DIGERATI TECHNOLOGIES, INC.

FORM 10-Q
(Quarterly Report)

Filed 06/21/22 for the Period Ending 04/30/22

Address	825 W. BITTERS RD., SUITE 104 SAN ANTONIO, TX, 78216
Telephone	(210) 775-0888
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Sector	Telecommunication Services
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended April 30, 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	Class:	As of:
139,988,039	Common Stock $0.001 par value	June 14, 2022

DIGERATI TECHNOLOGIES, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED APRIL 30, 2022

INDEX

DIGERATI TECHNOLOGIES, INC.
CONTENTS

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	April 30, 2022	July 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,384	$ 1,489
Accounts receivable, net	1,602	617
Prepaid and other current assets	867	232
Total current assets	4,853	2,338
LONG-TERM ASSETS:		
Intangible assets, net	24,969	8,527
Goodwill	8,878	3,931
Property and equipment, net	1,742	529
Other assets	398	76
Investment in Itellum	185	185
Right-of-use asset	1,966	934
Total assets	$ 42,991	$ 16,520
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 3,514	$ 1,653
Accrued liabilities	8,164	2,570
Equipment financing	14	37
Convertible note payable, current, net $92 and $340, respectively	3,286	1,049
Note payable, current, related party, net $0 and $0, respectively	1,024	998
Note payable, current, net $0 and $714, respectively	1,050	2,963
Acquisition payable	1,000	-
Deferred income	2,140	20
Derivative liability	8,922	16,773
Operating lease liability, current	773	503
Total current liabilities	29,887	26,566
LONG-TERM LIABILITIES:		
Convertible note payable	750	-
Notes payable, related party, net $0 and $0, respectively	100	136
Note payable, net $0 and $4,641, respectively	33,568	6,241
Operating lease liability	1,349	431
Total long-term liabilities	35,767	6,808
Total liabilities	65,654	33,374
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, 139,988,039 and 138,538,039 issued and outstanding, respectively (28,000,000 reserved in Treasury)	139	139
Additional paid in capital	89,309	89,100
Accumulated deficit	(110,092)	(105,380)
Other comprehensive income	1	1
Total Digerati's stockholders' deficit	(20,643)	(16,140)
Noncontrolling interest	(2,020)	(714)

Total stockholders' deficit	(22,663)	(16,854)
Total liabilities and stockholders' deficit	$ 42,991	$ 16,520

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 April 30,				Nine months ended April 30,			
	2022		2021		2022		2021	
OPERATING REVENUES:								
Cloud software and service revenue	$	8,163	$	3,751	$	15,959	$	8,629
Total operating revenues		8,163		3,751		15,959		8,629
OPERATING EXPENSES:								
Cost of services (exclusive of depreciation and amortization)		3,161		1,526		6,203		3,708
Selling, general and administrative expense		4,296		1,993		8,211		4,969
Legal and professional fees		756		204		2,505		717
Bad debt expense		36		5		51		9
Depreciation and amortization expense		1,540		611		2,514		1,204
Total operating expenses		9,789		4,339		19,484		10,607
OPERATING LOSS		(1,626)		(588)		(3,525)		(1,978)
OTHER INCOME (EXPENSE):								
Gain (loss) on derivative instruments		6,827		(10,878)		7,835		(10,860)
Loss on extinguishment of debt		-		-		(5,480)		-
Gain on settlement of debt		-		150		-		347
Income tax benefit (expense)		(167)		(63)		(285)		(122)
Other income (expense)		2		-		-		-
Interest expense		(1,676)		(1,577)		(4,563)		(3,079)
Total other income (expense)		4,986		(12,368)		(2,493)		(13,714)
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTEREST		3,360		(12,956)		(6,018)		(15,692)
Less: Net loss attributable to the noncontrolling interests		546		158		1,306		223
NET INCOME (LOSS) ATTRIBUTABLE TO DIGERATI'S SHAREHOLDERS		3,906		(12,798)		(4,712)		(15,469)
Deemed dividend on Series A Convertible preferred stock		(4)		(5)		(14)		(15)
NET INCOME (LOSS) ATTRIBUTABLE TO DIGERATI'S COMMON SHAREHOLDERS	$	3,902	$	(12,803)	$	(4,726)	$	(15,484)
INCOME (LOSS) PER COMMON SHARE - BASIC	$	0.03	$	(0.09)	$	(0.03)	$	(0.12)
LOSS PER COMMON SHARE - DILUTED	$	(0.01)	$	(0.09)	$	(0.03)	$	(0.12)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC		139,751,107		136,719,871		139,285,833		126,524,312
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED		254,167,793		136,719,871		139,285,833		126,524,312

See accompanying notes to consolidated unaudited financial statements

DIGERATI TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
For the Nine Months Ended April 30, 2021
(In thousands, except for share amounts, unaudited)

	Equity Digerati's Shareholders															
	Preferred Convertible								Common							
	Series A Shares	Par	Series B Shares	Par	Series C Shares	Par	Series F Shares	Par	Shares	Par	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income	Stockholders' Deficit	Noncontrolling Interest	Totals
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)
Amortization of employee stock options	-	-	-	-	-	-	-	-	-	-	57	-	-	57	-	57
Preferred Stock Series B issued for debt settlement	-	-	17,965	-	-	-	-	-	-	-	18	-	-	18	-	18
Preferred Stock Series C issued for debt settlement	-	-	-	-	55,400	-	-	-	-	-	554	-	-	554	-	554
Common stock issued for debt conversion	-	-	-	-	-	-	-	-	598,825	1	17	-	-	18	-	18
Common stock issued concurrent with convertible debt	-	-	-	-	-	-	-	-	600,000	1	77	-	-	78	-	78
Common stock issued for services	-	-	-	-	-	-	-	-	2,000,000	2	123	-	-	125	-	125
Common stock issued for exercise of warrants	-	-	-	-	-	-	-	-	300,000	-	30	-	-	30	-	30
Beneficial conversion feature on convertible debt	-	-	-	-	-	-	-	-	-	-	413	-	-	413	-	413
Dividends declared	-	-	-	-	-	-	-	-	-	-	(5)	-	-	(5)	-	(5)
Net Loss	-	-	-	-	-	-	-	-	-	-	-	(12,798)	-	(12,798)	(158)	(12,956)
BALANCE, April 30, 2021	225,000	-	425,442	-	55,400	-	100	-	137,858,000	$ 138	$ 89,250	$ (104,166)	$ 1	$ (14,777)	$ (605)	$(15,382)

See accompanying notes to consolidated unaudited financial statements

DIGERATI TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
For the Nine Months Ended April 30, 2022
(In thousands, except for share amounts, unaudited)

	Equity Digerati's Shareholders															
	Preferred															
	Convertible								Common							
	Series A Shares	Par	Series B Shares	Par	Series C Shares	Par	Series F Shares	Par	Shares	Par	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income	Stockholders' Deficit	Noncontrolling Interest	Totals
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)
Amortization of employee stock options	-	-	-	-	-	-	-	-	-	-	28	-	-	28	-	28
Common stock issued for debt extension	-	-	-	-	-	-	-	-	250,000	-	34	-	-	34	-	34
Derivative liability resolved to APIC due to note payoff	-	-	-	-	-	-	-	-	-	-	76	-	-	76	-	76
Dividends declared	-	-	-	-	-	-	-	-	-	-	(4)	-	-	(4)	-	(4)
Net income	-	-	-	-	-	-	-	-	-	-	-	3,906	-	3,906	(546)	3,360
BALANCE, April 30, 2022	225,000	-	425,442	-	55,400	-	100	-	139,988,039	$ 139	$ 89,309	$ (110,092)	$ 1	$ (20,643)	$ (2,020)	$(22,663)

See accompanying notes to consolidated unaudited financial statements

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

	Nine months ended April 30, 2022	Nine months ended April 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (6,018)	$ (15,692)
Adjustments to reconcile net loss to cash (used in)/provided by operating activities:		
Depreciation and amortization expense	2,514	1,204
Stock compensation and warrant expense	75	558
Bad debt expense	51	9
Amortization of ROU Asset	214	95
Amortization of debt discount	1,943	1,827
(Gain) on derivative liabilities	(7,835)	10,860
Loss on extinguishment of debt	5,480	-
(Gain) on settlement of debt	-	(347)
Shares issued for debt extension charged to interest expense	34	-
Debt extension fee charged to interest expense	155	-
Changes in operating assets and liabilities:		
Accounts receivable	(433)	(96)
Inventory	10	26
Prepaid expenses and other current assets	(96)	(141)
Other assets	23	-
Right of use operating lease liability	(268)	(95)
Accounts payable	1,385	97
Accrued expenses	1,003	1,397
Deferred income	22	(105)
Net cash used in operating activities	(1,741)	(403)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid in acquisition of equipment	(193)	(228)
Proceeds from Nexogy	178	-
Acquisition of VoIP assets, net of cash received	(12,790)	(10,108)
Net cash used in investing activities	(12,805)	(10,336)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings from convertible debt, net of original issuance cost and discounts	706	1,078
Proceed from the exercise of warrants	-	30
Borrowings from debt, net of original issuance cost and discounts	15,530	13,036
Principal payments on debt, net	-	(1,330)
Principal payments on convertible notes, net	(175)	(266)
Principal payments on related party notes, net	(590)	(316)
Principal payment on equipment financing	(30)	(53)
Net cash provided by financing activities	15,441	12,179
INCREASE IN CASH AND CASH EQUIVALENTS	895	1,440
CASH AND CASH EQUIVALENTS, beginning of period	1,489	685
CASH AND CASH EQUIVALENTS, end of period	$ 2,384	$ 2,125
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$ 1,677	$ 753
Income tax paid	$ -	$ -
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Accrued interest rolled into principal	$ 640	$ 328
Incentive earnout adjustment on Active PBX acquisition	$ 120	$ -
Stock issued with convertible debt - debt discount	$ 38	$ 146
Beneficial conversion feature on convertible debt	$ -	$ 554
Preferred Stock Series B issued for debt conversion	$ -	$ 18
Preferred Stock Series C issued for debt conversion	$ -	$ 554

Derivative liability resolved to APIC	$ 76	$ 588
Debt discount from derivative liabilities	$ 60	$ 6,462
Promissory note reclassed to convertible debt	$ -	$ 15
Capitalization of ROU assets and liabilities - operating	$ -	$ 254
Common Stock issued for debt conversion	$ -	$ 429
Common Stock issued for accounts payable	$ -	$ 60
Dividend declared	$ 14	$ 15

See accompanying notes to consolidated unaudited financial statements

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of Digerati Technologies, Inc. ("we;" "us," "our," or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the United States Securities and Exchange Commission. In the opinion of management, these interim financial statements contain all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of financial position and the results of operations for the interim periods presented. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the consolidated financial statements, which would substantially duplicate the disclosure contained in the audited consolidated financial statements for the year ended July 31, 2021, contained in the Company's Form 10-K filed on October 26, 2021 have been omitted.

Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share is computed by dividing loss attributable to common stockholders by the weighted average number of shares of Common Stock outstanding during the period. Basic earnings (loss) per share is computed by dividing the net income (loss) available to common stockholders by the weighted-average number of shares of Common Stock outstanding during the respective period presented in the Company's accompanying condensed consolidated financial statements. Fully-diluted earnings (loss) per share is computed similarly to basic income (loss) per share except that the denominator is increased to include the number of dilutive Common Stock equivalents using the treasury stock method for options and warrants and the if-converted method for convertible debt.

	Three months ended April 30,		Nine months ended April 30,	
(in thousands, except per share data)	**2022**	**2021**	**2022**	**2021**
NUMERATOR:				
NET INCOME (LOSS)	$ 3,902	$ (12,803)	$ (4,726)	$ (15,484)
DENOMINATOR:				
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC	139,751,107	136,719,871	139,285,833	126,524,312
INCOME (LOSS) PER COMMON SHARE - BASIC	**$ 0.03**	**$ (0.09)**	**$ (0.03)**	**$ (0.12)**

	Three months ended April 30,		Nine months ended April 30,	
(in thousands, except per share data)	**2022**	**2021**	**2022**	**2021**
NUMERATOR:				
NET INCOME (LOSS)	$ 3,902	$ (12,803)	$ (4,726)	$ (15,484)
Less: adjustments to net income	$ (6,759)	$ -	$ -	$ -
NET INCOME (LOSS) - DILUTED SHARES OUTSTANDING CALCULATION	$ (2,857)	$ (12,803)	$ (4,726)	$ (15,484)
DENOMINATOR:				
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC	139,751,107	136,719,871	139,285,833	126,524,312
Warrants and Options to purchase common stock	100,352,766	-	-	-
Convertible Debt	14,063,920	-	-	-
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED	254,167,793	136,719,871	139,285,833	126,524,312
LOSS PER COMMON SHARE - DILUTED	**$ (0.01)**	**$ (0.09)**	**$ (0.03)**	**$ (0.12)**

The Company excluded the following securities from the calculation of basic and diluted net loss per share as the effect would have been antidilutive

	Three months ended April 30,		Nine months ended April 30,	
	2022	**2021**	**2022**	**2021**
Convertible Preferred Shares	56,745,216	55,437,949	56,745,216	55,437,949
Convertible Debt	12,633,333	21,021,795	12,633,333	21,021,795
Total	**69,378,549**	**76,459,744**	**69,378,549**	**76,459,744**

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 28,000,000 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 April 30, 2022, we believe that the treasury shares reserved are sufficient for any future conversions of these instruments. As a result, these debt instruments and warrants are excluded from derivative consideration.

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 nine months ended April 30, 2022, and 2021, the Company did not derive revenues of 10% or more from any single customer.

As of April 30, 2022, and 2021, the Company did not have outstanding accounts receivable of 10% or more from any 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 derived from cloud-based hosted services 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 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 April 30, 2022	For the Three Months ended April 30, 2021	For the Nine Months ended April 30, 2022	For the Nine Months ended April 30, 2021
Cloud software and service revenue	$ 8,092	$ 3,666	$ 15,677	$ 8,440
Product revenue	71	85	282	189
Total operating revenues	$ 8,163	$ 3,751	$ 15,959	$ 8,629

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 April 30, 2022, and July 31, 2021, were $7,486 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 April 30, 2022, and July 31, 2021, were $1,279,974 and $19,984, respectively.

Customer deposits

The Company in some instances requires customers to make deposits for the last month of services, equipment, installation charges and training. As equipment is installed and training takes places the deposits are then applied to revenue. The deposit for the last month of services is applied to any outstanding balances if services are cancelled. If the customer's account is paid in full, the Company will refund the full deposit in the month following service termination. As of April 30, 2022, and July 31, 2021, Digerati's customer deposits balance was $860,341 and $0, respectively. The customer deposit balance is included as part of deferred income on the consolidated balance sheet.

Costs to Obtain a Customer Contract

Direct incremental costs of obtaining a contract, consisting of sales commissions, are deferred, and amortized over the estimated life of the customer, which currently averages 36 months. The Company calculates the estimated life of the customer on an annual basis. The Company classifies deferred commissions as prepaid expenses or other noncurrent assets based on the timing of when it expects to recognize the expense. As of April 30, 2022, the Company had $744,000 in deferred commissions/contract costs. Sales commissions expensed for the nine months ended April 30, 2022, and April 30, 2021, were $1,463,989 and $576,476, respectively. The cost to obtain customer contract balance is included as part of prepaid expenses on the consolidated balance sheet.

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.

