

DIGERATI TECHNOLOGIES, INC.

FORM 10-Q (Quarterly Report)

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Address	825 W. BITTERS RD., SUITE 104 SAN ANTONIO, TX, 78216
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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, 2020

or

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

For the transition period from _____ to _____

Commission File Number 001-15687

DIGERATI TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Nevada

(State or Other Jurisdiction of
Incorporation or Organization)

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

(Address of Principal Executive Offices)

74-2849995

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

78216

(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:
88,344,144	Common Stock \$0.001 par value	June 9, 2020

DIGERATI TECHNOLOGIES, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED APRIL 30, 2020

INDEX

PART I– FINANCIAL INFORMATION

<u>Item 1.</u>	<u>Consolidated Financial Statements (Unaudited)</u>	1
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	33
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	39
<u>Item 4.</u>	<u>Controls and Procedures</u>	39

PART II– OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings</u>	40
<u>Item 1A.</u>	<u>Risk Factors</u>	40
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	43
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	43
<u>Item 5.</u>	<u>Other Information</u>	43
<u>Item 6.</u>	<u>Exhibits</u>	45

<u>SIGNATURES</u>		46
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DIGERATI TECHNOLOGIES, INC.
CONTENTS

PAGE 1	<u>CONSOLIDATED BALANCE SHEETS AS OF APRIL 30, 2020 AND JULY 31, 2019 (UNAUDITED)</u>
PAGE 2	<u>CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2020 AND 2019 (UNAUDITED)</u>
PAGE 3-4	<u>CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2020 AND 2019 (UNAUDITED)</u>
PAGE 5	<u>CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED APRIL 30, 2020 AND 2019 (UNAUDITED)</u>
PAGES 6-32	<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)</u>

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	<u>April 30,</u> 2020	<u>July 31,</u> 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 445	\$ 406
Accounts receivable, net	397	262
Prepaid and other current assets	176	107
Total current assets	<u>1,018</u>	<u>775</u>
LONG-TERM ASSETS:		
Intangible assets, net	1,546	1,832
Goodwill, net	810	810
Property and equipment, net	456	579
Other assets	73	58
Investment in Itellum	185	185
Right-of-use asset	213	-
Total assets	<u>\$ 4,301</u>	<u>\$ 4,239</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,516	\$ 1,264
Accrued liabilities	1,813	1,493
Equipment financing	68	65
Convertible note payable, current, net \$376 and \$547, respectively	407	1,005
Note payable, current, related party, net of \$0 and \$7, respectively	131	383
Note payable, current, net \$0 and \$0, respectively	837	1,218
Deferred income	318	285
Derivative liability	1,099	927
Lease liability	114	-
Total current liabilities	<u>6,303</u>	<u>6,640</u>
LONG-TERM LIABILITIES:		
Convertible debenture, net \$0 and \$29, respectively	-	21
Notes payable, related party, net \$12 and \$17, respectively	95	136
Note payable, net \$0 and \$0, respectively	693	-
Equipment financing	48	100
Lease liability	99	-
Total long-term liabilities	<u>935</u>	<u>257</u>
Total liabilities	<u>7,238</u>	<u>6,897</u>
Commitments and contingencies		
STOCKHOLDERS' DEFICIT:		
Preferred stock, \$0.001, 50,000,000 shares authorized		
Series A Preferred stock, \$0.001, 1,000,000 shares designated, 225,000 and 225,000 issued and outstanding, respectively	-	-
Series B Preferred stock, \$0.001, 1,000,000 shares designated, 424,165 and 0 issued and outstanding, respectively	-	-
Common stock, \$0.001, 150,000,000 shares authorized, 84,844,144 and 23,740,406 issued and outstanding, respectively (6,000,000 reserved in Treasury)	85	24
Additional paid in capital	85,762	82,972
Accumulated deficit	(88,392)	(85,320)
Other comprehensive income	1	1
Total Digerati's stockholders' deficit	<u>(2,544)</u>	<u>(2,323)</u>
Noncontrolling interest	(393)	(335)
Total stockholders' deficit	<u>(2,937)</u>	<u>(2,658)</u>
Total liabilities and stockholders' deficit	<u>\$ 4,301</u>	<u>\$ 4,239</u>

