the Lenders (together with its successors and assigns in such capacity, the "Administrative Agent").

RECITALS

WHEREAS, the Company, the Guarantors, the Lenders and the Administrative Agent are parties to that certain Credit Agreement dated as of November 17, 2020 (as amended, restated, supplemented or otherwise modified from time to time prior to the date hereof, the "Credit Agreement"); and

WHEREAS, the Loan Parties have requested that the Administrative Agent and the Lenders amend certain provisions of the Credit Agreement to, among other things, recapitalize Term Loan B into Term Loan A, and the Administrative Agent and the Lenders are willing to do so, in each case on and subject to the terms and conditions set forth in this Amendment.

NOW, THEREFORE, in consideration of the premises and the agreements contained herein, and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties hereto (intending to be legally bound) hereby agree as follows:

1. Definitions. Capitalized terms used herein (including in the Recitals hereto, which are hereby incorporated) and not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement, as amended hereby.

2. Recapitalization. The parties hereto agree that, notwithstanding anything contained in the Credit Agreement or any Loan Document to the contrary, as of the First Amendment Closing Date, Term Loan B shall be recapitalized and an amount equal to the sum of the following shall be added to the principal amount of Term Loan A: (i) all outstanding principal due and payable with respect to Term Loan B as of the First Amendment Closing Date, *plus* (ii) thirty hundredths (0.30) times the original principal amount of Term Loan B. Notwithstanding the terms and provisions of the Term Loan A Note and the Term Loan B Note, on the First Amendment Closing Date the Company will make a one-time special cash payment (in lieu of the amount of interest that would otherwise be paid in-kind pursuant to Section 3.3 of the Credit Agreement) with respect to the interest on the unpaid principal amounts of Term Loan A in the amount of \$80,402.41 and Term Loan B in the amount of \$26,273.03, each due from the period of time commencing on December 1, 2021 until (but excluding) the First Amendment Closing Date. For the avoidance of doubt, the principal balance of Term Loan A as of the date of the First Amendment Closing Date (after giving effect to the recapitalization pursuant to this Section 2) is \$22,168,515.30, consisting of (i) \$11,062,328.28 of outstanding principal on Term Loan A, (ii) \$3,687,442.75 of outstanding principal on Term Loan B (to be recapitalized pursuant to this Section 2), (iii) \$6,000,000 of principal on the Delayed Draw Loan, (iii) a \$368,744.28 amendment fee, and (iv) a \$1,050,000 fee relating to Term Loan B.

3. Amendments to Credit Agreement. Subject to the terms and conditions contained herein, the Company, the Administrative Agent and the Lender hereby amend the Credit Agreement as follows:

(a) The following defined terms in Section 1.1 of the Credit Agreement are hereby amended and restated in their entirety to read as follows:

“EBITDA means, for any period, Consolidated Net Income for such period, *plus*, (a) in each case, without duplication and only to the extent deducted in determining such Consolidated Net Income: (i) Interest Expense, (ii) income tax expense, (iii) depreciation and amortization, (iv) professional fees and other fees, costs and expenses with respect to the transactions contemplated by this Agreement (including with respect to the acquisitions consummated on or about the Closing Date) incurred by the Loan Parties during such period in an aggregate amount not to exceed \$200,000; (v) one-time non-recurring expenses not exceeding \$200,000 per year in the aggregate; and (vi) amounts paid by the Company with respect to board fees and expenses, in an amount not exceeding \$50,000 per year in the aggregate; *minus* (b) without duplication and to the extent included in determining such Consolidated Net Income, proceeds of insurance, other than business interruption insurance.”

“Maturity Date means the earlier of (A) (i) November 17, 2024 with respect to Term Loan A and (ii) November 17, 2024 with respect to the Delayed Draw Loan, or (B) the date to which the Obligations are accelerated pursuant to ARTICLE XIII.”

“Note means, individually and collectively, the Term Loan A Note and the Delayed Draw Term Note, each as the same may be amended, restated or otherwise modified from time to time, together with any joinders thereto from time to time.”

(b) Section 1.1 of the Credit Agreement is hereby amended by inserting the following new definitions in appropriate alphabetical order therein:

“Delayed Draw Account means a deposit account at Wells Fargo Bank, N.A. that, if applicable pursuant to Section 6 of the First Amendment, shall be established by the Company after the First Amendment Closing Date pursuant to Section 6 of the First Amendment, subject to the terms and provisions of a blocked Control Agreement, in which the proceeds of the Delayed Draw Loan shall be maintained until the Skynet Acquisition Effective Date pursuant to the terms and conditions of Section 6 of the First Amendment.”

“First Amendment means that certain First Amendment to Credit Agreement dated as of the First Amendment Closing Date by and among the Company, the Guarantors, the Lenders and the Administrative Agent.”

“First Amendment Closing Date means December 20, 2021.”

“Skynet Acquisition means that certain asset Acquisition as contemplated by the Skynet Acquisition Documents.”

“Skynet Acquisition Agreement means that certain Asset Purchase Agreement dated on or about the Skynet Acquisition Effective Date by and among Shift8, Paul Golibart and Jerry Ou, each an individual resident in the State of Texas, and Skynet Telecom, LLC, a Texas limited liability company (as the same may be amended, restated or otherwise modified from time to time).”

“Skynet Acquisition Documents means the Skynet Acquisition Agreement and any escrow agreement, representation and warranty insurance policy, restrictive covenant agreement, bill of sale, assignment and assumption agreement, real estate contract, special warranty deed, assignment of intellectual property, consulting agreement, management agreement, employment agreement, non-compete agreement, transition services agreement, and side-letter agreement entered into in connection therewith and any and all of the other binding instruments and agreements executed or delivered in connection with the Skynet Acquisition.”