Contingencies

The Company acts as a collection agent for various government authorities, including but not limited to the Federal Communications Commissions ("FCC"), state authorities such as the California Public Utilities Commission ("PUC"), and other state and local taxes including the California Utility User Tax ("UUT"). The Company performed a review of the regulatory classification of its services and its federal and state regulatory and transactional tax obligations and determined the Company understated its remittances. As of April 30, 2022, the Company's outstanding aggregate tax remittance liability, including penalties and interest, was $4,839,000, and is included as accrued taxes and penalties on the accompanying consolidated balance sheets. This was a liability assumed as part of the acquisition of Next Level Internet, Inc. ("Next Level" or "NLI").

Derivative financial instruments.

Digerati does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. However, Digerati evaluates 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.

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 April 30, 2022, and July 31, 2021, are approximately $8,922,100 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 April 30, 2022	$ 8,922,100	-	-	$ 8,922,100

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 nine months ended April 30, 2022, was determined using the Black-Scholes option pricing model which used the following assumptions:

Expected dividend yield	0.00%
Expected stock price volatility	63.32% - 250.19%
Risk-free interest rate	0.03% - 2.89%
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 payoff of convertible debt	(76,134)
Derivative gain	(7,835,441)
Balance at April 30, 2022	$ 8,922,100

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.

On May 1, 2018, T3 Communications, Inc. ("T3 Nevada"), a Nevada corporation, entered into a Stock Purchase Agreement ("SPA"), whereby in an exchange for $250,000, T3 Nevada agreed to sell to the buyers 199,900 shares of common stock equivalent to 19.99% of the issued and outstanding common shares of T3 Nevada. 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 Nevada. 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 Nevada may be converted into Common Stock of Digerati at a ratio of 3.4 shares of DTGI Common stock for everyone (1) share of T3 Nevada 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 nine months ending April 30, 2022, and 2021, the Company accounted for a noncontrolling interest of $1,306,000 and $223,000, 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 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 impact of this ASU on its financial statements.

NOTE 2 – GOING CONCERN

Financial Condition

The Company's consolidated financial statements for the nine months ending April 30, 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 $110,092,000, a working capital deficit of approximately $25,034,000 and total liabilities of $65,654,000, which includes $8,922,000 in derivative liabilities, which raise 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 April 30, 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; and 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 Nevada (the Company's majority owned subsidiary), T3 Nevada's subsidiaries (T3 Nevada and its subsidiaries, collectively, "the T3 Nevada Parties") entered into a credit agreement (the "Credit Agreement") with Post Road Administrative LLC (the "Agent") 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, the T3 Nevada Parties 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 Telecom LLC's 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.

On February 4, 2022, the T3 Nevada Parties and Post Road agreed that Post Road would provide T3 Nevada with a secured loan of $10,000,000 pursuant to a Term Loan C Note. The proceeds of $10,000,000 were used to fund the acquisition of Next Level 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 April 30, 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 April 30, 2022, and July 31, 2021:

April 30, 2022	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
NetSapiens - license, 10 years	$ 150,000	$ (150,000)	$ -
Customer relationships, 5 years	40,000	(34,682)	5,318
Customer relationships, 7 years	1,480,262	(857,508)	622,754
Customer relationships 7 years	15,110,341	(1,601,893)	13,508,448
Trademarks, 7 years	9,562,916	(873,276)	8,689,640
Non-compete, 2 & 3 years	2,456,360	(472,920)	1,983,440
Marketing & Non-compete, 5 years	800,263	(639,985)	160,278
Total Definite-lived Intangible Assets	29,600,142	(4,630,264)	24,969,878
Goodwill	8,877,532	-	8,877,532
Balance, April 30, 2022	$ 38,477,674	$ (4,630,264)	$ 33,847,410

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 Definite-lived Intangible Assets	10,941,000	(2,414,392)	8,526,608
Goodwill	3,931,298	-	3,931,298
Balance, July 31, 2021	$ 14,872,298	$ (2,414,392)	$ 12,457,906

Total amortization expense for the nine months ended April 30, 2022, and 2021 was $2,215,872 and $962,429, 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 nine months ended April 30, 2022, the Company extended the expiration date on 1,150,000 previously issued stock options to various employees until July 31, 2025 and 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 nine months ended April 30, 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.
- 500,000 options to purchase common shares to one of our members of the Board of Directors with an exercise price of $0.1475 per share and a term of 5 years. At issuance, 166,666 of the options vested and 333,334 of the options will vest equally over a period of two years. At the time of issuance, the options had a fair market value of $52,531.
- 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.

The Company recognized approximately $74,466 and $109,685 in stock-based compensation expense for stock options to employees for the nine months ended April 30, 2022, and 2021, respectively. Unamortized compensation stock option cost totaled $125,653 and $220,861 as of April 30, 2022, and April 30, 2021, respectively.

A summary of the stock options outstanding as of April 30, 2022, and July 31, 2021, and the changes during the nine months ended April 30, 2022, are presented below:

	Options	Weighted average exercise price	Weighted average remaining contractual term (years)
Outstanding at July 31, 2021	9,230,000	$ 0.17	2.93
Granted	-	-	-
Exercised	-	-	-
Forfeited and cancelled	-	-	-
Outstanding on April 30, 2022	9,230,000	$ 0.17	2.64
Exercisable on April 30, 2022	7,153,530	$ 0.20	2.35

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 as of April 30, 2022, and July 31, 2021, was $141,367 and $392,891, respectively.

The aggregate intrinsic value of 7,153,530 and 6,091,863 stock options exercisable on April 30, 2022, and July 31, 2021, was $44,673 and $91,978, respectively.

NOTE 5 – WARRANTS

During the nine months ended April 30, 2022, the Company did not issue any warrants.

During the nine months ended April 30, 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 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 outstanding as of April 30, 2022, and July 31, 2021, and the changes during the nine months ended April 30, 2022, are presented below:

	Warrants	Weighted average exercise price	Weighted average remaining contractual term (years)
Outstanding at July 31, 2021	109,506,179	$ 0.01	9.17
Granted	-	-	-
Exercised	-	-	-
Forfeited and cancelled	(315,000)	$ 0.15	-
Outstanding on April 30, 2022	109,191,179	$ 0.01	8.45
Exercisable on April 30, 2022	81,965,885	$ 0.01	8.44

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 109,191,179 and 109,506,179 warrants outstanding as of April 30, 2022, and July 31, 2021, was $7,530,640 and $14,795,002, respectively.

The aggregate intrinsic value of 81,965,885 and 82,280,885 warrants exercisable on April 30, 2022, and July 31, 2021, were $5,663,592 and $11,108,930, respectively.

Warrant expense for the nine months ended April 30, 2022, and 2020 were $0 and $0, respectively. Unamortized warrant expense totaled $0 and $0 respectively as of April 30, 2022, and July 31, 2021.

For the nine months ended April 30, 2022, 315,000 warrants expired with an average exercise price of $0.15.

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 April 30, 2022, and July 31, 2021, was $50,000.

Credit Agreement and Notes

On November 17, 2020, T3 Nevada (a majority owned subsidiary of the Company) and T3 Nevada's subsidiaries (T3 Nevada and its subsidiaries, collectively, "the T3 Nevada Parties") entered into a credit agreement (the "Credit Agreement") with Post Road Administrative LLC (the "Agent") and its affiliate Post Road Special Opportunity Fund II LLP (collectively, "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, 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 nine months ended April 30, 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 April 30, 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 Telecom LLC's 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 $302,425, respectively as of April 30, 2022.

On February 4, 2022, the T3 Nevada Parties and Post Road agreed that Post Road would provide T3 Nevada with a secured loan of $10,000,000 pursuant to a Term Loan C Note. The proceeds of $10,000,000 were used to fund the acquisition of Next Level 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. At issuance the company recognized $250,000 in OID and $220,000 in debt issuance cost which were fully amortized to expense. The principal balance and accrued PIK interest outstanding on the Term Loan C Note were $10,000,000 and $96,977, respectively as of April 30, 2022.

The Term Loan C Note has a maturity date 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 4.05 to 1.00

2. Minimum Allowed - EBITDA of $3,696,175

3. Minimum Allowed - Liquidity of $2,000,000

4. Maximum Allowed - Capital Expenditures of $94,798 *(Quarterly)*

5. Minimum Allowed - Fixed Charge Coverage Ratio of 1.5 to 1.00

6. Maximum Allowed - Churn of 3.00% at any time

On June 13, 2022, the lender agreed to forbear the financial covenants that were not complied with during the quarter ending 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, T3's Nevada's subsidiaries, and the Agent (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.

Promissory Notes – Next Level Internet Acquisition

On February 4, 2022, as per the acquisition of Next Level Internet, Inc. ("Next Level" or "NLI"), the Company entered into two unsecured promissory notes (the "Unsecured Adjustable Promissory Notes") for $1,800,000 and $200,000, respectively. The notes are payable in eight equal quarterly installments in the aggregate amount of $250,000 each commencing on June 4, 2022, through and including March 7, 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 required to be achieved by Next Level. The total principal balance outstanding as of April 30, 2022 on the Unsecured Adjustable Promissory Notes was $2,000,000.

NOTE 7 – RELATED PARTY TRANSACTIONS

During the nine months ended April 30, 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., a Florida corporation, for $144,687 and $130,029, 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 April 30, 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 nine months ended April 30, 2022, the Company paid $589,648 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 Goodwill associated with the ActiveServe asset acquisition. The total principal outstanding on the notes as of April 30, 2022, and July 31, 2021, were $424,022 and $1,134,291, respectively.

On December 31, 2021, as a result of the of the acquisition of Skynet Telecom LLC's assets, 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. A of April 30, 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 Skynet Telecom LLC asset purchase agreement. The total principal outstanding on the notes as of April 30, 2022 was $700,000.

Acquisition Payable – Skynet

As part of the acquisition of Skynet Telecom LLC's assets, the Company will pay to the Sellers $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 April 30, 2022, was $1,000,000.

NOTE 8 – CONVERTIBLE NOTES PAYABLE

As of April 30, 2022, and July 31, 2021, convertible notes payable consisted of the following:

CONVERTIBLE NOTES PAYABLE NON-DERIVATIVE	**April 30, 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 nine months ended April 30, 2022. The total unamortized discount on the Note as of April 30, 2022, and July 31, 2021, were $0 and $17,620, respectively. The total principal balance outstanding as of April 30, 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 27, 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. The Company evaluated the amendment and accounted for these changes as an extinguishment of debt. As of amendment date, the total unamortized discount on the Note was $0. The Company recognized a loss on extinguishment of debt of $25,000 and charged to interest expense at the time of the extension. The Company amortized $34,368 as interest expense during the nine months ended April 30, 2022. The total unamortized discount on the Note as of April 30, 2022 and July 31, 2021, were $0 and $34,368, respectively. The total principal balance outstanding as of April 30, 2022 and July 31, 2021, were $275,000 and $250,000, respectively.	275,000	250,000

CONVERTIBLE NOTES PAYABLE NON-DERIVATIVE	April 30, 2022	July 31, 2021
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 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. On April 14, 2022, the lender agreed to extend the maturity date until October 14, 2022. In connection with the extension of the maturity date on the note, the Company agreed to increase the principal balance by $25,000. The Company evaluated the amendment and accounted for these changes as an extinguishment of debt. As of amendment date, the total unamortized discount on the Note was $0. The Company recognized a loss on extinguishment of debt of $25,000 and charged to interest expense at the time of the extension. The Company amortized $106,799 as interest expense during the nine months ended April 30, 2022. The total unamortized discount on the Note as of April 30, 2022 and July 31, 2021, were $0 and $106,799, respectively. The total principal balance outstanding as of April 30, 2022 and July 31, 2021, were $275,000 and $250,000, respectively.	275,000	250,000
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 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 $9,090 as interest expense during the nine months ended April 30, 2022. The total unamortized discount on the Note as of April 30, 2022, was $4,545. The total principal balance outstanding as of April 30, 2022, was $75,000.	75,000	-
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 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 $6,293 as interest expense during the nine months ended April 30, 2022. The total unamortized discount on the Note as of April 30, 2022, was $4,495. The total principal balance outstanding as of April 30, 2022, was $75,000.	75,000	-

CONVERTIBLE NOTES PAYABLE NON-DERIVATIVE	April 30, 2022	July 31, 2021
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 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 $6,983 as interest expense during the nine months ended April 30, 2022. The total unamortized discount on the Note as of April 30, 2022, was $6,982. The total principal balance outstanding as of April 30, 2022, was $150,000.	150,000	-
On February 4, 2022, as part the acquisition of Next Level, the Company entered into two unsecured convertible promissory notes (the "Unsecured Convertible Promissory Notes") for $1,800,000 and $200,000, respectively. The notes are payable in eight equal quarterly installments in the aggregate amount of $250,000 each commencing 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 means an amount equal to the volume weighted average price per share of Stock on the Nasdaq Stock Market for the ten (10) consecutive trading days on which the conversion notice is received by the Company; provided, however, that if the stock is not then listed for trading on the Nasdaq Stock Market, the Conversion Price shall be the volume weighted average transaction price per share reported by the OTC Reporting Facility for the ten (10) consecutive trading days immediately preceding the date on which such Conversion Notice is received by the Company. The Company analyzed the Notes for derivative accounting consideration and determined that since the notes are convertible on the six-month anniversary from issuance and ending 30 days after such six-month anniversary, it does not require to be accounted as a derivative instrument. The Company will evaluate every reporting period and identify if any of the provisions for conversion are met and if the notes need to be classified as a derivative instrument. The total principal balance outstanding on the Unsecured Convertible Promissory Notes as of April 30, 2022, was $2,000,000.	2,000,000	-
Total convertible notes payables non-derivative:	**$ 3,015,000**	**$ 665,000**
CONVERTIBLE NOTES PAYABLE - DERIVATIVE		
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. On February 14, 2022, the holder 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 $75,000 and issued 250,000 shares of common stock with a market value of $34,150. The Company evaluated the amendment and accounted for these changes as an extinguishment of debt. As of amendment date, the total unamortized discount on the Note was $0. The Company recognized a loss on extinguishment of debt for both the $75,000 increase in principal and $34,150 fair value of shares issued and charged the total $109,150 to interest expense at the time of the extension. The total principal balance outstanding as of April 30, 2022, and July 31, 2021, were $430,000 and $355,000, respectively.	430,000	355,000

CONVERTIBLE NOTES PAYABLE - DERIVATIVE	April 30, 2022	July 31, 2021
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 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 nine months ended April 30, 2022. The total unamortized discount on the Note as of April 30, 2022, and July 31, 2021, were $0 and $27,840, respectively. The total principal balance outstanding as of April 30, 2022, and July 31, 2021, was $80,235.	80,235	80,235
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 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 April 30, 2022, and July 31, 2021, were $0 and $102,083, respectively. The Company amortized $102,083 of debt discount as interest expense during the nine months ended April 30, 2022. 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. As part of the payoff of the note, the Company resolved $76,134 of the derivative liability against additional paid in capital. The total principal balance outstanding as of April 30, 2022, and July 31, 2021, were $0 and $175,000, respectively.	-	175,000

CONVERTIBLE NOTES PAYABLE - DERIVATIVE	April 30, 2022	July 31, 2021
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. On March 31, 2022, the lender agreed to extend the maturity date until July 31, 2022. As consideration for the extension on the note, the Company agreed to add $15,000 to the principal amount outstanding. The Company evaluated the amendments and accounted for these changes as an extinguishment of debt. As of both amendment date, the total unamortized discount on the Note was $0. The Company recognized a loss on extinguishment of debt for both $15,000 increase in principal and charged the total $30,000 to interest expense at the time of the extension. The total unamortized discount on the Note as of April 30, 2022, and July 31, 2021, were $0 and $50,945, respectively. The Company amortized $50,945 of debt discount as interest expense during the nine months ended April 30, 2022. The total principal balance outstanding as of April 30, 2022, and July 31, 2021, were, $143,000 and $113,000, respectively.	143,000	113,000
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 and recorded $300 as debt discount 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 $0.15 (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 April 30, 2022, was $37,831. The Company amortized $18,915 of debt discount as interest expense during the nine months ended April 30, 2022. The total principal balance outstanding as of April 30, 2022, was $230,000.	230,000	-

CONVERTIBLE NOTES PAYABLE - DERIVATIVE	April 30, 2022	July 31, 2021
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 and recorded $300 as debt discount 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 $0.15 (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 April 30, 2022, was $37,831. The Company amortized $18,915 of debt discount as interest expense during the nine months ended April 30, 2022. The total principal balance outstanding as of April 30, 2022, was $230,000.	230,000	-
Total convertible notes payable - derivative:	**$ 1,113,235**	**$ 723,235**
Total convertible notes payable derivative and non-derivative	**4,128,235**	**1,388,235**
Less: discount on convertible notes payable	**(91,685)**	**(339,654)**
Total convertible notes payable, net of discount	**4,036,550**	**1,048,581**
Less: current portion of convertible notes payable	**(3,286,550)**	**(1,048,581)**
Long-term portion of convertible notes payable	**$ 750,000**	**$ -**

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.