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,	
	2020	2019	2020	2019
OPERATING REVENUES:				
Cloud software and service revenue	\$ 1,566	\$ 1,485	\$ 4,712	\$ 4,493
Total operating revenues	1,566	1,485	4,712	4,493
OPERATING EXPENSES:				
Cost of services (exclusive of depreciation and amortization)	764	770	2,343	2,322
Selling, general and administrative expense	1,047	1,220	3,357	3,040
Legal and professional fees	98	95	408	305
Bad debt	(19)	-	(19)	(3)
Depreciation and amortization expense	148	167	465	505
Total operating expenses	2,038	2,252	6,554	6,169
OPERATING LOSS	(472)	(767)	(1,842)	(1,676)
OTHER INCOME (EXPENSE):				
Gain (loss) on derivative instruments	(249)	903	69	(594)
Gain on settlement of debt	134	-	134	-
Income tax benefit (expense)	(10)	(10)	22	(37)
Interest expense	(511)	(376)	(1,513)	(1,414)
Total other income (expense)	(636)	517	(1,288)	(2,045)
NET LOSS INCLUDING NONCONTROLLING INTEREST	(1,108)	(250)	(3,130)	(3,721)
Less: Net loss attributable to the noncontrolling interests	1	29	58	87
NET LOSS ATTRIBUTABLE TO DIGERATI'S SHAREHOLDERS	(1,107)	(221)	(3,072)	(3,634)
Deemed dividend on Series A Convertible preferred stock	-	(2)	-	(2)
NET LOSS ATTRIBUTABLE TO DIGERATI'S COMMON SHAREHOLDERS	\$ (1,107)	\$ (223)	\$ (3,072)	\$ (3,636)
LOSS PER COMMON SHARE - BASIC	\$ (0.02)	\$ (0.01)	\$ (0.07)	\$ (0.24)
LOSS PER COMMON SHARE - DILUTED	\$ (0.02)	\$ (0.01)	\$ (0.07)	\$ (0.24)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC	61,624,640	18,184,442	41,445,900	15,163,082
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED	61,624,640	18,184,442	41,445,900	15,163,082

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, 2020
(In thousands, except for share amounts, unaudited)

	Equity Digerati's Shareholders											
	Convertible Preferred				Common		Additional	Accumulated	Other	Stockholders	Noncontrolling	Totals
	A Shares	Par	B Shares	Par	Shares	Par	Paid-in Capital	Deficit	Comprehensive Income	Deficit	Interest	
BALANCE, July 31, 2019	225,000	-	-	-	23,740,406	\$ 24	\$ 82,972	\$ (85,320)	\$ 1	\$ (2,323)	\$ (335)	\$ (2,658)
Stock issued for services, to employees	-	-	-	-	5,289,420	5	365	-	-	370	-	370
Amortization of employee stock options	-	-	-	-	-	-	141	-	-	141	-	141
Stock issued for convertible debt	-	-	-	-	3,782,881	4	153	-	-	157	-	157
Derivative liability resolved to APIC due to note conversion	-	-	-	-	-	-	240	-	-	240	-	240
Stock issued, extension of debt	-	-	-	-	400,000	-	40	-	-	40	-	40
Dividends declared	-	-	-	-	-	-	(8)	-	-	(8)	-	(8)
Net loss	-	-	-	-	-	-	-	(1,508)	-	(1,508)	(13)	(1,521)
BALANCE, October 31, 2019	225,000	-	-	-	33,212,707	\$ 33	\$ 83,903	\$ (86,828)	\$ 1	\$ (2,891)	\$ (348)	\$ (3,239)
Stock issued for services, to employees	-	-	-	-	5,012,658	5	193	-	-	198	-	198
Amortization of employee stock options	-	-	-	-	-	-	110	-	-	110	-	110
Stock issued for services	-	-	-	-	400,000	1	15	-	-	16	-	16
Stock issued for convertible debt	-	-	-	-	8,539,179	9	144	-	-	153	-	153
Derivative liability resolved to APIC due to note conversion	-	-	-	-	-	-	145	-	-	145	-	145
Stock issued for accrued interest payments on debt	-	-	-	-	282,885	-	15	-	-	15	-	15
Stock issued, extension of debt	-	-	-	-	80,000	-	3	-	-	3	-	3
Stock issued for conversion of Series A convertible preferred stock	(25,000)	-	-	-	86,667	-	-	-	-	-	-	-
Dividends declared	-	-	-	-	-	-	(4)	-	-	(4)	-	(4)
Net loss	-	-	-	-	-	-	-	(457)	-	(457)	(44)	(501)
BALANCE, January 31, 2020	200,000	-	-	-	47,614,096	\$ 48	\$ 84,524	\$ (87,285)	\$ 1	\$ (2,712)	\$ (392)	\$ (3,104)
Stock issued for services, to employees	-	-	-	-	11,509,022	12	222	-	-	234	-	234
Amortization of employee stock options	-	-	-	-	-	-	63	-	-	63	-	63
Preferred Stock Series A and warrants issued for AP settlement	25,000	-	-	-	-	-	25	-	-	25	-	25
Preferred Stock Series B issued for debt settlement	-	-	424,165	-	-	-	424	-	-	424	-	424
Stock issued for convertible debt	-	-	-	-	25,110,999	25	352	-	-	377	-	377
Derivative liability resolved to APIC due to note conversion	-	-	-	-	-	-	139	-	-	139	-	139
Stock issued for accrued interest payments on debt	-	-	-	-	110,027	-	4	-	-	4	-	4
Stock issued, extension of debt	-	-	-	-	300,000	-	7	-	-	7	-	7
Stock issued, settlement of debt	-	-	-	-	200,000	-	5	-	-	5	-	5
Dividends declared	-	-	-	-	-	-	(3)	-	-	(3)	-	(3)
Net loss	-	-	-	-	-	-	-	(1,107)	-	(1,107)	(1)	(1,108)
BALANCE, April 30, 2020	225,000	-	424,165	-	84,844,144	\$ 85	\$ 85,762	\$ (88,392)	\$ 1	\$ (2,544)	\$ (393)	\$ (2,937)