“Skynet Acquisition Effective Date means the date on which each of the conditions contained in Section 5 of the First Amendment are satisfied in the Administrative Agent’s sole and absolute discretion.”

(c) The Credit Agreement is hereby amended by deleting all references to the terms “Term Loan B”, “Term Loan B Commitment”, and “Term Loan B Note” throughout the Credit Agreement.

(d) Section 4.4 of the Credit Agreement is hereby amended and restated in its entirety as follows:

“4.4 Premium. Concurrently with each prepayment of the Loans (other than regularly scheduled installments and mandatory prepayments under Sections 6.2(d) and 6.2(e)), whether such prepayment occurs prior to, on or after the Maturity Date, the Company agrees to pay to the Administrative Agent, for the ratable benefit of the Lenders, a premium (“Premium”) equal to:

(a) for each prepayment on or before November 17, 2021, 12.0% of the principal amount of the Loans being prepaid;

(b) for each prepayment after November 17, 2021 but on or before November 16, 2022, 10.0% of the principal amount of the Loans being prepaid;

(c) for each prepayment after November 17, 2022 but on or before November 16, 2023, 8.0% of the principal amount of the Loans being prepaid; and

(d) for each prepayment after November 17, 2023 0.00% of the principal amount of the Loans being prepaid.

In addition to the foregoing Premiums, if the Company repays or prepays the Loans hereunder at any time, the Company agrees to pay to Administrative Agent, for the ratable benefit of the Lenders, an exit fee equal to 3.0% of the principal amount of the Loans being repaid or prepaid.”

(e) Section 6.3 of the Credit Agreement is hereby amended and restated in its entirety as follows:

“6.3 Application of Prepayments. All prepayments shall be applied as follows:

(a) first, to all fees (other than Premium) and expenses then due and owing to the Administrative Agent and the Lenders;

(b) second, to accrued and unpaid interest on Term Loan A and the Delayed Draw Loan on a *pari passu* basis;

(c) third, to any unpaid applicable Premium then due and owing with respect to Term Loan A and the Delayed Draw Loan on a *pari passu* basis; and

(d) last, to the remaining scheduled installments of principal of Term Loan A and the Delayed Draw Loan on a *pari passu* basis in the inverse order of maturity, unless an Event of Default exists, in which case the provisions of Section 7.2 shall be applicable with respect to application of the proceeds thereof.”

(f) Section 10.6 of the Credit Agreement is hereby amended and restated in its entirety as follows:

“10.6 Use of Proceeds. Use (a) all of the proceeds of the Closing Date Loans solely (i) to fund the ActivePBX Acquisition and the Nexogy Acquisition, (ii) to provide growth capital, and (iii) to pay for transaction fees and expenses; (b) \$3,700,000 of the Delayed Draw Loans, which shall be deposited into the Company’s deposit account at Wells Fargo Bank N.A. (subject to the Control Agreement dated as of the Closing Date), solely to fund the Skynet Acquisition on the Skynet Acquisition Effective Date (subject to Section 6 of the First Amendment); (c) \$500,000 of the Delayed Draw Loans, which shall be deposited into the Company’s deposit account at Wells Fargo Bank N.A. (subject to the Control Agreement dated as of the Closing Date), solely for general corporate and working capital purposes (subject to Section 6 of the First Amendment); and (d) \$1,800,000 of the Delayed Draw Loans, which shall be deposited into the Company’s deposit account at Wells Fargo Bank N.A. (subject to the Control Agreement dated as of the Closing Date), solely for professional fees and other fees, costs and expenses with respect to the transactions contemplated by the First Amendment (subject to Section 6 of the First Amendment).”

(g) Section 11.4 of the Credit Agreement is hereby amended and restated in its entirety as follows:

“11.4 Restricted Payments. Each Loan Party shall not, and not permit any of its Subsidiaries to, make any Restricted Payments, except:

(a) any Subsidiary may pay dividends or make other distributions to the Company or to a domestic Wholly-Owned Subsidiary, in the ordinary course of business;

(b) Tax Distributions by its Subsidiaries to the Company, and conforming distributions from the Company to its equity holders;

(c) any payment with respect to the earnout obligation pursuant to Section 2.1(iii) of the ActivePBX Acquisition Agreement so long as no Event of Default or Unmatured Event of Default exists or would result from a distribution in respect of such earnout obligation; and

(d) any payment with respect to (i) the earnout obligation pursuant to Section 3.03 of the Skynet Acquisition Agreement and (ii) the contingent payment obligation pursuant to Section 3.04 of the Skynet Acquisition Agreement, each so long as no Event of Default or Unmatured Event of Default exists or would result from a distribution in respect of such earnout obligation or contingent payment obligation and so long as each such payment is at all times subject to the applicable Subordination Agreement.

For the avoidance of doubt, no Loan Party shall make any Restricted Payments to Parent unless at any time the Required Lenders expressly shall consent otherwise in writing.”

(h) Section 11.12.4 of the Credit Agreement is hereby amended and restated in its entirety as follows:

“11.12.4 Minimum Liquidity. Each Loan Party shall not suffer or permit the aggregate amount of cash on hand of the Company and its Subsidiaries to be less than (i) \$1,000,000.00 as of the end of the Fiscal Quarter ending December 31, 2020; (ii) \$1,250,000.00 as of the end of the Fiscal Quarter ending March 31, 2021; (iii) \$1,500,000.00 as of the end of the Fiscal Quarters ending June 30, 2021, September 30, 2021 and December 31, 2021; and (iv) \$1,500,000.00 as of the last day of each subsequent Fiscal Quarter thereafter.”