The total unamortized discount on the convertible notes as of April 30, 2022, and July 31, 2021, were $91,685 and $339,654, respectively. The total principal balance outstanding as of April 30, 2022, and July 31, 2021, were $4,128,235 and $1,388,235, respectively. During the nine months ended April 30, 2022, and April 30, 2021, the Company amortized $399,849 and $528,645, 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 (Beginning on the current fiscal year). At the option of the Company, it can elect to extend the term of the leases. See table below:

Location		Annual Rent	Lease Expiration Date	Business Use	Approx. Sq. Ft.
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
10967 Via Frontera, San Diego, CA 92127	$	366,767	Mar-26	Office space	18,541
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 nine months ended April 30, 2022

In February 2022, as part of the acquisition of NLI, the Company secured an office lease, with a monthly base lease payment of $30,222. The lease expires in March 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.

In December 2021, as part of the acquisition of Skynet Telecom LLC's assets, the Company assumed an office lease in San Antonio, Texas. 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 December 31, 2025., 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. 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 April 30, 2022, for operating leases are as follows:

ROU Asset	July 31, 2021	$	934,260
Amortization		$	(213,662)
Addition - Asset		$	1,246,262
ROU Asset	April 30, 2022	$	1,966,860
Lease Liability	July 31, 2021	$	934,260
Amortization		$	(268,000)
Addition - Liability		$	1,455,978
Lease Liability	April 30, 2022	$	2,122,238
Lease Liability	Short term	$	773,233
Lease Liability	Long term	$	1,349,005
Lease Liability	Total:	$	2,122,238
Operating lease cost:		$	470,935
Cash paid for amounts included in the measurement of lease labilities			
Operating cashflow from operating leases:		$	470,935
Weighted-average remain lease term-operating lease:			3.4 years
Weighted-average discount rate			5.0%

For the nine months ended April 30, 2022, the amortization of operating ROU assets was$213,662.

For the nine months ended April 30, 2022, the amortization of operating lease liabilities was $268,000

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

Period Ending July 31,		**Lease Payments**
2022*	$	218,569
2023		658,144
2024		532,546
2025		491,145
2026		260,209
Total:	$	2,160,613

* *remaining 3 Months*

NOTE 10 – PREFERED STOCK

SERIES A CONVERTIBLE PREFERRED STOCK

In August 2020, the Company’s Board of Directors designated and authorized the issuance of up to 1,500,000 shares of the Series A Convertible Preferred Stock. Each share of Series A Convertible 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 is entitled to a dividend at an annual rate of eight percent (8%) per share. The Company had 225,000 shares of the Series A Convertible Preferred Stock outstanding as of April 30, 2022. During the nine months ended April 30, 2022, the Company declared a dividend of $13,463 and had $51,397 as accumulated dividends as of April 30, 2022.

The "Conversion Price" at which shares of Common Stock shall be issuable upon conversion of any shares of Series A Convertible Preferred Stock shall initially be $0.30 per share

During the nine months ended April 30, 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.

SERIES B CONVERTIBLE 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 Convertible Preferred Stock. The Series B Convertible 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 Convertible Preferred Stock at the Stated Value by converting all or part of the debt owed to them by the Company as of March 25, 2020. Each share of Series B Convertible 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 Convertible 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 Convertible 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 Series B Convertible Preferred Stock outstanding as of April 30, 2022. No dividends are payable on the Series B Convertible Preferred Stock.

The terms of our Series B Convertible Preferred Stock allow for:

Mandatory Conversion. Upon (i) an up-listing of the Company'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 Company's Common Stock or Common Stock equivalents (a "Material Underwriting"), (iii) the Company ceases to be a public corporation as the result of a going private transaction, (iv) the Company, 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 Company's spin-off of its operating subsidiary, T3 Nevada), (v) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company 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 Company, 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 Company, 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 Convertible 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 Company 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 Company'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 Convertible Preferred Stock shall be deemed cancelled and of no further force or effect. A mandatory conversion is the only means by which Series B Convertible Preferred Stock is convertible as the shares of Series B Convertible 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 Company engages in a Material Underwriting, the Series B Convertible Preferred Stock will be treated as having been converted immediately prior to the issuance of the securities in the Material Underwriting.

During the nine months ended April 30, 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.

SERIES C CONVERTIBLE 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 Convertible Preferred Stock. Each share of Series C Convertible 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 was issued for accrued compensation to the management team of $554,000.

The Company had 55,400 shares of Series C Convertible Preferred Stock outstanding as of April 30, 2022. No dividends are payable on the Series C Convertible Preferred Stock.

The terms of our Series C Convertible Preferred Stock allow for:

Automatic Conversion. Upon (i) an up-listing of the Company'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 Company's Common Stock or Common Stock equivalents (a "Material Financing"), (iii) the Company ceases to be a public corporation as the result of a going private transaction, (iv) the Company, 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 Company's spin-off of T3 Nevada), (v) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company 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 Company, 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 Company, 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 Convertible 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 Company 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 Company'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 Convertible Preferred Stock shall be deemed cancelled and of no further force or effect. A mandatory conversion is the only means by which Series C Convertible Preferred Stock is convertible as the shares of Series C Convertible 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 Company engages in a Material Financing, the Series C Convertible 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 April 30, 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 Super Voting Preferred Stock are outstanding, the Company shall not, without the affirmative vote of the Holders of a majority of the then outstanding shares of the Series F Super Voting Preferred Stock, (a) alter or change adversely the powers, preferences or rights given to the Series F Super Voting Preferred Stock or alter or amend its 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 Super Voting Preferred Stock, (d) sell or otherwise dispose of any assets of the Company 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.

Holders of the Series F Super Voting Preferred Stock shall be entitled to vote on all matters subject to a vote or written consent of the holders of the Company's Common Stock, and on all such matters, the shares of Series F Super Voting 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 Company 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 Super Voting Preferred Stock shall have effective voting control of the Company. The Holders of the Series F Super Voting 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 Company's Common Stock and separately on matters not requiring the approval of holders of the Company's Common Stock.

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

NOTE 11 – EQUITY

During the nine months ended April 30, 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. At the time of issuance, the Company recognized $600 as debt discount, and it will be amortized to interest expense during the term of the promissory note

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 Company evaluated the amendment and accounted for these changes as an extinguishment of debt. The Company recognized a loss on extinguishment of debt for both the $75,000 increase in principal and $34,150 fair value of shares issued and charged the total $109,150 to interest expense at the time of the extension.

On March 7, 2022, the Company paid in full the total principal balance outstanding on a convertible promissory note of $175,000 and accrued interest and prepayment penalty of $30,000. As part of the payoff of the convertible promissory note, the Company resolved $76,134 of the derivative liability against additional paid in capital.

NOTE 12 – ACQUISITIONS

Skynet Asset Purchase Agreement

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” or “Skynet”), and Paul Golibart and Jerry Ou, each an individual resident in the State of Texas (each, an “Owner” and collectively, the “Owners”).

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, 2021. 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 acquisition of Skynet. 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	$	134
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	**$**	**6,009**
Less: Liabilities assumed		209
Total Purchase price	**$**	**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 acquisition of Skynet. These included legal, regulatory, and accounting, these costs of $276,000 were expensed during the nine months ended April 30, 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 following schedule contains proforma consolidated results of operations for the nine months ended April 30, 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) Nine months ended April 30,			
	2022		2021	
	Reported	Proforma	Reported	Proforma
Revenue	$ 15,959	$ 17,501	$ 8,629	$ 11,216
Income (loss) from operations	(3,525)	(3,280)	(1,978)	(1,502)
Net income (loss)	$ (4,726)	$ (4,479)	$ (15,484)	$ (14,845)
Earnings (loss) per common share-Basic and Diluted	$ (0.03)	$ (0.03)	$ (0.12)	$ (0.12)

<u>Next Level Internet Equity Purchase Agreement</u>

On February 4, 2022, the Company, T3 Nevada and the two owners of NLI (the "Sellers"), entered into and closed on an Equity Purchase Agreement (the "Equity Purchase Agreement"). Pursuant to the Equity Purchase Agreement, T3 Nevada bought all of the equity interests in NLI from the Sellers. NLI 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 NLI and certain transaction expenses; (ii) unsecured promissory notes in the aggregate principal amount of $2 million issued by T3 Nevada 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 NLI; and (iii) unsecured convertible promissory notes (the "Convertible Notes") in the aggregate principal amount of $2 million issued by T3 Nevada 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 Nevada.

T3 Nevada paid $8.69 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 Nevada will pay the Sellers the amount by which net working capital deficit is better than $2.16 million or the Sellers will pay T3 Nevada the amount by which net working capital deficit is worse than $2.36 million. As of April 30, 2022, the Company and the sellers agreed that there's no purchase price adjustment required.

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 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	$ 171
Accounts receivable, net	469
Prepaid and other current assets	541
Intangible assets and Goodwill	18,103
Property and Equipment, net	1,302
Deposits and other assets	339
Operating lease right-of-use asset	1,246
Total identifiable assets	**$ 22,171**
Less: Liabilities assumed	7,902
Less: Operating lease liability	1,408
Total Purchase price	**$ 12,861**

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

	Next Level Internet (in thousands)	Useful Life (in Years)
Customer Relationships	$ 7,422	7
Trade Names and Trademarks	5,069	7
Non-Compete Agreement	1,991	2
Goodwill	3,621	-
Total intangible assets	**$ 18,103**	

In addition, the Company incurred approximately $845,000 in costs associated with the Next Level acquisition. These included legal, regulatory, and accounting costs which were expensed during the nine months ended April 30, 2022.

Proforma

The following schedule contains proforma consolidated results of operations for the nine months ended April 30, 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) Nine months ended April 30,			
	2022		2021	
	Reported	Proforma	Reported	Proforma
Revenue	$ 15,959	$ 23,291	$ 8,629	$ 18,007
Income (loss) from operations	(3,525)	(3,165)	(1,978)	(2,260)
Net income (loss)	$ (4,726)	$ (4,382)	$ (15,484)	$ (15,800)
Earnings (loss) per common share-Basic and Diluted	$ (0.03)	$ (0.03)	$ (0.12)	$ (0.12)

As part of the acquisition of NLI., the Company secured an office lease, with a monthly base lease payment of $30,222. 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.

NOTE 13 – SUBSEQUENT EVENTS

Unsecured Convertible Promissory Notes payment

On May 2, 2022, the Company made a quarterly principal payment of $250,000 towards the NLI Unsecured Convertible Promissory Notes.

Unsecured Adjustable Promissory Notes payment

On June 6, 2022, the Company made a quarterly principal payment of $250,000 towards the NLI Unsecured Adjustable Promissory Notes.

Forbearance Agreement and Third Amendment to Credit Agreement

On February 4, 2022, the T3 Nevada Parties and NLI (collectively, the "Loan Parties") and Post Road entered into a Joinder and Second Amendment to Credit Agreement (the "Joinder") whereby, among other terms, NLI became a guarantor of T3's obligations pursuant to the Credit Agreement and notes issued pursuant thereto.

On June 13, 2022, the parties to the Joinder entered into a Forbearance Agreement and Third Amendment to Credit Agreement ("Forbearance Agreement").

The Forbearance Agreement was entered into because certain events of default related to both the Credit Agreement and the Joinder have occurred. The events of default related to financial covenants were failure to maintain a Senior Leverage Ratio (as defined in the Credit Agreement) of less than 4.05 to 1.00 and failure to comply with a Credit Agreement provision whereby the Loan Parties are not allowed to make annual Capital Expenditures (as defined in the Credit Agreement) greater than $379,190.

The events of default unrelated to financial covenants were the Loan Parties' failure to: (a) deliver certain certificates, financial information and projections, lease, landlord, and control agreements, and evidence of a UCC-3 filing; (b) close or consolidate certain bank accounts; (c) provide ten (10) business days' notice prior to the Company filing certain filings with the Securities and Exchange Commission (the "SEC") and the Nevada Secretary of State; and (d) engage an industry consultant acceptable to the Agent to consult with the Loan Parties on integration strategy, future acquisitions, operating performance, and various business issues.

Pursuant to the Forbearance Agreement, Post Road agreed to forbear through the Forbearance Period (as defined below) from (i) exercising its rights and remedies with regard to the existing events of default and (ii) requiring compliance with the financial covenants set forth in Section 11.12 of the Credit Agreement (related to leverage, EBITDA, liquidity, capital expenditures, fixed charge coverage ratio, and churn). The "Forbearance Period" is from June 13, 2022 through the earlier of (a) August 8, 2022, (b) the date on which any other event of default not enumerated in the Forbearance Agreement occurs or is deemed to have occurred, or (c) the date of any failure of any Loan Party to comply with any aspect of the Forbearance Agreement. The forbearance does not constitute a waiver of the defaults enumerated nor does it impair the ability of Post Road to exercise its rights and remedies after the expiration of the Forbearance Period.

In addition, the Forbearance Agreement amends the Credit Agreement to clarify Section 10.15 with regard to the Company's affirmative covenant to comply with its SEC reporting obligations. It also amends the Credit Agreement to clarify the provisions of the Section 10 (affirmative covenants) whose violation constitute an event of default. Finally, the Forbearance Agreement amends the Joinder to allow T3 Nevada to give the Agent draft copies of its 10-Ks and 10-Qs and 8-Ks for the Agent and its advisors review only five business days (10-Ks) or two business days (10-Qs and 8-Ks) in advance rather than ten business days in advance as originally required by the Joinder.

The Company anticipates implementing remedies by July 31, 2022 to resolve the financial covenants breaches and the breaches regarding delivering a compliance certificate, financial projections, and a landlord agreement along with engaging an industry consultant. The Company and Post Road have agreed to work in good faith to adjust the financial covenants set forth in Section 11.12 of the Credit Agreement to include the financial impact of the acquisition of Skynet and Next Level. As of the date of this filing, the Company cannot predict the final outcome of the negotiations with Post Road.