DIGERATI TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
Nine-Month Period Ended April 30, 2019
(In thousands, except for share amounts, unaudited)

	Equity Digerati's Shareholders										
	Convertible Preferred		Common		Additional Paid-in Capital	Subscription Receivable	Accumulated Deficit	Other Comprehensive Income	Stockholders Equity	Noncontrolling Interest	Totals
	Shares	Par	Shares	Par							
BALANCE, July 31, 2018	-	-	12,775,143	\$ 13	\$ 79,993	\$ -	\$ (80,800)	\$ 1	\$ (793)	\$ (207)	\$ (1,000)
Amortization of employee stock options	-	-	-	-	95	-	-	-	95	-	95
Stock issued for AP settlement	-	-	21,672	-	6	-	-	-	6	-	6
Stock issued for cash	-	-	80,000	-	47	-	-	-	47	-	47
Stock issued, for debt	-	-	240,000	-	36	-	-	-	36	-	36
Value of warrants issued	-	-	-	-	79	-	-	-	79	-	79
Net loss	-	-	-	-	-	-	(914)	-	(914)	(27)	(941)
BALANCE, October 31, 2018	-	-	13,116,815	\$ 13	\$ 80,256	-	\$ (81,714)	\$ 1	\$ (1,444)	\$ (234)	\$ (1,678)
Amortization of employee stock options	-	-	-	-	41	-	-	-	41	-	41
Stock issued for services, to employees	-	-	635,156	1	113	-	-	-	114	-	114
Stock issued for services	-	-	200,000	-	70	-	-	-	70	-	70
Stock issued for AP settlement	-	-	56,327	-	18	-	-	-	18	-	18
Stock issued for cash	-	-	258,621	-	75	-	-	-	75	-	75
Stock issued, for debt	-	-	28,000	-	-	-	-	-	-	-	-
Stock issued for convertible debt	-	-	1,642,020	2	225	-	-	-	227	-	227
Stock issued, extension of debt	-	-	105,000	-	24	-	-	-	24	-	24
Value of warrants issued	-	-	-	-	16	-	-	-	16	-	16
Net loss	-	-	-	-	-	-	(2,499)	-	(2,499)	(31)	(2,530)
BALANCE, January 31, 2019	-	-	16,041,939	\$ 16	\$ 80,838	-	\$ (84,213)	\$ 1	\$ (3,358)	\$ (265)	\$ (3,623)
Amortization of employee stock options	-	-	-	-	153	-	-	-	153	-	153
Stock issued for services	-	-	725,000	1	178	-	-	-	179	-	179
Stock issued for AP settlement	-	-	60,715	-	13	-	-	-	13	-	13
Stock issued for cash	-	-	600,000	1	149	-	-	-	150	-	150
Preferred stock issued for cash	50,000	-	-	-	50	-	-	-	50	-	50
Stock issued for convertible debt	-	-	1,288,777	1	360	-	-	-	361	-	361
Stock issued, extension of debt	-	-	85,000	-	16	-	-	-	16	-	16
Stock issued, exercise of warrants	-	-	75,000	-	7	-	-	-	7	-	7
Beneficial conversion feature on convertible preferred stock	-	-	-	-	2	-	-	-	2	-	2
Deemed dividend on Series A Convertible preferred stock	-	-	-	-	(2)	-	-	-	(2)	-	(2)
Net loss	-	-	-	-	-	-	(221)	-	(221)	(29)	(250)
BALANCE, April 30, 2019	50,000	-	18,876,431	\$ 19	\$ 81,764	-	\$ (84,434)	\$ 1	\$ (2,650)	\$ (294)	\$ (2,944)