(i) A new Section 11.12.8 shall be added to the Credit Agreement in numerical order therein as follows:

“11.12.7 Notwithstanding anything in this Section 11.12 to the contrary, effective as of the First Amendment Closing Date, none of the financial covenants contained in this Section 11.12 shall be tested with respect to the Fiscal Quarter ending December 31, 2021 other than Section 11.12.4 (Minimum Liquidity) and Section 11.12.6 (Fixed Charge Coverage Ratio). For the avoidance of doubt, all financial covenants contained in this Section 11.12 shall be tested with respect to the Fiscal Quarter ending March 31, 2022 and thereafter pursuant to the terms and conditions hereof.”

(j) Section 12.2 of the Credit Agreement is hereby amended and restated in its entirety as follows:

“12.2 Delayed Draw Conditions.

12.2.1 Pro-forma compliance with all financial covenants contained in Section 11.11;

12.2.2 the proceeds of such Delayed Draw Loans shall be used solely to finance Permitted Acquisitions together with transaction fees associated therewith, growth Capital Expenditures, and/or other growth initiatives, each as approved by the Administrative Agent in its sole discretion;

12.2.3 the borrowing date of any Delayed Draw Loan shall be no later than May 17, 2022;

12.2.4 the Administrative Agent shall have received a certificate of a Senior Officer of the Company certifying as to all of the foregoing and the matters set forth in Section 12.3; and

12.2.5 the Administrative Agent shall have received an executed Borrowing Notice.”

(k) Annex A of the Credit Agreement is hereby amended and restated in its entirety to read as set forth on Exhibit A attached hereto.

(l) Exhibit D (Form of Compliance Certificate) of the Credit Agreement is hereby amended and restated in its entirety to read as set forth on Exhibit B attached hereto.

4. Conditions Precedent. The amendments contained in Section 3 above are subject to, and contingent upon, Administrative Agent receiving each of the following items, each in form and substance acceptable to Administrative Agent, unless waived in writing by Administrative Agent in its sole and absolute determination:

(a) a duly executed counterpart of this Amendment signed by each of the parties hereto;

(b) a duly executed opinion of Lucosky Brookman LLP, counsel to the Loan Parties, in form and substance satisfactory to the Administrative Agent;

(c) for each Loan Party, such Loan Party’s (a) charter (or similar formation document), certified by the appropriate Governmental Authority; (b) good standing certificates in its state of incorporation (or formation) and in each other state where it is required to file for authority to do business pursuant to the respective laws of such state; (c) bylaws (or similar governing document); (d) resolutions of its board of directors (or similar governing body) approving and authorizing such Person’s execution, delivery and performance of the Loan Documents to which it is party and the transactions contemplated thereby; and (e) signature and incumbency certificates of its officers executing any of the Loan Documents and authorized to submit a Notice of Borrowing (it being understood that the Administrative Agent and Lender may conclusively rely on each such certificate until formally advised by a like certificate of any changes therein), all certified by an authorized officer as being in full force and effect without modification;

(d) evidence of the existence of insurance required to be maintained pursuant to Section 10.3(b) of the Credit Agreement, together with evidence that the Administrative Agent has been named as an additional insured on all related policies of liability insurance, lender's loss payee on all related policies of casualty insurance, a loss payable endorsement on all related policies of casualty insurance, and a collateral assignment of all policies of business interruption insurance;

(e) a duly executed certificate of a Senior Officer of the Company certifying as to the matters set forth in Sections 12.2 and 12.3 of the Credit Agreement;

(f) certified copies of lien search reports dated a date reasonably near to the Closing Date, listing all effective Liens against which name any Loan Party (under their present names and any previous names), along with copies of any financing statements or documentation associated with such Liens;

(g) a true and correct copy of the then-current draft of the Skynet Acquisition Agreement in form and substance acceptable to Administrative Agent, which will be attached hereto as Exhibit C;

(h) payment of an amendment fee in the amount of \$368,744.28 (the "First Amendment Fee"), which First Amendment Fee shall be fully earned when due and payable, shall be nonrefundable and shall be capitalized into the outstanding balance of the Loans; and

(i) such other documents, certificates, schedules, exhibits, instruments and agreements as Administrative Agent shall reasonably request.

For the avoidance of doubt, upon the disbursement by Lender to the Company of the Delayed Draw Loans on the First Amendment Closing Date, the Delayed Draw Commitment of the Lender shall be terminated.

5. Conditions Subsequent. The obligation of Lender to disburse, or cause to be disbursed, to Company any portion of the Delayed Draw Loans is subject to the following further conditions subsequent, each in form and substance acceptable to Administrative Agent, unless waived in writing by Administrative Agent in its sole and absolute determination:

(a) a duly executed Collateral Assignment of Acquisition Documents dated on or about the Skynet Acquisition Effective Date with respect to the Skynet Acquisition Documents;

(b) if applicable pursuant to Section 6 of this Amendment, a duly executed blocked Control Agreement in respect of the Delayed Draw Account;

(c) if applicable pursuant to Section 6 of this Amendment, evidence that the Company opened, or caused to be opened, the Delayed Draw Account at Wells Fargo Bank N.A.;

(d) a duly executed Subordination Agreement dated on or about the Skynet Acquisition Effective Date with respect to the earnout obligations pursuant to the Skynet Acquisition Agreement;

(e) certified copies of lien search reports dated a date reasonably near to the Closing Date, listing all effective Liens against which name Parent (under their present names and any previous names), along with copies of any financing statements or documentation associated with such Liens;