The other non-financial events of default were covenants that were complied with, however, the compliance was not timely pursuant to the provisions of the Credit Agreement and Joinder. These events of default have not been waived by Post Road.

The foregoing summary of the Forbearance Agreement contains only a brief description of the material terms of the Forbearance Agreement and such description is qualified in its entirety by reference to the full text of the Forbearance Agreement, filed herewith as Exhibit 10.3 and incorporated by reference herein.

Expired Leases

As detailed in Note 9, two of the Company's lease agreements (one for a property in Dallas, Texas and one for a property in Miami Gardens, Florida) expired in May 2022. Those leases are now on a month to month basis with the monthly lease payment remaining the same as it was in May 2022. The Company is currently negotiating long-term extensions of those lease agreements although no guarantees can be made that such extensions will be reached.

Series A Convertible Preferred Stock Certificate of Correction

On May 24, 2022, the Company filed a Certificate of Correction with the Nevada Secretary of State with regard to the Company's Series A Convertible Preferred Stock Certificate of Designation originally filed in August 2020.

The Certificate of Correction was filed to correct, among other provisions, certain dates, to correct the Series A Convertible Preferred Stock's initial conversion price (it is $0.30 and the conversion price is not related to any offering), the date that dividends commenced being paid, to correct the mandatory conversion provisions (with such provision not related to a listing of the Common Stock on a national securities exchange).

The foregoing summary of the Certificate of Correction contains only a brief description of the material terms of the Certificate of Correction and such description is qualified in its entirety by reference to the full text of the Certificate of Correction, filed herewith as Exhibit 3.1 and incorporated by reference herein.

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 nine months ended April 30, 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., 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 (the "Purchase Agreement") with Skynet Telecom LLC ("Skynet"). 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. ("Next Level" or "NLI"), 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 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 April 30, 2022, Compared to Three Months ended April 30, 2021.

Cloud Software and Service Revenue. Cloud software and service revenue increased by $4,412,000 or 118% from the three months ended April 30, 2021, to the three months ended April 30, 2022. The increase in revenue is primarily attributed to the increase in total customers between periods due to the acquisition of Skynet in December 2021 and the acquisition of Next Level in February 2022. Our total number of customers increased from 2,612 for the three months ended April 30, 2021, to 3,963 customers for the three months ended April 30, 2022.

C*ost of Services (exclusive of depreciation and amortization)*. The cost of services increased by $1,635,000 or 107%, from the three months ended April 30, 2021, to the three months ended April 30, 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 in December 2021 and the acquisition of Next Level in February 2022. Our total number of customers increased from 2,612 for the three months ended April 30, 2021, to 3,963 customers for the three months ended April 30, 2022. However, our consolidated gross margin improved by $2,777,000 from the three months ended April 30, 2021, to the three months ended April 30, 2022.

Selling, General and Administrative (SG&A) Expenses (exclusive of legal and professional fees and stock compensation expense). SG&A expenses increased by $2,457,000, or 136%, from the three months ended April 30, 2021, to the three months ended April 30, 2022. The increase in SG&A is attributed to the acquisition of Skynet in December 2021 and the acquisition of Next Level in February 2022. As part of the consolidation, the Company absorbed all of the employees responsible for service delivery for the customer base, technical support, sales, customer service, and administration.

Stock Compensation expense. Stock compensation expense decreased by $154,000, from the three months ended April 30, 2021, to the three months ended April 30, 2022. The decrease between periods is attributed to the recognition during the three months ended April 30, 2021, the Company recognized $57,000 in stock options expense associated with stock options awarded to various employees and $125,000 in stock compensation for consulting services. During the three months ended April 30, 2022, the Company only recognized $23,000 in stock compensation for the amortization of stock options issued various employees, in addition the Company recognized $5,000 in stock option expense for the modification of stock options previously issued.

Legal and professional fees. Legal and professional fees increased by $552,000, from the three months ended April 30, 2021, to the three months ended April 30, 2022. The increase between periods is attributed to the recognition during the three months ended April 30, 2022, of $589,000 in professional fees for audits, quality of earnings and due diligence related to the acquisition of Skynet and Next Level.

Bad debt. Bad debt increased by $31,000, from the three months ended April 30, 2021, to the three months ended April 30, 2022. The increase is attributed to the recognition of $36,000 in bad debt for accounts deemed uncollectible during the period ended April 30, 2022.

Depreciation and amortization. Depreciation and amortization increased by $929,000, from the three months ended April 30, 2021, to the three months ended April 30, 2022. The increase is primarily attributed to the acquisition of Skynet and Next Level and the related amortization of intangible assets for $915,000.

Operating loss. The Company reported an operating loss of $1,626,000 for the three months ended April 30, 2022, compared to an operating loss of $588,000 for the three months ended April 30, 2021. The increase in operating loss between periods is primarily due to the increase in cost of services of $1,635,000, the increase in SG&A of $2,457,000, the increase in legal fees of $552,000, the increase in depreciation and amortization of $929,000, and the increase in bad debt expense of $31,000. These increases were slightly offset by the decrease in stock compensation expense of $154,000, and the improvement in gross margin of $2,777,000.

Gain (loss) on derivative instruments. Gain (loss) on derivative instruments improved by $17,705,000 from the three months ended April 30, 2021, to the three months ended April 30, 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 gain or loss between periods.

Gain (loss) on settlement of debt. Gain (loss) on settlement of debt decreased by $150,000 from the three months ended April 30, 2021, to the three months ended April 30, 2022. The Company determined that a previously accrued obligations was satisfied with our vendors and recognized a gain of $150,000 during the three months ended April 30, 2021.

Income tax benefit (expense). During the three months ended April 30, 2022, the Company recognized an income tax expense of $167,000. During the three months ended April 30, 2021, the Company recognized an income tax expense of $63,000.

Other income (expense). Other income (expense) improved by $2,000 from the three months ended April 30, 2021, to the three months ended April 30, 2022. During the three months ended April 30, 2022, the Company recognized other income of $2,000 and during the period ended April 30, 2021, the Company did not recognize other income.

Interest expense. Interest expense increased by $99,000 from the three months ended April 30, 2021, to the three months ended April 30, 2022. During the quarter ended April 30, 2022, the Company recognized non-cash interest / accretion expense of $89,000 related to the adjustment to the present value of various convertible notes and debt. Additionally, the Company recognized $814,000 in interest expense for cash interest payments on various promissory notes, accrual of $373,000 for interest expense for various promissory notes and $34,000 fair value of shares issued as well as $115,000 added to the principal balance of various promissory notes, all recognized as loss on debt extinguishment charged to interest expense as consideration for extension of the maturity dates. The Company also directly amortized $250,000 original issuance discount on a new promissory note as interest expense.

Net income (loss) including noncontrolling interest. Net income including noncontrolling interest for the three months ended April 30, 2022, was $3,360,000, an improvement in net (loss) of $16,316,000, as compared to a net (loss) for the three months ended April 30, 2021, of $12,956,000. The improvement in net loss including noncontrolling interest between periods is primarily due to the improvement in derivative gain of $17,705,000, the decrease of $154,000 in stock compensation expense and the improvement of $2,777,000 in gross margin. The improvement in net income including noncontrolling interest was slightly offset by the increase of $2,457,000 in SG&A, the increase of $552,000 in legal and professional fees, increase in bad debt of $31,000, and the increase of $929,000 in depreciation and amortization expense.

Net Income attributable to the noncontrolling interest. During the three months ended April 30, 2022, and 2021, the consolidated entity recognized net income in noncontrolling interest of $546,000 and $158,000, 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 income for the three months ended April 30, 2022, was $3,906,000 compared to a net loss for the three months ended April 30, 2021, of $12,798,000.

Deemed dividend on Series A Convertible Preferred Stock. Dividend declared on convertible preferred stock for the three months ended April 30, 2022, and 2021, were, $4,000 and $5,000, respectively.

Net income (loss) attributable to Digerati’s common shareholders. Net income for the three months ended April 30, 2022, was $3,902,000 compared to a net (loss) for the three months ended April 30, 2021, of $12,803,000.

Nine Months ended April 30, 2022, Compared to Nine Months ended April 30, 2021.

Cloud Software and Service Revenue. Cloud software and service revenue increased by $7,330,000, or 85% from the nine months ended April 30, 2021, to the nine months ended April 30, 2022. The increase in revenue is primarily attributed to the increase in total customers between periods due to the acquisition of Skynet in December 2021 and the acquisition of Next Level in February 2022. Our total number of customers increased from 2,612 for the nine months ended April 30, 2021, to 3,963 customers for the nine months ended April 30, 2022.

C*ost of Services (exclusive of depreciation and amortization).* The cost of services increased by $2,495,000, or 67%, from the nine months ended April 30, 2021, to the nine months ended April 30, 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 in December 2021 and the acquisition of Next Level in February 2022. Our total number of customers increased from 2,612 for the nine months ended April 30, 2021, to 3,963 customers for the nine months ended April 30, 2022. However, our consolidated gross margin improved by $4,835,000 from the nine months ended April 30, 2021, to the nine months ended April 30, 2022.

Selling, General and Administrative (SG&A) Expenses (exclusive of legal and professional fees and stock compensation expense). SG&A expenses increased by $3,725,000, or 84%, from the nine months ended April 30, 2021, to the nine months ended April 30, 2022. The increase in SG&A is attributed to the acquisition of Skynet in December 2021 and the acquisition of Next Level in February 2022. As part of the consolidation, the Company absorbed all the employees responsible for service delivery, technical support, sales, customer service, and administration.

Stock Compensation expense. Stock compensation expense decreased by $483,000, from the nine months ended April 30, 2021, to the nine months ended April 30, 2022. The decrease between periods is attributed to the recognition during the nine months ended April 30, 2021, of stock option expense of $110,000, 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 $183,000 in stock issued consultants for professional services. During the nine months ended April 30, 2022, the Company only recognized $70,000 in stock compensation expense for the amortization of stock options issued various employees, in addition the Company recognized $5,000 in stock option expense for the modification of stock options previously issued.

Legal and professional fees. Legal and professional fees increased by $1,788,000, from the nine months ended April 30, 2021, to the nine months ended April 30, 2022. The increase between periods is attributed to the recognition during the nine months ended April 30, 2022, of $1,788,260 in professional fees for the audits, quality of earnings and due diligence related to the acquisition of Skynet and Next Level.

Bad debt. Bad debt increased by $42,000, from the nine months ended April 30, 2021, to the nine months ended April 30, 2022. The increase is attributed to the recognition of $51,000 in bad debt for accounts deemed uncollectible during the period ended April 30, 2022.

Depreciation and amortization. Depreciation and amortization increased by $1,310,000, from the nine months ended April 30, 2021, to the nine months ended April 30, 2022. The increase is primarily attributed to the acquisition of Skynet and Next Level and related amortization of intangible assets for $915,000.

Operating loss. The Company reported an operating loss of $3,525,000 for the nine months ended April 30, 2022, compared to an operating loss of $1,978,000 for the nine months ended April 30, 2021. The increase in operating loss between periods is primarily due to the increase in cost of services of $2,495,000, increase in SG&A of $3,725,000, the increase in legal fees of $1,788,000, the increase in depreciation and amortization of $1,310,000 and the increase of $42,000 in bad debt. These increases were slightly offset by the decrease in stock compensation expense of $483,000 and the improvement in gross margin of $4,835,000.

Gain (loss) on derivative instruments. Gain (loss) on derivative instruments improved by $18,695,000 from the nine months ended April 30, 2021, to the nine months ended April 30, 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 gain or loss between periods.

Loss on extinguishment of debt. Loss on extinguishment of debt increased by $5,480,000 from the nine months ended April 30, 2021, to the nine months ended April 30, 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 $347,000 from the nine months ended April 30, 2021, to the nine months ended April 30, 2022. The Company determined that a previously accrued obligation was satisfied with our vendors and recognized a gain of $347,000 during the nine months ended April 30, 2021.

Income tax benefit (expense). During the nine months ended April 30, 2022, the Company recognized an income tax expense of $285,000. During the six months ended January 31, 2021, the Company recognized an income tax expense of $122,000.

Interest expense. Interest expense increased by $1,484,000 from the nine months ended April 30, 2021, to the nine months ended April 30, 2022. During the nine months ended April 30, 2022, the Company recognized non-cash interest / accretion expense of $1,694,000 related to the adjustment to the present value of various convertible notes and debt. Additionally, the Company recognized $1,675,000 in interest expense for cash interest payments on various promissory notes, accrual of $754,000 for interest expense for various promissory notes and $34,000 fair value of shares issued as well as $115,000 added to the principal balance of various promissory notes, all recognized as loss on debt extinguishment charged to interest expense as consideration for extension of the maturity dates. The Company also directly amortized $250,000 original issuance discount on a new promissory note as interest expense.

Net income (loss) including noncontrolling interest. Net loss including noncontrolling interest for the nine months ended April 30, 2022, was $6,018,000, an improvement in net loss of $9,674,000, as compared to a net loss for the nine months ended April 30, 2021, of $15,692,000. The increase in cost of services of $2,495,000, the increase in SG&A of $3,725,000, the increase of $1,788,000 in legal and professional fees, the increase of $42,000 in bad debt expense, the increase of $1,310,000 in depreciation and amortization expense and the increase of $5,480,000 in loss on extinguishment of debt. These increases were slightly offset by the decrease of $483,000 in stock compensation expense, the improvement of $18,695,000 in derivative loss, and the improvement of $4,835,000 in gross margin.

Net loss attributable to the noncontrolling interest. During the nine months ended April 30, 2022, and 2021, the consolidated entity recognized net (loss) in noncontrolling interest of $1,306,000 and $223,000, 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 nine months ended April 30, 2022, was $4,712,000 compared to a net loss for the nine months ended April 30, 2021, of $15,469,000.

Deemed dividend on Series A Convertible Preferred Stock. Dividend declared on convertible preferred stock for the nine months ended April 30, 2022, and 2021, were $14,000 and $15,000, respectively.

Net income (loss) attributable to Digerati's common shareholders. Net loss for the nine months ended April 30, 2022, was $4,726,000 compared to a net loss for the nine months ended April 30, 2021, of $15,484,000.

Liquidity and Capital Resources

Cash Position: We had a consolidated cash balance of $2,384,000 as of April 30, 2022. Net cash consumed by operating activities during the nine months ended April 30, 2022 was approximately $1,741,000, primarily as a result of operating expenses, that included $75,000 in stock compensation and warrant expense, bad debt expense of $51,000, loss on extinguishment of debt of $5,480,000, amortization of debt discount of $1,943,000, gain on derivative liability of $7,835,000, depreciation and amortization expense of $2,514,000, shares issued for debt extension for $34,000, addition to principal for debt extension charged to interest expense for $155,000, increase in accrued expense of $1,003,000, increase in accounts payable of $1,385,000, increase in accounts receivable of $443,000, and decrease in deferred income of $22,000. Additionally, we had a decrease in prepaid expenses and other current assets of $96,000, increase in inventory of $10,000 and the increase in other assets of $23,000.

Cash used in investing activities during the nine months ended April 30, 2022, was $12,805,000, $193,000 was used for the purchase of VoIP equipment, $4,100,000 was used to acquire Skynet's assets, $8,690,000 was used to acquire Next Level, and the Company received $178,000 from Nexogy as an adjustment consideration for payables from the acquisition.