(f) evidence that the Skynet Acquisition shall have been consummated substantially in accordance with the terms of the Skynet Acquisition Agreement attached hereto as Exhibit C (any and all deviations between the Skynet Acquisition Agreement attached hereto as Exhibit C and the proposed final version must be approved by Administrative Agent in its sole discretion), and all other applicable documentation and in compliance with all applicable law and regulatory approvals, without any amendment or waiver of any material condition or other material provision thereof except as approved by the Administrative Agent;

(g) duly executed Landlord Agreements dated on or about the Skynet Acquisition Effective Date from each the lessor(s) of any leased real property in connection with the Skynet Acquisition;

(h) after giving effect to the Skynet Acquisition, pro-forma compliance with all financial covenants contained in Section 11.11 of the Credit Agreement, including, without limitation, compliance with the \$1,500,000 Minimum Liquidity requirement pursuant to Section 11.12.4 of the Credit Agreement, as amended hereby; and

(i) such other documents, certificates, schedules, exhibits, instruments and agreements as Administrative Agent shall reasonably request.

6. Deadline for Use of Delayed Draw Loans and Alternate Delayed Draw Loans Use of Proceeds. Notwithstanding Section 10.6 of the Credit Agreement or Section 5 of this Amendment, if, after the First Amendment Closing Date the conditions subsequent contained in Section 5 of this Amendment cannot be satisfied and the Skynet Acquisition cannot be consummated on or before December 31, 2021, the Company hereby covenants and agrees that it shall either (i) establish the Delayed Draw Account at Wells Fargo Bank, N.A. (subject to the terms and provisions of a blocked Control Agreement) and transfer all proceeds of the Delayed Draw Loan to the Delayed Draw Account, each not later than January 14, 2022, or (ii) immediately prepay the Delayed Draw Term Loan in an amount equal to all Delayed Draw Loan proceeds (less any amounts necessary for professional fees and other fees, costs and expenses with respect to the transactions contemplated by this Amendment in accordance with Section 10.6 of the Credit Agreement) in accordance with Sections 4.4, 6.1, and 6.3 of the Credit Agreement. If the Delayed Draw Account is established pursuant to the foregoing sentence and, thereafter, the conditions subsequent contained in Section 5 of this Amendment cannot be satisfied and the Skynet Acquisition cannot be consummated, notwithstanding Section 10.6 of the Credit Agreement or Section 5 of this Amendment, the Company hereby covenants and agrees that it shall either (y) use the proceeds of the Delayed Draw Loans in the Delayed Draw Account to finance another Permitted Acquisition together with transaction fees associated therewith, growth Capital Expenditures, and/or other growth initiatives, each as approved by the Administrative Agent in its sole discretion, on or before the six (6) month anniversary of the First Amendment Closing Date and so long as Administrative Agent receives such documents, certificates and information as the Administrative Agent may request in relation thereto in its sole discretion, or (z) immediately prepay the Delayed Draw Term Loan in an amount equal to all funds remaining in the Delayed Draw Account at such time in accordance with Sections 4.4, 6.1, and 6.3 of the Credit Agreement. For the avoidance of doubt, failure of the Company or any Loan Party to comply with Section 10.6 of the Credit Agreement or this Section 6 of this Amendment shall constitute an immediate Event of Default.

7. Financial Covenant Amendments. As soon as practicable and, in any event, not later than January 31, 2022, Company shall furnish to the Administrative Agent consolidated and consolidating financial projections for the Company and its Subsidiaries for the Fiscal Year ending December 31, 2022 through and including the Fiscal Year ending December 31, 2024 (which projections shall include all contemplated future acquisitions and monthly operating and cash flow budgets), in a manner consistent with the projections delivered by the Company to the Lenders prior to the First Amendment Closing Date (or otherwise in a manner satisfactory to the Administrative Agent), accompanied by a certificate of a Senior Officer of the Company on behalf of the Company certifying that (a) such projections were prepared by the Company in good faith, (b) the Company has a reasonable basis for the assumptions contained in such projections and (c) such projections have been prepared in accordance with such assumptions. Based on the Administrative Agent's review of the foregoing projections, the Administrative Agent, in its sole and absolute discretion, may amend the financial covenants contained in Section 11.11 of the Credit Agreement to reflect, among other things, such projections and the consummation of the Skynet Acquisition (if applicable).

8. Costs, Expenses and Taxes. Without limiting the obligation of the Loan Parties to reimburse Administrative Agent (and, as applicable, Lenders) for all costs, fees, disbursements and expenses incurred by Administrative Agent and Lenders as specified in the Credit Agreement, as amended by this Amendment, the Loan Parties agree to pay on demand all costs, fees, disbursements and expenses of Administrative Agent in connection with the preparation, execution and delivery of this Amendment and the other agreements, modifications, instruments and documents contemplated hereby (collectively, the "Transaction Documents"), including, without limitation, reasonable attorneys' fees and expenses.