Cash provided by financing activities during the nine months ended April 30, 2022, was $15,441,000. The Company secured $706,000 from convertible notes, net of issuance costs and discounts and secured $15,530,000 from debt financing, net of issuance costs and discounts. The Company made principal payments of $590,000 on related party notes, $175,000 in principal payments on convertible notes and $30,000 in principal payments on equipment financing. Overall, our net operating, investing, and financing activities during the nine months ended April 30, 2022, contributed approximately $895,000 of our available cash.

Digerati's consolidated financial statements for the nine months ending April 30, 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 $110,092,000 and a working capital deficit of approximately $25,034,000 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 April 30, 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 April 30, 2022, our total liabilities were approximately $65,654,000, which included $8,922,000 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.

Recent Developments Related to the Credit Agreement, A&R Term Loan A Note, and Term Loan C Note

As described in Note 13 to the financial statements under the heading Forbearance Agreement and Third Amendment to Credit Agreement, on June 13, 2022, the parties to the Joinder entered into a Forbearance Agreement and Third Amendment to Credit Agreement ("Forbearance Agreement").

Prior to the Forbearance Agreement being signed, Post Road did not send a notice of default with regard to or accelerate the maturity of the loans issued pursuant to the Credit Agreement, A&R Term Loan A Note, and Term Loan C Note (collectively, the "PRG Loans").

Pursuant to the Forbearance Agreement, Post Road agreed to forbear through the Forbearance Period (as defined below) from (i) exercising its rights and remedies with regard to the existing events of default and (ii) requiring compliance with the financial covenants set forth in Section 11.12 of the Credit Agreement (related to leverage, EBITDA, liquidity, capital expenditures, fixed charge coverage ratio, and churn). The "Forbearance Period" is from June 13, 2022, through the earlier of (a) August 8, 2022, (b) the date on which any other event of default not enumerated in the Forbearance Agreement occurs or is deemed to have occurred, or (c) the date of any failure by the Company to comply with any aspect of the Forbearance Agreement. The forbearance does not constitute a waiver of the defaults enumerated nor does it impair the ability of Post Road to exercise its rights and remedies after the expiration of the Forbearance Period.

The events of default related to financial covenants were failure to maintain a Senior Leverage Ratio (as defined in the Credit Agreement) of less than 4.05 to 1.00 and failure to comply with a Credit Agreement provision whereby the Loan Parties are not allowed to make annual Capital Expenditures (as defined in the Credit Agreement) greater than $379,190.

The events of default unrelated to financial covenants were the Loan Parties' failure to: (a) deliver certain certificates, financial information and projections, lease, landlord, and control agreements, and evidence of a UCC-3 filing; (b) close or consolidate certain bank accounts; (c) provide ten (10) business days' notice prior to the Company filing certain filings with the Securities and Exchange Commission (the "SEC") and the Nevada Secretary of State; and (d) engage an industry consultant acceptable to the Agent to consult with the Loan Parties on integration strategy, future acquisitions, operating performance, and various business issues.

The Forbearance Agreement amends the Joinder to allow T3 Nevada to give the Agent draft copies of its 10-Ks and 10-Qs and 8-Ks for the Agent and its advisors review only five business days (10-Ks) or two business days (10-Qs and 8-Ks) in advance rather than ten business days in advance as originally required by the Joinder. T3 Nevada complied with this obligation with regard to this Quarterly Report on Form 10-Q.

The Company anticipates implementing remedies by July 31, 2022 to resolve the financial covenants breaches and the breaches regarding delivering a compliance certificate, financial projections, and a landlord agreement along with engaging an industry consultant. The Company and Post Road have agreed to work in good faith to adjust the financial covenants set forth in Section 11.12 of the Credit Agreement to include the financial impact of the acquisitions of Skynet's assets and. and the acquisition of Next Level Internet, Inc. As of the date of this filing, the Company cannot predict the final outcome of the negotiations with Post Road.

The other non-financial events of default were covenants that were complied with, however, the compliance was not timely pursuant to the provisions of the Credit Agreement and Joinder. These events of default have not been waived by Post Road.

The PRG Loans are secured by a first-priority security interest in all of the assets of T3 Nevada and guaranteed by T3 Nevada's subsidiaries. As a result, if Post Road accelerates the maturity of the PRG Loans due to existing or new events of default pursuant to the Credit Agreement, Post Road could foreclose on their security interest and liquidate some or all of these assets, which would harm our business, financial condition and results of operations and could require us to curtail or cease operations.

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 April 30, 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 PEO and PFO, 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 Nevada, 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 Nevada 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.

Not Applicable

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not Applicable

Item 5. Other Information.

<u>Forbearance Agreement</u>

We are reporting the following information in lieu of reporting on a Current Report on Form 8-K under Item 1.01 Entry into a Material Definitive Agreement.

Item 1.01 Entry into a Material Definitive Agreement.

As disclosed in a Current Report on Form 8-K filed by the Company in November 2020, on November 17, 2020, T3 Nevada (the Company's majority owned subsidiary), T3 Nevada's subsidiaries (T3 Nevada and its subsidiaries, collectively, "the T3 Nevada Parties") entered into a credit agreement (the "Credit Agreement") with Post Road Administrative LLC (the "Agent") and its affiliate Post Road Special Opportunity Fund II LLP (collectively, "Post Road"). The Company is a party to certain sections of the Credit Agreement. Pursuant to the Credit Agreement, Post Road was to provide T3 Nevada with a secured loan of up to $20,000,000.

As disclosed in a Current Report on Form 8-K filed in December 2021, on December 20, 2021, the parties to the Credit Agreement entered into an amendment to the Credit Agreement.

As disclosed in a Current Report on Form 8-K filed in February 2022 (the "February 8-K"), on February 4, 2022, the parties to the Credit Agreement agreed that Post Road would lend a further $10 million to T3 Nevada pursuant to a Term Loan C Note. T3 Nevada received net proceeds of $9.75 million pursuant to the Term Loan C Note. T3 Nevada used such loan proceeds to acquire all of the equity interests in Next Level Internet, Inc. ("Next Level") from its two owners.

As also disclosed in the February 8-K, in connection with the issuance of the Term Loan C Note, on February 4, 2022, the T3 Nevada parties to the Credit Agreement and Next Level (collectively, the "Loan Parties") and Post Road entered into a Joinder and Second Amendment to Credit Agreement (the "Joinder") whereby, among other terms, Next Level became a guarantor of T3's obligations pursuant to the Credit Agreement and notes issued pursuant thereto.

On June 13, 2022, the parties to the Joinder entered into a Forbearance Agreement and Third Amendment to Credit Agreement ("Forbearance Agreement").

The Forbearance Agreement was entered into because certain events of default related to both the Credit Agreement and the Joinder have occurred. The events of default related to financial covenants were failure to maintain a Senior Leverage Ratio (as defined in the Credit Agreement) of less than 4.05 to 1.00 and failure to comply with a Credit Agreement provision whereby the Loan Parties are not allowed to make annual Capital Expenditures (as defined in the Credit Agreement) greater than $379,190.

The events of default unrelated to financial covenants were the Loan Parties' failure to: (a) deliver certain certificates, financial information and projections, lease, landlord, and control agreements, and evidence of a UCC-3 filing; (b) close or consolidate certain bank accounts; (c) provide ten (10) business days' notice prior to the Company filing certain filings with the Securities and Exchange Commission (the "SEC") and the Nevada Secretary of State; and (d) engage an industry consultant acceptable to the Agent to consult with the Loan Parties on integration strategy, future acquisitions, operating performance, and various business issues.

Pursuant to the Forbearance Agreement, Post Road agreed to forbear through the Forbearance Period (as defined below) from (i) exercising its rights and remedies with regard to the existing events of default and (ii) requiring compliance with the financial covenants set forth in Section 11.12 of the Credit Agreement (related to leverage, EBITDA, liquidity, capital expenditures, fixed charge coverage ratio, and churn). The "Forbearance Period" is from June 13, 2022 through the earlier of (a) August 8, 2022, (b) the date on which any other event of default not enumerated in the Forbearance Agreement occurs or is deemed to have occurred, or (c) the date of any failure of any Loan Party to comply with any aspect of the Forbearance Agreement. The forbearance does not constitute a waiver of the defaults enumerated nor does it impair the ability of Post Road to exercise its rights and remedies after the expiration of the Forbearance Period.

In addition to the forbearance, the Forbearance Agreement amends the Credit Agreement to clarify Section 10.15 with regard to the Company's affirmative covenant to comply with its SEC reporting obligations. It also amends the Credit Agreement to clarify the provisions of the Section 10 (affirmative covenants) whose violation constitute an event of default. Finally, the Forbearance Agreement amends the Joinder to allow T3 Nevada to give the Agent draft copies of its 10-Ks and 10-Qs and 8-Ks for the Agent and its advisors review only five business days (10-Ks) or two business days (10-Qs and 8-Ks) in advance rather than ten business days in advance as originally required by the Joinder.

The Company anticipates implementing remedies by July 31, 2022 to resolve the financial covenants breaches and the breaches regarding delivering a compliance certificate, financial projections, and a landlord agreement along with engaging an industry consultant. The Company and Post Road have agreed to work in good faith to adjust the financial covenants set forth in Section 11.12 of the Credit Agreement to include the financial impact of the acquisitions of Skynet's assets and. and the acquisition of Next Level Internet, Inc. As of the date of this filing, the Company cannot predict the final outcome of the negotiations with Post Road.

The other non-financial events of default were covenants that were complied with, however, the compliance was not timely pursuant to the provisions of the Credit Agreement and Joinder. These events of default have not been waived by Post Road.

The foregoing summary of the Forbearance Agreement contains only a brief description of the material terms of the Forbearance Agreement and such description is qualified in its entirety by reference to the full text of the Forbearance Agreement, filed herewith as Exhibit 10.3 and incorporated by reference herein.

Item 6. Exhibits

Exhibit Number	**Exhibit Title**
3.1*	*Certificate of Correction to the Series A Convertible Preferred Stock Certificate of Designation.*
4.1^	*Form of Unsecured Promissory Note for a Total of $2,000,000 issued by T3 Communications, Inc. to the Next Level Sellers, dated February 4,2022. (Filed as Exhibit 4.1 to the Form 8-K filed with the SEC on February 10, 2022).*
4.2	*Form of Unsecured Convertible Promissory Note for a Total of $2,000,000 by T3 Communications, Inc. to the Next Level Sellers, dated February 4, 2022. (Filed as Exhibit 4.2 to the Form 8-K filed with the SEC on February 10, 2022).*
4.3^	*Term Loan C Note for $10,000,000 issued by T3 Communications, Inc. to Post Road Special Opportunity Fund II LP, dated February 4, 2022. (Filed as Exhibit 4.3 to the Form 8-K filed with the SEC on February 10, 2022).*

10.1#	*Equity Purchase Agreement by and among the Company, T3 Communications, Inc., and the Sellers of Next Level Internet, Inc. (Filed as Exhibit 10.1 to the Form 8-K filed with the SEC on February 10, 2022).*
10.2#^	*Joinder and Second Amendment to Credit Agreement by and among T3 Communications, Inc., the Subsidiaries of T3 Communications (including Next Level Internet, Inc.), Post Road Administrative LLC, and Post Road Special Opportunity Fund II LP, dated February 4, 2022. (Filed as Exhibit 10.2 to the Form 8-K filed with the SEC on February 10, 2022).*
10.3*	*Forbearance Agreement and Third Amendment to Credit Agreement by and among T3 Communications, Inc., the Subsidiaries of T3 Communications (including Next Level Internet, Inc.), Post Road Administrative LLC, and Post Road Special Opportunity Fund II LP, dated June 13, 2022*
31.1*	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1+	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2+	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	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: June 21, 2022	By:	/s/ Arthur L. Smith
	Name:	Arthur L. Smith
	Title:	President and Chief Executive Officer (Duly Authorized Officer and Principal Executive Officer)
Date: June 21, 2022	By:	/s/ Antonio Estrada Jr.
	Name:	Antonio Estrada Jr.
	Title:	Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

Filed in the Office of	Business Number C27974-2003
Barbara K. Cegavske	Filing Number 20222344058
Secretary of State State Of Nevada	Filed On 5/24/2022 1:07:00 PM
	Number of Pages 9

Exhibit 3.1

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

Certificate of Correction

(PURSUANT TO NRS CHAPTERS 78, 78A, 80, 81, 82, 84, 86, 87, 87A, 88, 88A, 89 AND 92A)

USE BLACK INK ONLY - DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

Certificate of Correction

(Pursuant to NRS Chapters 78, 78A, 80, 81, 82, 84, 86, 87, 87A, 88, 88A, 89 and 92A)

1. The name of the **entity** for which correction is being made:

Digerati Technologies, Inc.

2. Description of the original document for which correction is being made:

Certificate of the Designations, Preferences, Rights and Limitations of Series A Convertible Prefered Stock

3. Filing date of the original document for which correction is being made: 08/05/2020

4. Description of the inaccuracy or defect:

An incorrect copy of the Certificate of Designation, Preferences, Rights and Limitations of Series A Convertible Preferred Stock was attached to the Certificate, Amendment or Withdrawal of Designation filed with the Secretary of State.

5. Correction of the inaccuracy or defect:

The correct Certificate of Designation, Preferences, Rights and Limitations of Series A Convertible Preferred Stock is attached to this Certificate of Correction together with a redline showing the changes compared to the incorrect Certificate of Desingation, Preferences, Rights and Limitations of Series A Preferred Stock.

6. Signature:

X Antonio Estrada   CFO   5/24/2022

Authorized Signature   **Title ***   **Date**

* If entity is a corporation, it must be signed by an officer if stock has been issued, OR an incorporator or director if stock has not been issued; a limited-liability company, by a manager or managing members; a limited partnership or limited-liability limited partnership, by a general partner; a limited-liability partnership, by a managing partner; a business trust, by a trustee.

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

This form must be accompanied by appropriate fees.

**CERTIFICATE OF THE DESIGNATION, PREFERENCES,
RIGHTS AND LIMITATIONS OF SERIES A
CONVERTIBLE PREFERRED STOCK OF**

DIGERATI TECHNOLOGIES, INC.

RESOLVED, that pursuant to the authority conferred upon the Corporation by its Articles of Incorporation, the series A preferred stock ("Series A Preferred Stock") is hereby authorized and created, said series to consist of up to 1,500,000 shares;

FURTHER RESOLVED, that the preferences and relative, optional and other special rights, and the qualifications, limitations or restrictions of such Series A Preferred Stock shall be as follows:

1. Dividends on Series A Preferred Stock.

a. The holders of the Series A Preferred Stock shall be entitled to receive, out of the funds of the Corporation legally available therefor, cumulative cash dividends at the annual rate of eight percent (8%) per share, based on the Series A Original Issue Price (as defined below), payable quarterly during each calendar year on March 31, June 30, September 30 and December 31 (each a dividend payment date), commencing on ~~March 31~~September 30, 2019 (unless such day is a non-business day, in which event on the next business day). Dividends on each share of Series A Preferred Stock shall begin to accrue and shall cumulate from the date of original issue of such share ("Issue Date"), whether or not declared, and shall be payable to the holder of such share on the record date. Dividends on account of arrears for any past dividend periods may be declared and paid at any time, without reference to any regular dividend payment date, to holders of record on a record date fixed for such payment by the Board of Directors of the Corporation or by a committee of such Board duly authorized to fix such date by resolution designating such committee. Dividend payments may, in the sole discretion of the Corporation, be made in fully paid and non-assessable shares of the Corporation's common stock, par value $.001 per share ("Common Stock"), at a price valued at the Current Market Price (as defined in Section 2, and calculated from each dividend payment date in lieu of a Conversion Date as defined in paragraph 2a below). The "Series A Original Issue Price" shall mean $1.00 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A Preferred Stock.

b. Dividends on the Series A Preferred Stock shall be payable to holders of record as they appear on the books of the Corporation as of the close of business on any record date for payment of dividends. The record dates for payment of dividends shall be the fifteenth day of each respective dividend payment date month.

c. Dividends payable on the date of any conversion or redemption of the Series A Preferred Stock not occurring on a regular dividend payment date shall be calculated on the basis of the actual number of days elapsed (including the date of conversion or redemption).

d. No dividends shall be declared or paid or set apart for payment on, and no payment shall be made on account of the purchase, redemption or retirement of, any other series of capital stock of the Corporation (excluding options or shares of Common Stock repurchased from consultants or employees in connection with the termination of such employment or consultancy), for any period unless full cumulative dividends have been or contemporaneously are declared and paid (or declared and a sum sufficient for the payment thereof set apart for such payment) on the Series A Preferred Stock for all dividend payment periods terminating on or prior to the date of payment of dividends on such stock or other payment date resulting from the repurchase or retirement of such stock. Accumulations of dividends on the Series A Preferred Stock shall not bear interest.

2. Conversion of Series A Preferred Stock into Common Stock.

a. Optional Conversion. Each holder of shares of Series A Preferred Stock may, at holder's option and commencing ~~on April 30~~after October 31, ~~2020~~2019, convert any or all such shares, on the terms and conditions set forth herein, into fully paid and non-assessable shares of the Corporation's Common Stock. The number of shares of Common Stock into which each share of Series A Preferred Stock may be converted shall be determined by dividing the Original Issue Price of each share of Series A Preferred Stock, plus accrued and unpaid dividends through the Conversion Date, to be converted by the Conversion Price (as defined below) in effect at the time of conversion. 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) $0.40~~$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 uplisting, 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, in the event of such up-listing, subject to adjustment as provided below~~.

To exercise holder's conversion privilege, the holder of any shares of Series A Preferred Stock shall surrender to the Corporation during regular business hours at the principal executive offices of the Corporation or the offices of the transfer agent for the Series A Preferred Stock or at such other place as may be designated by the Corporation, the certificate or certificates for the shares to be converted, duly endorsed for transfer to the Corporation (if required by it), accompanied by written notice stating that the holder irrevocably elects to convert such shares. Conversion shall be deemed to have been effected on the date when such delivery is made, and such date is referred to herein as the "Conversion Date." Within three (3) business days after the date on which such delivery is made, the Corporation shall issue and send (with receipt to be acknowledged) to the holder thereof or the holder's designee, at the address designated by such holder, a certificate or certificates for the number of full shares of Common Stock to which the holder is entitled as a result of such conversion, and cash with respect to any fractional interest of a share of Common Stock as provided in paragraph 2(c). The holder shall be deemed to have become a stockholder of record of the number of shares of Common Stock into which the shares of Series A Preferred Stock have been converted on the applicable Conversion Date unless the transfer books of the Corporation are closed on that date, in which event holder shall be deemed to have become a stockholder of record of such shares on the next succeeding date on which the transfer books are open, but the Conversion Price shall be that in effect on the Conversion Date. Upon conversion of only a portion of the number of shares of Series A Preferred Stock represented by a certificate or certificates surrendered for conversion, the Corporation shall within three (3) business days after the date on which such delivery is made, issue and send (with receipt to be acknowledged) to the holder thereof or the holder's designee, at the address designated by such holder, a new certificate covering the number of shares of Series A Preferred Stock representing the unconverted portion of the certificate or certificates so surrendered.

b. Mandatory Conversion. Each share of Series A Preferred Stock shall automatically convert into shares of Common Stock, as described in paragraph 2a, at the then applicable Conversion Price, upon the earlier of (i) the closing of a public or private offering (or series of offerings within a ~~90~~120-day period) of Corporation equity or equity equivalent securities ~~placed by a registered broker-dealer~~ resulting in minimum gross proceeds to the Corporation of $10 million, and (ii) ~~commencing on April 30, 2020,~~ if the Common Stock shall close (or the last trade shall be) at or above 150% of the Conversion Price per share for 20 out of 30 consecutive trading days~~, and (iii) the uplisting of the Corporation's Common Stock to a national securities exchange or the Nasdaq stock market~~ ((i)~~, (ii)~~ and (~~iii~~ii) are collectively referred to as "Mandatory Conversion Event"). The Corporation will provide notice to holder within 20 days of the occurrence of a Mandatory Conversion Event (failure of the Corporation to timely give such notice does not void the mandatory conversion). Holder shall surrender to the Corporation, within 10 days of receiving such notice, the certificate(s) representing the shares of Series A Preferred Stock to be converted into Common Stock. In the event holder does not surrender such certificate(s) within 10 days of receiving such notice, the Corporation shall deem such certificate(s) cancelled and void. As soon as practicable, after the certificate(s) are either surrendered by the holder or cancelled by the Corporation, as the case may be, the Corporation will issue and deliver to holder a new certificate for the number of full shares of Common Stock issuable upon such mandatory conversion in accordance with the provisions hereof and cash as provided in paragraph 2(c) in respect of any fraction of a share of Common Stock otherwise issuable upon such mandatory conversion, unless fractional shares are rounded up to the next whole share. Holder will be deemed a Common Stock holder of record as of the date of the occurrence of a Mandatory Conversion Event.

c. No fractional shares of Common Stock or scrip shall be issued upon conversion of shares of Series A Preferred Stock. If more than one share of Series A Preferred Stock shall be surrendered for conversion at any one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Series A Preferred Stock so surrendered. Instead of any fractional shares of Common Stock which would otherwise be issuable upon conversion of any shares of Series A Preferred Stock, the Corporation shall make an adjustment in respect of such fractional interest (i) equal to the fair market value of such fractional interest, to the nearest 1/100th of a share of Common Stock, in cash at the Current Market Price (as defined below) on the business day preceding the effective date of the conversion, or (ii) by rounding the fractional share up to the next whole share. The "Current Market Price" of publicly traded shares of Common Stock or any other class of Common Stock or other security of the Corporation or any other issuer for any day shall be deemed to be the average of the daily "Closing Prices" for the 5 consecutive trading days preceding the Conversion Date (or dividend payment date, if applicable). The "Current Market Price" of the Common Stock or any other class of capital stock or securities of the Corporation or any other issuer which is not publicly traded shall mean the fair value thereof as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or properties selected in good faith by the Board of Directors of the Corporation or a committee thereof or, if no such investment banking or appraisal firm is, in the good faith judgment of the Board of Directors of the Corporation or such committee, available to make such determination, as determined in good faith judgment of the Board of Directors of the Corporation or such committee. The "Closing Price" shall mean the last reported sales price on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on Nasdaq, or, if the Common Stock is not listed or admitted to trading on any national securities exchange or quoted on Nasdaq Stock Market, the ~~average of the~~ closing ~~bid and asked prices~~price (or last trade price) in the over-the-counter market as furnished by any New York Stock Exchange member firm selected from time to time by the Corporation for that purpose.

d. The Corporation shall pay (i) any and all accrued and unpaid dividends on the Series A Preferred Stock and (ii) issue and other taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of Series A Preferred Stock pursuant hereto, other than any taxes payable with respect to income by the holders thereof.

e. The Corporation shall at all times reserve for issuance and maintain available, out of its authorized but unissued Common Stock, solely for the purpose of effecting the conversion of the Series A Preferred Stock, the full number of shares of Common Stock deliverable upon the conversion of all Series A Preferred Stock from time to time outstanding. The Corporation shall from time to time (subject to obtaining necessary director and stockholder action), in accordance with the laws of the State of Nevada, increase the authorized number of shares of its Common Stock if at any time the authorized number of shares of its Common Stock remaining unissued shall not be sufficient to permit the conversion of all of the shares of Series A Preferred Stock at the time outstanding.

f. If any shares of Common Stock to be reserved for the purpose of conversion of shares of Series A Preferred Stock require registration or listing with, or approval of, any governmental authority, stock exchange or other regulatory body under any federal or state law or regulation or otherwise, including registration under the Securities Act of 1933, as amended (the "Act"), and appropriate state securities laws, before such shares may be validly issued or delivered upon conversion, the Corporation will in good faith and as expeditiously as possible use its best efforts to meet such registration, listing or approval, as the case may be.

g. All shares of Common Stock which may be issued upon conversion of the shares of Series A Preferred Stock will upon issuance by the Corporation be validly issued, fully paid and non-assessable and free from all taxes, liens and charges with respect to the issuance thereof.

h. The Conversion Price in effect shall be subject to adjustment from time to time as follows:

i. *Stock Splits, Dividends and Combinations.* In the event that the Corporation shall at any time subdivide the outstanding shares of Common Stock, or shall pay or make a dividend or distribution on any class of capital stock of the Corporation in Common Stock, the Conversion Price in effect immediately prior to such subdivision or the issuance of such dividend shall be proportionately decreased, and in case the Corporation shall at any time combine the outstanding shares of Common Stock, the Conversion Price in effect immediately prior to such combination shall be proportionately increased, effective at the close of business on the date of such subdivision, dividend or combination, as the case may be.

ii. *Non-Cash Dividends, Stock Purchase Rights, Capital Reorganization and Dissolutions.* In the event:

A. that the Corporation shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend, or any other distribution, payable otherwise than in cash; or

B. that the Corporation shall take a record of the holders of its Common Stock for the purpose of entitling them to subscribe for or purchase any shares of stock of any class or other securities, or to receive any other rights; or

C. of any (1) capital reorganization of the Corporation, reclassification of the capital stock of the Corporation (other than a subdivision or combination of its outstanding shares of Common Stock), consolidation or merger of the Corporation with or into another corporation, unless the shareholders of the Corporation immediately prior to such transaction own 50% of the entity resulting from the transaction, or (2) sale, lease or transfer of all or substantially all of the assets or shares of the Corporation to another corporation in one or a series of transactions (collectively (C)(1) and (C)(2) are referred to as a "Reorganization"); or

D. of the voluntary or involuntary dissolution, liquidation or winding up of the Corporation;

then, and in any such case, provision shall be made so that the holders of the Series A Preferred Stock shall be entitled, upon conversion, to receive the number and kind of securities of other property of the Corporation, or successor corporation, to which holder would have been entitled to receive had holder converted immediately prior to such event. ~~Furthermore, the Corporation shall cause to be mailed to the holders of record of the outstanding Series A Preferred Stock, at least 10 days prior to the date hereinafter specified, a notice stating the date on which (x) a record is to be taken for the purpose of such dividend, distribution or rights, or (y) such reclassification, reorganization, consolidation, merger, share exchange, conveyance, dissolution, liquidation or winding up is to take place and the date, if any is to be fixed, as of which holders of Corporation securities of record shall be entitled to exchange their shares of Corporation securities for securities or other property deliverable upon such reclassification, reorganization, consolidation, merger, share exchange, conveyance, dissolution, liquidation or winding up.~~

i. The Corporation will not, by amendment of its Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, share exchange, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all the provisions of paragraph 2(h) and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Series A Preferred Stock against impairment. Without limiting the generality of the foregoing, the Corporation (a) will not increase the par value of any shares of stock receivable on the conversion of the Series A Preferred Stock above the amount payable therefor on such conversion, (b) will take all such action as may be necessary or appropriate in order that the Corporation may validly and legally issue fully paid and nonassessable shares of stock on the conversion of all Series A Preferred Stock from time to time outstanding, and (c) will not consolidate with or merge into any other person or permit any such person to consolidate with or merge into the Corporation (if the Corporation is not the surviving person), unless such other person shall expressly assume in writing and will be bound by all of the terms of the Series A Preferred stock set forth herein.

j. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to paragraph 2(h), the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof, and prepare and furnish to each holder of Series A Preferred Stock a certificate signed by the president and chief financial officer (or, in the absence of a person designated as the chief financial officer, by the officer serving in an equivalent or similar financial capacity) of the Corporation setting forth (i) such adjustment or readjustment, (ii) the Conversion Price at the time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of such holder's shares.

k. In case any shares of Series A Preferred Stock shall be converted pursuant to Section 2 hereof, the shares so converted shall be restored to the status of authorized but unissued shares of preferred stock, without designation as to class or series, and may thereafter be reissued, but not as shares of Series A Preferred Stock.

3. Voting. Unless otherwise required by the Nevada Revised Statutes, the shares of Series A Preferred Stock shall not be entitled to vote on any matter presented at any annual or special meeting of stockholders of the Corporation, or through written consent.

4. Liquidation Rights.

a. A "Liquidation" shall mean a dissolution or winding up, voluntary or involuntary, of the Corporation. If, in such event, any of the consideration payable to the Corporation or its stockholders is other than cash, the value thereof will be deemed to be its fair market value, as determined by the Corporation's board of directors.

b. In the event of any Liquidation, the holders of shares of Series A Preferred Stock then outstanding shall be entitled to receive out of assets of the Corporation available for distribution to stockholders, before any distribution of assets is made to holders of any other class of capital stock of the Corporation, an amount equal to the Series A Original Issue Price plus accumulated and unpaid dividends thereon to the date fixed for distribution (the "Base Liquidation Preference"). If upon any Liquidation, the amounts payable with respect to the Series A Preferred Stock and any other shares of stock of the Corporation ranking as to any such distribution on a parity with the Series A Preferred Stock are not paid in full, the holders of the Series A Preferred Stock and of such other shares shall share ratably in any such distribution of assets of the Corporation in proportion to the full respective preferential amounts to which they are entitled. After the payment of the Base Liquidation Preference shall have been made in full to the holders of the Series A Preferred Stock or funds necessary for such payment shall have been set aside by the Corporation in trust for the account of holders of the Series A Preferred Stock so as to be available for such payments, the holders of Series A Preferred Stock shall have no further right to participate in any remaining assets of the Corporation legally available for distribution to its shareholders.