9. Representations, Warranties and Covenant of the Loan Parties. Each Loan Party hereby jointly and severally hereby represents and warrants to Administrative Agent and Lender, which representations and warranties shall survive the execution and delivery hereof, that on and as of the date hereof and after giving effect to this Amendment:

(a) Each Loan Party has the limited liability company power and authority to execute and deliver this Amendment and the Transaction Documents to which it is a party (and perform its respective obligations hereunder and thereunder). This Amendment and the Transaction Documents to which such Loan Party is a party have been duly authorized by such Loan Party. This Amendment, the Transaction Documents to which such Loan Party is a party, and the Credit Agreement (as amended by this Amendment) each constitute the legal, valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with their respective terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar law affecting creditor's rights generally and general principles of equity;

(b) Each Loan Party's representations and warranties set forth in the Credit Agreement and in the other Loan Documents are true, correct and complete in all material respects (or, if any such representation or warranty is by its terms qualified by concepts of materiality, such representation or warranty is true and correct in all respects) on and as of the date hereof except to the extent that such representations and warranties expressly related solely to an earlier date, in which case such representations were true, correct and complete in all material respects (or, if any such representation or warranty is by its terms qualified by concepts of materiality, such representation or warranty is true and correct in all respects) on and as of such earlier date;

(c) All Obligations now due or payable by any Loan Party to Lenders or Administrative Agent are unconditionally owing by such Loan Party to Lenders and Administrative Agent, without offset, defense or counterclaim of any kind, nature or description whatsoever; and

(d) No Default or Event of Default shall have occurred and be continuing, and no "Default" or "Event of Default" shall have occurred and be continuing under the Loan Documents or the Mezzanine Documents, as of the date hereof or shall occur immediately after giving effect to this Amendment.

Each Loan Party acknowledges that Administrative Agent and Lenders are specifically relying upon the representations, warranties and agreements contained in this Amendment and that such representations, warranties and agreements constitute a material inducement to Administrative Agent and Lenders in entering into this Amendment.

10. Release by Loan Parties. In further consideration of the execution of this Amendment by Administrative Agent and Lenders, each Loan Party (on behalf of itself and its shareholders, directors, members, managers, partners, officers, affiliates, successors and assigns) hereby unconditionally, absolutely and irrevocably forever remises, releases, acquits, satisfies and forever discharges Administrative Agent and Lender and their respective successors, assigns, affiliates, parent entities, officers, employees, directors, shareholders, agents and attorneys (collectively, the "Releasees") from any and all claims, demands, liabilities, disputes, damages, suits, controversies, penalties, fees, costs, expenses, actions and causes of action (whether at law or in equity) and obligations of every nature whatsoever, whether liquidated or unliquidated, known or unknown, matured or unmatured, fixed or contingent (all of the foregoing, "Claims"), that such Loan Party (or any of its respective shareholders, directors, members, managers, partners, officers, affiliates, successors or assigns) occurring on or before the date hereof, from any or all of the Releasees, which arise from or relate to any actions, omissions, conditions, events, or any other circumstances whatsoever on or prior to the date hereof, including, without limitation, with respect to the Obligations, any Collateral, the Credit Agreement, the transactions relating thereto or hereto, and any other Loan Document, other than for the gross negligence or willful misconduct of Administrative Agent as finally determined in a non-appealable order of a court of competent jurisdiction.

11. Reference to Credit Agreement; No Waiver.

(a) References. Upon the effectiveness of this Amendment, each reference in the Credit Agreement to “this Agreement,” “hereunder,” “hereof,” “herein” or words of like import shall mean and be a reference to the Credit Agreement, as amended hereby. The term “Loan Documents” as defined in Section 1.1 of the Credit Agreement shall include (in addition to the Loan Documents described in the Credit Agreement) this Amendment and the other Transaction Documents.

(b) No Waiver. The failure of Administrative Agent (or, as applicable, Lenders), at any time or times hereafter, to require strict performance by Loan Parties of any provision or term of the Credit Agreement, this Amendment or the other Loan Documents shall not waive, affect or diminish any right of Administrative Agent (or, as applicable, Lenders) hereafter to demand strict compliance and performance herewith or therewith. Any suspension or waiver by Administrative Agent or Lenders of a breach of this Amendment or any Event of Default under the Credit Agreement shall not, except as expressly set forth in a writing signed by Administrative Agent, suspend, waive or affect any other breach of this Amendment or any Event of Default under the Credit Agreement, whether the same is prior or subsequent thereto and whether of the same or of a different kind or character. None of the undertakings, agreements, warranties, covenants and representations of the Loan Parties contained in this Amendment, shall be deemed to have been suspended or waived by Administrative Agent or Lenders unless such suspension or waiver is (i) in writing and signed by Administrative Agent and (ii) delivered to the Loan Parties. In no event shall Administrative Agent’s and Lenders’ execution and delivery of this Amendment establish a course of dealing among Administrative Agent, Lenders, Loan Parties or any other obligor, or in any other way obligate Administrative Agent or Lenders to hereafter provide any amendments or waivers with respect to the Credit Agreement. The terms and provisions of this Amendment shall be limited precisely as written and shall not be deemed (x) to be a consent to any amendment or modification of any other term or condition of the Credit Agreement or of any of the Loan Documents (except as expressly provided herein); or (y) to prejudice any right or remedy which Administrative Agent or any Lender may now have under or in connection with the Credit Agreement or any of the Loan Documents. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Administrative Agent or any Lender under the Credit Agreement or any of the Loan Documents, or any Default or Event of Default under the Credit Agreement. It is the intention of the parties hereto that the execution and delivery of this Amendment does not effectuate a novation of the liabilities and obligations of the Loan Parties to Administrative Agent or Lenders with respect to the Loans, but merely serves as a modification of certain terms thereof.

(c) Full Force and Effect. The Credit Agreement and all Loan Documents, in each case as amended hereby, shall remain in full force and effect and are hereby ratified and confirmed.

(d) Reaffirmation of Security Interest. Each Loan Party hereby ratifies and reaffirms any and all grants of Liens to Administrative Agent in, to and on the Collateral as security for the Obligations, and the Company acknowledges and confirms that the grants of the Liens to Administrative Agent for the benefit of itself and Lenders in, to and on the Collateral: (i) represent continuing Liens on all of the Collateral, (ii) secure the indefeasible payment in full in cash all of the Obligations when due or declared due in accordance with the terms of the Credit Agreement, and (iii) represent valid and first priority perfected Liens on all of the Collateral (subject only to Permitted Liens).

12. Miscellaneous. Titles and headings herein are solely for the convenience of the parties and are without substantive legal meaning. This Amendment may only be amended or modified by a writing signed by Administrative Agent, Required Lenders and the Loan Parties. Neither this Amendment nor any uncertainty or ambiguity herein shall be construed or resolved against Administrative Agent or Lenders, whether under any rule of construction or otherwise.

13. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, the Loan Parties may not assign any of its rights or obligations under this Amendment without the prior written consent of Administrative Agent.

14. Severability. Wherever possible, each provision of this Amendment shall be interpreted in such a manner so as to be effective and valid under applicable law, but if any provision of this Amendment is held to be prohibited by or invalid under applicable law, such provision or provisions shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Amendment.

15. Counterparts. This Amendment may be executed in one or more counterparts, each of which taken together shall constitute one and the same instrument, admissible into evidence.

16. Facsimile. A signature hereto sent or delivered by facsimile or other electronic means shall be as legally binding and enforceable as a signed original for all purposes.

17. Governing Law. This Amendment and the other Loan Documents and any claims, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Amendment or any other Loan Document (except, as to any other Loan Document, as expressly set forth therein) and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the law of the State of New York.

18. **Jurisdiction.** ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AMENDMENT OR ANY OTHER LOAN DOCUMENT, SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF NEW YORK COUNTY, THE STATE OF NEW YORK, OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; OR, IF THE ADMINISTRATIVE AGENT INITIATES SUCH ACTION, IN ADDITION TO THE FOREGOING COURTS, ANY COURT IN WHICH THE ADMINISTRATIVE AGENT SHALL INITIATE OR TO WHICH THE ADMINISTRATIVE AGENT SHALL REMOVE SUCH ACTION, TO THE EXTENT SUCH COURT OTHERWISE HAS JURISDICTION. EACH LOAN PARTY HEREBY EXPRESSLY AND IRREVOCABLY CONSENTS AND SUBMITS IN ADVANCE TO THE JURISDICTION OF SUCH COURTS IN ANY ACTION OR PROCEEDING COMMENCED IN OR REMOVED BY THE ADMINISTRATIVE AGENT TO ANY OF SUCH COURTS, HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS AND COMPLAINT, OR OTHER PROCESS OR PAPERS ISSUED THEREIN, AND HEREBY AGREES THAT SERVICE OF SUCH SUMMONS AND COMPLAINT OR OTHER PROCESS OR PAPERS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH LOAN PARTY AT THE ADDRESS SET FORTH IN SECTION 15.3 OF THE CREDIT AGREEMENT. EACH LOAN PARTY WAIVES ANY CLAIM THAT ANY COURT HAVING SITUS IN NEW YORK COUNTY, NEW YORK, IS AN INCONVENIENT FORUM OR AN IMPROPER FORUM BASED ON LACK OF VENUE. SHOULD ANY LOAN PARTY, AFTER BEING SO SERVED, FAIL TO APPEAR OR ANSWER ANY SUMMONS, COMPLAINT, PROCESS OR PAPERS SO SERVED WITHIN THE PERIOD OF TIME PRESCRIBED BY LAW AFTER THE MAILING THEREOF, SUCH LOAN PARTY SHALL BE DEEMED IN DEFAULT AND AN ORDER AND/OR JUDGMENT MAY BE ENTERED BY THE ADMINISTRATIVE AGENT AGAINST SUCH LOAN PARTY AS DEMANDED OR PRAYED FOR IN SUCH SUMMONS, COMPLAINT, PROCESS OR PAPERS. THE EXCLUSIVE CHOICE OF FORUM FOR THE LOAN PARTIES SET FORTH IN THIS SECTION 18 SHALL NOT BE DEEMED TO PRECLUDE THE ENFORCEMENT, BY THE ADMINISTRATIVE AGENT, OF ANY JUDGMENT OBTAINED IN ANY OTHER FORUM OR THE TAKING, BY THE ADMINISTRATIVE AGENT, OF ANY ACTION TO ENFORCE THE SAME IN ANY OTHER APPROPRIATE JURISDICTION, AND EACH LOAN PARTY HEREBY IRREVOCABLY WAIVES THE RIGHT TO COLLATERALLY ATTACK ANY SUCH JUDGMENT OR ACTION.

19. **WAIVER OF JURY TRIAL.** EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AMENDMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AMENDMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 19.

20. **Tax Treatment of the New Principal Amount.** Notwithstanding anything to the contrary contained in this Amendment and solely for all U.S. federal, state and local income tax purposes, the parties hereby agree that the Lenders' advance of the New Principal Amount shall be treated as a new loan rather than a modification of the existing Loans under the Credit Agreement, and, as a result, Treasury Regulation 1.1001-3 shall not apply to the incurrence of the New Principal Amount. The Lenders and the Company hereby agree that they shall report the transaction consistent with this approach and shall not take any inconsistent position on any U.S. federal, state or local tax filing or with any governmental authority, in each case without the express written consent of the other party.

[Signature pages follow.]

IN WITNESS WHEREOF, the undersigned have duly executed this First Amendment to Credit Agreement as of the date first above written.