5. Redemption of Series A Preferred Stock at Option of Corporation.

a. Subject to the provisions of this Section 5, the Series A Preferred Stock shall be redeemable in whole or in part, at the option of the Corporation by resolution of its Board of Directors, at any time on or prior to April 30, ~~2020~~2021 at 100% of the Series A Original Issue Price, plus all dividends accrued and unpaid on such Series A Preferred Stock up to the date fixed for redemption upon giving the notice hereinafter provided.

b. Not less than thirty nor more than forty days prior to the date fixed for redemption of the Series A Preferred Stock, a notice in writing shall be given by mail to the holders of record of Series A Preferred Stock at their respective addresses (email addresses or facsimile numbers) as the same shall appear on the stock books of the Corporation. Such notice shall state: (i) the redemption date; (ii) the redemption price and the amount of dividends on the Series A Preferred Stock that will be accrued and unpaid to the date fixed for redemption; (iii) the place or places where certificates for shares are to be surrendered for payment of the redemption price; (iv) that the dividends on shares to be redeemed will cease to accrue on such redemption dates; (v) the conversion rights of the shares to be redeemed; (vi) the period within which the conversion rights may be exercised; and (vii) the Conversion Price and the number of shares of the Common Stock issuable upon conversion of a share of Series A Preferred Stock at the time. If the Corporation calls for redemption the Series A Preferred Stock, it shall reserve sufficient shares of Common Stock for the purpose of issuing such shares of Common Stock to holders of Series A Preferred Stock that determine to convert such shares of Series A Preferred Stock into Common Stock prior to the close of business on the business day prior to the date of redemption.

c. After giving notice of redemption and prior to the close of business on the business day prior to the redemption date, the holders of Series A Preferred Stock so called for redemption may convert such stock into Common Stock in accordance with the conversion privileges set forth in Section 2 hereof, provided such redemption date is after October 31, 2019. Unless (i) the holder of shares of Series A Preferred Stock to whom notice has been duly given shall have exercised its rights to convert in accordance with Section 2 hereof or (ii) the Corporation shall default in the payment of the redemption price as set forth in such notice, upon such redemption date such holder shall no longer have any voting or other rights with respect to such shares, except the right to receive the moneys payable upon such redemption from the Corporation, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of the certificates, and the shares represented thereby shall no longer be deemed to be outstanding as of the redemption date. In the event a holder of Series A Preferred Stock provides the Corporation with notice of conversion of all or a portion of such Series A Preferred Stock into shares of Common Stock on or after any notice of redemption is provided, the holder shall have been deemed to convert as of the redemption date provided, however, that in the event the Corporation shall default in the payment of the redemption price as set forth in such redemption notice, the conversion shall not be effective unless the holder of Series A Preferred Stock electing to convert provides written notice to the Corporation within 20 days of the purported redemption date of this desire to effect such conversion.

d. The Series A Preferred Stock may not be redeemed and the Corporation may not purchase or otherwise acquire any shares of Series A Preferred Stock unless full cumulative dividends on all outstanding shares of Series A Preferred Stock shall have been paid in full or contemporaneously are declared and paid in full for all past dividend periods.

e. All shares of Series A Preferred Stock so redeemed shall have the status of authorized but unissued preferred stock, but such shares so redeemed shall not be reissued as shares of the series of Series A Preferred Stock created hereby.

f. No holder of shares of Series A Preferred Stock shall have the right to require the Corporation to redeem all or any portion of such shares.

6. Notice. All notices required to be delivered hereunder to the holders of the Series A Preferred Stock shall be sent by email or facsimile transmission (such notice shall be deemed received by the recipient on the first business day following transmission and electronic confirmation of receipt if sent via facsimile), prepaid overnight courier or first class or registered or certified mail, return receipt requested, with postage prepaid thereon, to the holder at holder's last address shown on the records of the Corporation for the Series A Preferred Stock.

Exhibit 10.3

FORBEARANCE AGREEMENT AND THIRD AMENDMENT TO CREDIT AGREEMENT

This Forbearance Agreement and Third Amendment to Credit Agreement dated as of June 13, 2022 (this "Agreement"), is by and among **T3 COMMUNICATIONS, INC.**, a Nevada corporation (the "Company"), **T3 COMMUNICATIONS, INC.**, a Florida corporation ("T3FL"), **SHIFT8 NETWORKS, INC.**, a Texas Corporation ("Shift8"), **NEXOGY, INC.**, a Florida corporation, **NEXT LEVEL INTERNET, INC.** a California corporation ("Next Level"; Next Level, Nexogy, T3FL and Shift8 are each referred to herein individually as a "Guarantor" and collectively as 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").

1. Background.

(a) Loan Parties, Lenders and 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, the "Credit Agreement"). Loan Parties, Lenders and Administrative Agent are parties to that certain Joinder and Second Amendment to Credit Agreement dated as of February 4, 2022 (the "Joinder Agreement"). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Credit Agreement and/or the Joinder Agreement, as appropriate.

(b) Certain Events of Default have occurred and are continuing (i) under and pursuant to Section 13.1.5 of the Credit Agreement as a result of the Loan Parties' (A) failure to timely deliver to Administrative Agent a Compliance Certificate for the Fiscal Quarter ended April 30, 2022 in accordance with Section 10.1.3 of the Credit Agreement, (B) failure to timely deliver to Administrative Agent financial projections in accordance with Section 10.1.8 of the Credit Agreement, (C) failure to timely deliver to Administrative Agent an executed copy of the lease relating to 1610 Royal Palm Avenue, Fort Myers, FL 33901 in accordance with Section 10.9 of the Credit Agreement, (D) failure to timely deliver to Administrative Agent Control Agreement(s) covering all deposit, checking and other operating accounts as required by Section 10.11 of the Credit Agreement, (E) failure to close the deposit accounts listed on Schedule 10.14(b) within 30 days after the Closing Date in accordance with Section 10.14 of the Credit Agreement, (F) failure to maintain a Senior Leverage Ratio of less than 4.05 to 1.00 in accordance with Section 11.12.2 of the Credit Agreement and (G) making Capital Expenditures in excess of $379,109 in the current fiscal year, (ii) under and pursuant to section 6 of the Joinder Agreement as a result of the Loan Parties' (A) failure to consolidate the "ACH Inbound" deposit account with the "Operating" deposit account within 30 days after the Second Amendment Closing Date, (B) failure to deliver a Control Agreement relating to the New Guarantor's depository institutions within 30 days after the Second Amendment Closing Date, (C) failure to provide Administrative Agent at least 10 Business Days' notice before filing a Current Report on Form 8-K with the Securities and Exchange Commission on February 10, 2022, an Amended Current Report on Form 8-KA with the Securities and Exchange Commission on February 11, 2022 and a Quarterly Report on Form 10-Q with the Securities and Exchange Commission on March 17, 2022, (D) failure to provide Administrative Agent at least 10 Business Days' notice before filing a Certificate of Correction with the Secretary of State of Nevada on May 24, 2022, (E) failure to deliver to Administrative Agent evidence of filing a UCC-3 termination statement relating to UCC-1 File No. U210095545525 within 30 days after the Second Amendment Closing Date, and (F) failure to deliver to Administrative Agent a Landlord Agreement relating to 1610 Royal Palm Avenue, Fort Myers, FL 33901 within 10 days after the Second Amendment Closing Date, (iii) under and pursuant to Section 7 of the Joinder Agreement as a result of the Loan Parties' failure to engage an Industry Consultant on or before February 15, 2022, and (iv) under and pursuant to Section 8 of the Joinder Agreement as a result of the Loan Parties' failure to provide financial information and projections on or before March 31, 2022 (collectively, the "Existing Defaults").

2. Acknowledgments.

(a) Acknowledgment of Indebtedness. Each Loan Party acknowledges and agrees that each Loan Party is indebted and liable to Lenders for the following amounts: (A) as of April 30, 2022, principal in the aggregate amount of not less than $22,420,807.21, plus accrued and unpaid interest thereon, with respect to Term Loan A, and not less than $10,062,317.90, plus accrued and unpaid interest thereon, with respect to Term Loan C, each pursuant to the terms and provisions of the Credit Agreement and the Notes; (B) Administrative Agent's and Lenders' costs and expenses associated with the Credit Agreement and the Loan Documents; and (C) the attorneys' fees and costs incurred by Administrative Agent in the preparation, negotiation and finalization of this Agreement and any documents, instruments and agreements related hereto (all of the foregoing amounts together with any other Obligation (as such term is used in the Credit Agreement) are hereinafter collectively referred to as the "Obligations"), all without offset, counterclaims or defenses of any kind. Each Loan Party acknowledges and agrees that the Obligations may not be inclusive of all expenses and costs incurred by Administrative Agent and Lenders and payable by each Loan Party, and that fees, costs, and interest will continue to accrue and be added to the Obligations until the Obligations are paid in full in cash. Administrative Agent reserves the right in its sole and absolute discretion to impose default interest on the unpaid Obligations.

(b) Acknowledgment of Liens and Priority. Each Loan Party acknowledges and agrees that pursuant to the Credit Agreement and the Loan Documents, Administrative Agent holds first priority, perfected security interests in, and Liens upon all of the Collateral of each Loan Party wherever located, now owned or hereafter acquired or arising, subject only to Permitted Liens.

(c) Reaffirmation of Security Interests; Cross-Collateralization. All of the assets and property of each Loan Party pledged, assigned, conveyed, mortgaged, hypothecated or transferred to Administrative Agent pursuant to the Credit Agreement and the Loan Documents, including, without limitation, all Collateral, constitutes security and collateral for all of the Obligations. Each Loan Party hereby grants to Administrative Agent, and reaffirms its prior conveyance to Administrative Agent of, a continuing security interest in, lien on, and charge against all of the Collateral, including, without limitation, in all funds and/or monies contained in any accounts under the control of Administrative Agent. Each Loan Party agrees to promptly execute and deliver to Administrative Agent such additional documentation reasonably deemed necessary or appropriate by Administrative Agent in its sole and absolute discretion, to achieve or more fully effectuate the purpose of this section of this Agreement.

(d) Administrative Agent and Lenders Have No Obligation to Extend Forbearance. Each Loan Party hereby acknowledges and agrees that Administrative Agent and Lenders shall have no actual or implied duty or obligation to extend the forbearance granted to each Loan Party herein beyond the Forbearance Period, that the forbearance granted to each Loan Party herein shall not constitute a custom or course of dealing between Administrative Agent, Lenders and each Loan Party, and that any such extension shall be based upon Administrative Agent's and Lender's sole and absolute discretion.

(e) Waiver of Certain Rights. EACH LOAN PARTY HEREBY ACKNOWLEDGES AND AGREES THAT AN EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING UNDER THE CREDIT AGREEMENT AND THE LOAN DOCUMENTS AND EACH LOAN PARTY HEREBY EXPRESSLY WAIVES ALL OF ITS RIGHTS TO: (1) NOTIFICATION BY ADMINISTRATIVE AGENT OF ANY PUBLIC OR PRIVATE SALE OR OTHER INTENDED DISPOSITION OF THE COLLATERAL; AND (2) OBJECT TO ANY PROPOSAL OF ADMINISTRATIVE AGENT TO RETAIN THE COLLATERAL IN SATISFACTION OF THE OBLIGATIONS.

3. Amendments to Credit Agreement.

(a) Section 10.15 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"Public Company Reporting Compliance. Until all Obligations are Paid in Full, the Parent shall file all reports and other materials required to be filed by Section 13 or 15(d) of the Exchange Act, as applicable. The Parent (i) has made available to the Administrative Agent through the EDGAR system, which is available on www.sec.gov, true and complete copies of each of the Parent's SEC Filings, (ii) shall maintain full compliance with the reporting requirements of Section 13 or 15(d) of Exchange Act, as applicable and (iii) will make available to the Administrative Agent through the EDGAR system, which is available on www.sec.gov, true and complete copies of its SEC Filings. The Parent shall ensure that (A) all of its SEC Filings comply in all material respects with the applicable requirements of the Exchange Act and the rules and regulations thereunder, and (B) the SEC Filings do not contain any untrue statement of material facts or omit to state any material facts required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. All reports and statements required to be filed by the Parent in accordance with the terms and conditions of the Securities Act and the Exchange Act shall be timely filed, together with all exhibits required to be filed therewith."

(b) Section 13.1.5(a) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(a) Failure by any Loan Party or the Parent (as applicable) to comply with or to perform any covenant set forth in Sections 10.1.1, 10.1.2, 10.1.3, 10.1.4, 10.1.6, 10.2, 10.3 (with respect to maintenance of insurance only), 10.6, 10.9, 10.10, 10.11, 10.13, 10.14, 10.16, or ARTICLE XI;"

(c) Section 6(c) of the Joinder Agreement is hereby amended and restated in its entirety to read as follows:

"(c) As soon as practicable and in any event the earlier of (1) the date on which the Company or Parent possesses a final draft of the applicable public filing, and (2) at least ten (10) Business Days (provided, however, that the time period for (i) 10-K filings shall be five (5) Business Days, (ii) 10-Q filings shall be two (2) Business Days and (iii) 8-K filings shall be two (2) Business Days) prior to any public filings, including, without limitation, any filings required to be made pursuant to Section 10.15 of the Credit Agreement, the Company shall provide Administrative Agent and its advisors all materials related to such filing(s), regulatory compliance and related matters, for their review;"

4. Forbearance.

(a) Forbearance Period. Except as otherwise provided in this Section 4, Administrative Agent and Lenders agree to forbear during the Forbearance Period (as defined below) from (i) exercising its rights and remedies under the Credit Agreement and the Loan Documents and applicable law solely due to the Existing Defaults and (ii) requiring compliance with the financial covenants set forth in Section 11.12 of the Credit Agreement. For purposes of this Agreement, the term "Forbearance Period" shall mean the period commencing on the date of this Agreement and ending on the earliest to occur of (A) August 8, 2022, (B) the date on which any other Event of Default occurs or is deemed to have occurred, and (C) any failure by Loan Parties for any reason to comply with any term, condition or provision contained in this Agreement.

(b) Limitations on Forbearance. Notwithstanding the foregoing, the execution, delivery and performance of this Agreement shall not (i) constitute a waiver of the Existing Defaults, which shall be deemed to remain in existence, (ii) impair Administrative Agent's and Lender's ability to exercise all or any of its rights and remedies under the Credit Agreement and the Loan Documents or applicable law or in equity at any time after the expiration of the Forbearance Period (all of which rights and remedies Administrative Agent and Lenders hereby expressly reserve), (iii) impair Administrative Agent's and Lender's ability during the Forbearance Period or otherwise to enforce payments of principal, interest, costs, expenses, indemnity payments or any other amounts when due or declared due under the Credit Agreement or the Loan Documents, (iv) impair Administrative Agent's and Lender's right to debit or set-off against any moneys of the Loan Parties to the extent authorized by the Credit Agreement and the Loan Documents or applicable law, or (v) permit the Loan Parties to depart from strict compliance with the terms of the Credit Agreement or any other Loan Document.

(c) Termination of Forbearance Period. Upon the termination of the Forbearance Period, Administrative Agent's and Lender's agreement to forbear as set forth in Section 4(a) hereof shall automatically terminate, and thereafter Administrative Agent and Lenders may exercise any and all of the rights and remedies available to them under the Credit Agreement and the Loan Documents or otherwise under applicable law or in equity.

5. Conditions to Forbearance and Amendments to Credit Agreement. This Agreement shall become effective, the amendments described in Section 3 above and Administrative Agent's and Lender's agreement to forbear described in Section 4(a) above shall commence upon receipt by Administrative Agent of evidence of satisfaction of each and every of the following items and conditions, as determined by Administrative Agent in its sole and absolute discretion:

(a) A duly executed and delivered original of this Agreement by the Loan Parties.

(b) A duly executed and completed Compliance Certificate for the Fiscal Quarter ended April 30, 2022.

(c) Payment for all of the attorneys' fees and costs incurred by Administrative Agent in connection with this Agreement and the matters, documents and transactions related in any way hereto.

(d) Such other certificates, instruments, schedules, exhibits, assignments, agreements, and documents as Administrative Agent may reasonably request, each of which shall be in form and substance satisfactory to Administrative Agent and its counsel.