COMPANY:

T3 COMMUNICATIONS, INC., a Nevada corporation, as the
Company

By: /s/ Arthur L. Smith

Name: Arthur L. Smith

Title: CEO

[Signature Page to First Amendment to Credit Agreement]

ADMINISTRATIVE AGENT:

POST ROAD ADMINISTRATIVE LLC

By: /s/ Michael Bogdan
Name: Michael Bogdan
Title: Authorized signatory

LENDERS:

POST ROAD SPECIAL OPPORTUNITY FUND II LP

By: /s/ Michael Bogdan
Name: Michael Bogdan
Title: Authorized Signatory

[Signature Page to First Amendment to Credit Agreement]

EXHIBIT A
TO FIRST AMENDMENT TO CREDIT AGREEMENT

Annex A to Credit Agreement

ANNEX A

LENDERS, COMMITMENTS AND PRO RATA SHARES

Lender:	Term Loan A Commitment	Delayed Draw Commitment	Pro Rata Share
Post Road Special Opportunity Fund II LP	\$ 22,168,515.30	\$ 6,000,000	100%
Total	\$ 22,168,515.30	\$ 6,000,000	100%

EXHIBIT B
TO FIRST AMENDMENT TO CREDIT AGREEMENT

Exhibit D. to Credit Agreement (Form of Compliance Certificate)

See attached.

EXHIBIT D

FORM OF COMPLIANCE CERTIFICATE

To: Post Road Administrative LLC, as the Administrative Agent

Please refer to the Credit Agreement dated as of November 17, 2020 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among T3 COMMUNICATIONS, INC. a Nevada corporation (the "Company"), the Subsidiaries of the Company that are or from time to time may become parties hereto, various Persons, as Lenders, and Post Road Administrative LLC, as the Administrative Agent. Capitalized terms used but not elsewhere defined herein shall have the respective meanings ascribed to such terms in the Credit Agreement.

I. Financial Statements. Enclosed herewith is a copy of the [annual audited/monthly] financial statements of the Company as at [] (the "Computation Date"), which statements fairly present in all material respects the financial condition and results of operations (subject, in the case of monthly statements, to the absence of footnotes and to normal year-end adjustments) of the Company as of the Computation Date and, in the case of (i) interim financial statements that have been prepared in accordance with the Company's past accounting practices consistently applied and (ii) annual audited financial statements have been prepared in accordance with GAAP consistently applied.

II. Operating Report. Enclosed herewith is an operating report showing bookings, and customer churn as of the Computation Date or the applicable period then ending.

III. Underlying Calculations. Enclosed herewith is a copy of the spreadsheets and other calculations used to calculate the financial tests below.

IV. Financial Tests. The Company hereby certifies and warrants to the Administrative Agent and each Lender that the following is a true and correct computation as at the Computation Date of the following ratios and/or financial restrictions contained in the Credit Agreement and each of the enclosed are true and correct as at the Computation Date for the applicable period or Fiscal Quarter ending as of the Computation Date as required under Section 11.12 of the Credit Agreement:

1. Maximum Senior Leverage Ratio as of the last day of the Fiscal Quarter ending on the Computation Date (Section 11.12.2)
 - a. Senior Debt \$ _____
 - b. EBITDA (from item 2(j) below) \$ _____
 - c. Ratio of 1(a) to 1(b) _____ to 1.00
 - d. Maximum Allowed _____ to 1.00
 - e. In compliance? (Yes/No) _____

2. Minimum EBITDA as of the last day of the Fiscal Quarter ending on the Computation Date (Section 11.12.3)

- a. Consolidated Net Income \$ _____
- b. Interest Expense \$ _____
- c. Income tax expense \$ _____
- d. Depreciation and amortization \$ _____
- e. Professional fees and other fees, costs and expenses with respect to the transactions contemplated by the Credit Agreement (including with respect to the acquisitions consummated on or about the Closing Date) incurred by the Loan Parties during such period in an aggregate amount not to exceed \$200,000 \$ _____
- f. One-time non-recurring expenses not exceeding \$200,000 per year in the aggregate \$ _____
- g. Amounts paid by the Company with respect to board fees and expenses, in an amount not exceeding \$50,000 per year in the aggregate \$ _____
- h. Sum of 2(a) through 2(h) above \$ _____
- i. Without duplication and to the extent included in determining such Consolidated Net Income, proceeds of insurance, other than business interruption insurance \$ _____
- j. 2(h) *minus* 2(i) \$ _____
- k. Minimum allowed \$ _____
- l. In compliance? (Yes/No) _____

3. Minimum Liquidity as of the last day of the Fiscal Quarter ending on the Computation Date (Section 11.12.4)
- a. Cash on hand \$ _____
 - b. Minimum allowed \$ _____
 - c. In compliance? (Yes/No) _____
4. Maximum Capital Expenditures as of the last day of the Fiscal Year ending on the Computation Date (Section 11.12.5)
- a. Capital Expenditures \$ _____
 - b. Maximum allowed \$379,190.00
 - c. In compliance? (Yes/No) _____
5. Minimum Fixed Charge Coverage Ratio as of the last day of the Fiscal Quarter ending on the Computation Date (Section 11.12.6)
- a. EBITDA for the preceding four consecutive Fiscal Quarters (from item 2(j) above) \$ _____
 - b. Actual amount paid by the Company and its Subsidiaries in cash during such period on account of:
 - i. Capital Expenditures (excluding Capital Expenditures constituting payments in respect of Capital Lease obligations and Capital Expenditures financed by Debt permitted under Section 11.1(b) of the Credit Agreement) in accordance with Section 11.11.4 of the Credit Agreement \$ _____
 - ii. Current portion of all income Taxes \$ _____
 - iii. Restricted Payments \$ _____
 - iv. Sum of 5(b)(i) through 5(b)(iii) above \$ _____