6. RELEASE BY THE LOAN PARTIES. WITHOUT LIMITING ANY OTHER RELEASE PROVIDED BY THE LOAN PARTIES IN FAVOR OF LENDER GROUP (AS DEFINED BELOW), EACH LOAN PARTY ON BEHALF OF ITSELF, AND ALL PERSONS AND ENTITIES CLAIMING BY, THROUGH, OR UNDER THE LOAN PARTIES, HEREBY UNCONDITIONALLY RELEASES, REMISES, ACQUITS, WAIVES AND FOREVER DISCHARGES ADMINISTRATIVE AGENT AND EACH LENDER, AND ALL OF THEIR RESPECTIVE PAST AND PRESENT OFFICERS, EMPLOYEES, DIRECTORS, SHAREHOLDERS, ATTORNEYS, AGENTS, REPRESENTATIVES, PARENT CORPORATION, SUBSIDIARIES, AFFILIATES, SUCCESSORS AND ASSIGNS (COLLECTIVELY, THE "LENDER GROUP"), OF, FROM, AND WITH RESPECT TO ANY AND ALL MANNER OF ACTION AND ACTIONS, CAUSE AND CAUSES OF ACTIONS, SUITS, DISPUTES, DEBTS, DUES, DAMAGES, PENALTIES, FEES, LOSSES, COSTS, EXPENSES, ATTORNEYS FEES, ACCOUNTS, BONDS, COVENANTS, CONTRACTS, AGREEMENTS, PROMISES, WARRANTIES, GUARANTEES, REPRESENTATIONS, LIENS, JUDGMENTS, AWARDS, CLAIMS, CROSS CLAIMS, COUNTERCLAIMS, LIABILITIES, DEFENSES, DEMANDS, AND ANY CLAIMS FOR AVOIDANCE OR OTHER REMEDIES WHATSOEVER AVAILABLE TO EACH LOAN PARTY, OR ITS SUCCESSORS OR ASSIGNS, WHETHER NOW KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, PAST OR PRESENT, ASSERTED OR UNASSERTED, CONTINGENT OR LIQUIDATED, WHETHER OR NOT WELL FOUNDED IN FACT OR LAW, WHETHER IN CONTRACT, IN TORT OR OTHERWISE OR RESULTING FROM ANY ASSIGNMENT, IF ANY, AT LAW OR IN EQUITY (COLLECTIVELY REFERRED TO AS "CLAIMS"), WHICH EACH LOAN PARTY EVER HAD OR NOW HAS, CLAIMS TO HAVE HAD, NOW CLAIMS TO HAVE OR HEREAFTER CAN, SHALL OR MAY CLAIM TO HAVE AGAINST LENDER GROUP (OR ANY PART THEREOF), FOR OR BY REASON OF ANY CAUSE, MATTER, OR THING WHATSOEVER ARISING FROM THE BEGINNING OF TIME THROUGH THE DATE HEREOF, INCLUDING, WITHOUT LIMITATION, ANY AND ALL CLAIMS BASED UPON, RELATING TO OR ARISING OUT OF ANY AND ALL TRANSACTIONS, AGREEMENTS, RELATIONSHIPS OR DEALINGS WITH OR LOANS MADE TO THE LOAN PARTIES PRIOR TO THE DATE HEREOF, OTHER THAN SOLELY FOR, IF ANY, LENDER'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AS FINALLY DETERMINED IN A NON-APPEALABLE PROCEEDING BY A COURT OF COMPETENT JURISDICTION.

EACH LOAN PARTY WARRANTS AND REPRESENTS THAT IT HAS NOT ASSIGNED, PLEDGED, HYPOTHECATED AND/OR OTHERWISE DIVESTED ITSELF AND/OR ENCUMBERED ALL OR ANY PART OF THE CLAIMS BEING RELEASED HEREBY AND THAT EACH LOAN PARTY HEREBY AGREES TO JOINTLY AND SEVERALLY INDEMNIFY AND HOLD HARMLESS ANY AND ALL OF LENDER GROUP AGAINST WHOM ANY OF THE CLAIMS SO ASSIGNED, PLEDGED, HYPOTHECATED, DIVESTED AND/OR ENCUMBERED IS ASSERTED. THIS PROVISION SHALL SURVIVE ANY TERMINATION OF THIS AGREEMENT.

Each Loan Party hereby knowingly, voluntarily, intentionally and expressly waives and relinquishes any and all rights and benefits that it respectively may have as against the Lender Group under any law, rule or regulation of any jurisdiction that would or could have the effect of limiting the extent to which a general release extends to claims which each Loan Party or the Lender Group does not know or suspect to exist as of the date hereof. Each Loan Party hereby acknowledges that the waiver set forth in the prior sentence was separately bargained for and that such waiver is an essential term and condition of this Agreement (and without which this Agreement would not have been agreed to by Lender).

7. Representations and Warranties. Each Loan Party hereby represents and warrants to Administrative Agent, which representations and warranties shall survive the execution and delivery of this Agreement, that: (a) this Agreement and the actions on each Loan Party's part contemplated hereby have been duly approved by all requisite limited liability company action or corporate action, as applicable, on the part of each Loan Party; (b) this Agreement has been duly executed and delivered and constitutes the legal, valid, and binding obligations of each Loan Party, enforceable in accordance with its terms subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditor's rights and remedies generally; (c) the execution, delivery and performance of this Agreement does not and will not violate or conflict with any provision of any Loan Party's certificate of formation, operating agreement, limited liability company agreement or bylaws, as applicable, in effect on the date hereof, or any material contracts or agreements to which any Loan Party is a party or by which any of such Loan Party's assets are bound; (d) as of the date hereof, no Loan Party has any defense, setoff, claim, counterclaim, or cause of action of any nature whatsoever, with respect to the Obligations, the Credit Agreement or the Loan Documents; (e) this Agreement does not effect, and no agreement, compromise or settlement of any kind has been reached with Administrative Agent and Lenders regarding, a restructuring, amendment or modification of all or any portion of the Obligations, the Credit Agreement or the Loan Documents, and no such agreement shall exist or be deemed to exist unless and until Lender and the Loan Parties execute and deliver complete documentation setting forth the terms of any such restructuring, amendment, or modification; and (f) ADMINISTRATIVE AGENT AND LENDER HAVE MADE NO COMMITMENT, EXPRESS OR IMPLIED, AND HAS NO OBLIGATION TO ENTER INTO ANY FURTHER AGREEMENT TO EXTEND THE TERM OF THE FORBEARANCE PERIOD. The execution and delivery of this Agreement by Administrative Agent and Lenders and their performance under or pursuant to this Agreement, does not and shall not create, result in, or provide the Loan Parties with any defense, setoff, claim, counterclaim, or cause of action of any nature whatsoever, with respect to the Obligations or any of the Loan Documents. Each Loan Party further hereby represents and warrants to Administrative Agent that the representations and warranties of each Loan Party contained in the Credit Agreement and the Loan Documents, as amended, supplemented and modified, are true, correct and complete in all material respects (without duplication of any materiality qualifier, if and as applicable) on and as of the date hereof except to the extent that such representations expressly related (i) to existence of a default or event of default under the Loan Documents or any material agreement, but in each case solely as a result of the Existing Defaults, (ii) solely to an earlier date, in which case such representations were true and correct in all material respects (without duplication of any materiality qualifier, if and as applicable) on and as of such earlier date, and (iii) to the extent that such representation was true on the date of the Credit Agreement and is untrue on the date hereof solely as a result of an action or inaction by a Loan Party that is permitted by the Credit Agreement. Each Loan Party further represents and warrants to Administrative Agent that no Default or Event of Default exists other than the Existing Defaults. Each Loan Party acknowledges that Administrative Agent and Lenders are specifically relying upon the representations, warranties and agreements contained herein and that such representations, warranties and agreements constitute a material inducement to Administrative Agent and Lenders in entering into this Agreement.

8. Additional Acknowledgments. To induce Administrative Agent and Lenders to enter into this Agreement, each Loan Party acknowledges and confirms that: (i) the Credit Agreement and all of the Loan Documents remain in full force and effect and are hereby ratified and confirmed in all respects; and (ii) Administrative Agent and Lenders have no obligation, and has made no commitment, to modify or amend the Credit Agreement or the Loan Documents.

9. Notices. Any notice required or desired to be served, given or delivered hereunder shall be in the form and manner specified in the Credit Agreement. The parties agree that if any notice is tendered to an addressee and delivery thereof is refused by such addressee, such notice shall be effective upon such tender unless expressly set forth in such notice.

10. Binding Agreement. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties hereto; provided, however, no Loan Party may assign this Agreement or any of such Loan Party's rights, responsibilities or obligations hereunder without Administrative Agent's prior written consent and any prohibited assignment shall be absolutely void and of no force and effect.

11. Construction; No Defenses. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Administrative Agent and Lenders, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties hereto and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties hereto. Each Loan Party acknowledges that each Loan Party has thoroughly read and reviewed the terms and provisions of this Agreement, and that such terms and provisions are clearly understood by each Loan Party and have been fully and unconditionally consented to by each Loan Party with the full benefit and advice of counsel chosen by each Loan Party.

12. Rights Cumulative. Each of Administrative Agent's and Lender's rights and remedies under this Agreement are and shall be cumulative. Administrative Agent and Lenders shall have all rights and remedies under the Credit Agreement, the Loan Documents, the Uniform Commercial Code as adopted in the State of New York (or any other applicable jurisdiction), at law or in equity. No exercise by Administrative Agent or Lender of one right or remedy shall be deemed an election, and no waiver by Administrative Agent or Lender of any default on any Loan Party's part shall be deemed a continuing waiver. No delay by Administrative Agent or Lender shall constitute a waiver, election or acquiescence by it.

13. Severability. The invalidity, illegality or unenforceability of any provision in or obligation under this Agreement shall not affect or impair the validity, legality or enforceability of the remaining provisions or obligations hereunder.

14. Entire Agreement. This Agreement cannot be changed, amended, modified or terminated orally. This Agreement, the Credit Agreement and the Loan Documents represent the entire agreement of Administrative Agent, Lenders and the Loan Parties with respect to the matters described herein and therein, and may only be amended or modified by a writing signed by Administrative Agent, Lenders and the Loan Parties.

15. Conflict With Credit Agreement or Loan Documents. If any provision of this Agreement conflicts with any provision of the Credit Agreement or the Loan Documents, the provisions of this Agreement shall prevail.

16. Counterparts; Headings; Recitals. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which when taken together shall together constitute one and the same instrument. A signature hereto sent or delivered by PDF, facsimile or other electronic transmission shall be as legally effective and binding as a signed original for all purposes. The titles and headings in this Agreement have no substantive meaning and are solely for the convenience of the parties. The Recitals hereto are hereby incorporated into this Agreement by this reference thereto.

17. Bankruptcy/Relief from Automatic Stay. If any case is commenced by or against any Loan Party under any chapter of Title 11 of the United States Bankruptcy Code (the "Bankruptcy Code"), each Loan Party hereby agrees that Administrative Agent and Lenders and/or their respective nominee(s) or assignee(s) are entitled to, and each Loan Party hereby waives any objections to, immediate relief from any stay imposed by Section 362 or 105 of the Bankruptcy Code or otherwise or against the exercise of the rights and remedies otherwise available to Administrative Agent and Lenders and/or respective nominee(s) or assignee(s) as provided in this Agreement and as otherwise provided by law. Upon the occurrence of any of the events described in this Section, each Loan Party covenants and agrees to take any action deemed necessary, desirable or convenient by Administrative Agent and Lenders and/or its nominee(s) and assignee(s) to enable Administrative Agent and Lenders and/or respective nominee(s) and assignee(s) to continue to exercise its rights and remedies under this Agreement.

18. Indemnification. If, after receipt of any payment of all or any part of the Obligations, Lender is compelled to surrender such payment to any person or entity for any reason (including, without limitation, a determination that such payment is void or voidable as a preference or fraudulent conveyance, an impermissible setoff, or a diversion of trust funds), then this Agreement and the Credit Agreement and the Loan Documents shall continue in the full force and effect, and each Loan Party shall be liable for, and shall jointly and severally indemnify, defend and hold harmless Lender with respect to the full amount so surrendered. The provisions of this section shall survive the termination of this Agreement and the Credit Agreement and the Loan Documents and shall be and remain effective notwithstanding the payment of the Obligations, the cancellation of the Notes, the release of any lien, security interest, mortgage, assignment or other encumbrance securing the Obligations or any other action which Lender may have taken in reliance upon its receipt of such payment. Any cancellation of the Notes, release of any such encumbrance or other such action shall be deemed to have been conditioned upon any payment of the Obligations having become final and irrevocable.

19. Tolling; Revival of Obligations. Any and all statute of limitations, repose or similar legal constraints on the time by which a claim must be filed, a person given notice thereof, or asserted, that expire, run or lapse during the Forbearance Period on any claims that Administrative Agent or Lender may have against the Loan Parties or any Person related to the Loan Parties (collectively, the "Forbearance Period Statutes of Limitation") will be tolled during the Forbearance Period. Each Loan Party waives any defense it may have against Administrative Agent and Lenders under the Forbearance Period Statutes of Limitation, applicable law or otherwise solely as to the expiration, running or lapsing of the Forbearance Period Statutes of Limitation during the Forbearance Period. If all or any part of any payment under or on account of the Credit Agreement, the other Loan Documents, this Agreement or any agreement, instrument or other document executed or delivered by any Loan Party in connection with this Agreement is invalidated, set aside, declared or found to be void or voidable or required to be repaid to the issuer or to any trustee, custodian, receiver, conservator, master, liquidator or any other person or entity pursuant to any bankruptcy law or pursuant to any common law or equitable cause then, to the extent of such invalidation, set aside, voidness, voidability or required repayment, such payment would be deemed to not have been paid, and the obligations of the Loan Parties in respect thereof would be immediately and automatically revived without the necessity of any action by Administrative Agent or Lender.

20. GOVERNING LAW. THIS AGREEMENT AND EVERY OTHER LOAN DOCUMENT 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 AGREEMENT 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.

21. JURISDICTION. ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT 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 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.

22. 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 AGREEMENT 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 AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

[Signature Pages Follow]

IN WITNESS WHEREOF, duly authorized officers of each of the undersigned have executed this Forbearance Agreement and Third Amendment to Credit Agreement as of the date first written above.

COMPANY:

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

By: ______________________________
Name: Arthur L. Smith
Title: President and Chief Executive Officer

Signature Pages to Forbearance Agreement and Third Amendment to Credit Agreement

GUARANTORS:

T3 COMMUNICATIONS, INC., a Florida corporation

By: ______________________________

Name: Arthur L. Smith

Title: President and Chief Executive Officer

SHIFT8 NETWORKS, INC., a Texas Corporation

By: ________________________
Name: Arthur L. Smith
Title: President and Chief Executive Officer

NEXOGY, INC., a Florida corporation

By: ______________________________
Name: Arthur L. Smith
Title: President and Chief Executive Officer

NEXT LEVEL INTERNET, INC.,
a California corporation

By: ________________________
Name: Arthur L. Smith
Title: President and Chief Executive Officer

ADMINISTRATIVE AGENT:

POST ROAD ADMINISTRATIVE LLC

By: ________________________
Name: Michael Bogdan
Title: Authorized Signatory

LENDERS:

POST ROAD SPECIAL OPPORTUNITY FUND II LP

By: ________________________
Name: Michael Bogdan
Title: Authorized Signatory

EXHIBIT 31.1

CERTIFICATION

I, Arthur L. Smith, certify that:

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

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

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

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

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

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

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

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

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

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

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

June 21, 2022

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

EXHIBIT 31.2

CERTIFICATION

I, Antonio Estrada, Jr., certify that:

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

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

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

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

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

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

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

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

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

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

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

June 21, 2022

/s/ Antonio Estrada, Jr.

Antonio Estrada, Jr.
Chief Financial Officer

EXHIBIT 32.1

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

In connection with the Quarterly Report (the “Report”) of Digerati Technologies, Inc. (the “Company”) on Form 10-Q for the period ending April 30, 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
June 21, 2022

EXHIBIT 32.2

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

In connection with the Quarterly Report (the "Report") of Digerati Technologies, Inc. (the "Company") on Form 10-Q for the period ending April 30, 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
June 21, 2022