- c. 5(a) plus 5(b)(iv) \$ _____
- d. For the preceding four Fiscal Quarters:
- i. Cash Interest Expense for such period \$ _____
 - ii. Scheduled principal payments made or scheduled to be made on Total Debt during such period \$ _____
 - iii. 5(d)(i) plus 5(d)(ii) \$ _____
 - e. Ratio of 5(c) to 5(d)(iii) _____ to 1.00
 - f. Minimum allowed 1.50 to 1.00
 - g. In compliance? (Yes/No) _____
6. Maximum Churn ending on the Computation Date (Section 11.12.7)
- a. lost monthly Recurring Revenue from clients or Account Debtors of the Company at the commencement of the applicable trailing three month period \$ _____
 - b. new monthly Recurring Revenue from clients or Account Debtors of the Company at the commencement of the applicable trailing three month period \$ _____
 - c. 6(a) minus 6(b) above \$ _____
 - d. the Company's monthly Recurring Revenue at the commencement of such trailing three month period \$ _____
 - e. 6(c) divided by 6(d) above _____ %
 - f. Maximum allowed _____ 3.00%
 - g. In compliance? (Yes/No) _____

The Company further certifies the Administrative Agent and the Lenders that no Event of Default or Unmatured Event of Default has occurred and is continuing.

IN WITNESS WHEREOF, the Company has caused this Certificate to be duly executed and delivered by its duly authorized officer on _____, ____.

T3 COMMUNICATIONS, INC.

By: _____

Name: _____

Title: _____

AMENDED AND RESTATED TERM LOAN A NOTE

\$22,168,515.30

December 20, 2021
Stamford, Connecticut

The undersigned, for value received, promises to pay to the order of **POST ROAD SPECIAL OPPORTUNITY FUND II LP**, a Delaware limited partnership (the "Lender"), at the principal office of Post Road Administrative LLC (the "Administrative Agent") in Stamford, Connecticut the aggregate unpaid amount of all Closing Date Loans made to the undersigned by the Lender pursuant to the Credit Agreement referred to below, such principal amount to be payable on the dates set forth in the Credit Agreement.

The undersigned further promises to pay interest on the unpaid principal amount of each Closing Date Loan from the date of such Closing Date Loan until such Closing Date Loan is paid in full, payable at the rate(s) and at the time(s) set forth herein and in the Credit Agreement. Payments of both principal and interest are to be made in lawful money of the United States of America.

The unpaid principal amount of Term Loan A shall bear interest for the period commencing on the Closing Date through the date Term Loan A is Paid in Full in cash or same day funds at a rate equal to LIBOR (with a set Interest Period) plus 12.0% per annum; provided, however, that the Obligations may bear interest at the Default Rate pursuant to Section 3.2 of the Credit Agreement; provided further, that the undersigned may elect to defer until the Maturity Date payment of accrued and unpaid interest on Term Loan A pursuant to Section 3.3 of the Credit Agreement; provided further, that premium amounts and an exit fee on Term Loan A may be due pursuant to Section 4.4 of the Credit Agreement.

All Obligations shall be due and payable on the earlier of (A) November 17, 2024, or (B) the date to which the Obligations are accelerated pursuant to ARTICLE XIII of the Credit Agreement.

This Amended and Restated Term Loan A Note (this "Note") evidences indebtedness incurred under, and is subject to the terms and provisions of, the Credit Agreement, dated as of November 17, 2020 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; terms not otherwise defined herein are used herein as defined in the Credit Agreement), among the undersigned, certain Persons (including the Lender) and the Administrative Agent, to which Credit Agreement reference is hereby made for a statement of the terms and provisions under which this Note may or must be paid prior to its due date or its due date accelerated.

This Note is made under and governed by the laws of the State of New York applicable to contracts made and to be performed entirely within such State.

It is the intention of the Lender, the Administrative Agent, and the undersigned that the execution and delivery of this Note does not effectuate a novation of the obligations and liabilities of the undersigned to the Lender under the Term Loan A Note dated November 17, 2020 in the original stated principal amount of TEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$10,500,000.00), made by the undersigned in favor of the Lender, but that this Note merely serves as an amendment and restatement thereof, and supersedes and replaces the same.

[Signature page follows.]

Signature Page to Amended and Restated Term Loan A Note

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed and delivered by its duly authorized officer as of the date first set forth above.

T3 COMMUNICATIONS, INC.,
a Nevada corporation

By: /s/ Arthur L. Smith

Name: Arthur L. Smith

Title: CEO

Signature Page to Term Loan A Note

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.

March 17, 2022

/s/ Arthur L. Smith

Arthur L. Smith
President and Chief Executive Officer

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.

March 17, 2022

/s/ Antonio Estrada, Jr.

Antonio Estrada, Jr.
Chief Financial Officer

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

In connection with the Quarterly Report (the "Report") of Digerati Technologies, Inc. (the "Company") on Form 10-Q for the period ending January 31, 2022, as filed with the Securities and Exchange Commission on the date hereof, I, Arthur L. Smith, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that,

- 1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By /s/ Arthur L. Smith
Arthur L. Smith
President and
Chief Executive Officer
March 17, 2022

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 January 31, 2022, as filed with the Securities and Exchange Commission on the date hereof, I, Antonio Estrada Jr., the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002,

- 1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By /s/ Antonio Estrada Jr.
Antonio Estrada Jr.
Chief Financial Officer
March 17, 2022