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,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (3,130)	\$ (3,721)
Adjustments to reconcile net loss to cash used in by operating activities:		
Depreciation and amortization	465	505
Stock compensation and warrant expense	1,132	716
Bad debt recovery	(18)	(3)
Loss on AP settled with stock	-	5
Interest expense from stock issued for debt extension	-	24
Amortization of ROU - operating	159	-
Amortization of debt discount	1,046	959
Loss (Gain) on derivative liabilities	(69)	594
Gain settlement of debt	(134)	-
Changes in operating assets and liabilities:		
Accounts receivable	(116)	(13)
Escrow deposit related to acquisition	-	(55)
Prepaid expenses and other current assets	18	45
Right of use operating lease liability	(159)	-
Accounts payable	277	54
Accrued expenses	532	539
Deferred income	33	52
Net cash provided by (used in) operating activities	<u>36</u>	<u>(299)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid in acquisition of equipment	(57)	(43)
Cash paid for escrow deposit related to acquisition	(102)	-
Net cash used in investing activities	<u>(159)</u>	<u>(43)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of stock and warrants	-	322
Borrowings from convertible debt, net of original issuance cost and discounts	195	509
Borrowings from related party note, net	70	25
Borrowings from 3rd party promissory notes, net	322	100
Principal payments on convertible notes, net	-	(301)
Principal payments on related party notes, net	(376)	(94)
Principal payments on 3rd party promissory notes, net	-	(125)
Principal payment on equipment financing	(49)	(22)
Net cash provided by financing activities	<u>162</u>	<u>414</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39	72
CASH AND CASH EQUIVALENTS, beginning of period	<u>406</u>	<u>388</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 445</u>	<u>\$ 460</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 323</u>	<u>\$ 355</u>
Income tax paid	<u>\$ -</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Debt discount from warrants issued with debt	<u>\$ -</u>	<u>\$ 38</u>
Debt discount from common stock issued with debt	<u>\$ -</u>	<u>\$ 36</u>
Debt discount from derivative liabilities	<u>\$ 765</u>	<u>\$ 509</u>
Debt from assignment of accrued interest	<u>\$ 99</u>	<u>\$ -</u>
Capitalization of ROU assets and liabilities - operating	<u>\$ 372</u>	<u>\$ -</u>
Preferred Stock Series A and warrants issued for AP settlement	<u>\$ 25</u>	<u>\$ -</u>

Preferred Stock Series B issued for debt conversion and settlement	\$ 424	\$ -
Common Stock issued for debt conversion	\$ 692	\$ 155
Common Stock issued for interest payment	\$ 19	\$ -
Common Stock issued for debt extension	\$ 50	\$ 17
Deemed dividend on Series A Convertible preferred stock	\$ -	\$ 2
Dividends	\$ 15	\$ -
Derivative liability resolved to APIC due to debt conversion	\$ 524	\$ 432

See accompanying notes to consolidated unaudited financial statements

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

NOTE 1 – BASIS OF PRESENTATION

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

Customers and Suppliers

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

During the nine months ended April 30, 2020 and 2019, the Company did not derive a significant amount of revenue from one single customer.

As of the nine months ended April 30, 2020 and 2019, the Company did not derive a significant amount of accounts receivable from one single customer.

Sources of revenue:

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

Service Revenue

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

Product Revenue

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

Disaggregation of Cloud software and service revenue

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

	Three months ended April 30,		Nine months ended April 30,	
	2020	2019	2020	2019
Cloud software and service revenue	\$ 1,556	\$ 1,455	\$ 4,653	\$ 4,340
Product revenue	10	30	59	153
Total operating revenues	\$ 1,566	\$ 1,485	\$ 4,712	\$ 4,493

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, 2020 and July 31, 2019, were \$5,084 and \$22,967, respectively.

Deferred Income

Deferred income represents billings or payment received in advance of revenue recognition and is recognized upon transfer of control. Balances consist primarily of annual plan subscription services, for services not yet provided as of the balance sheet date. Deferred revenues that will be recognized during the succeeding 12-month period are recorded as current deferred revenues in the consolidated balance sheets, with the remainder recorded as other noncurrent liabilities in the consolidated balance sheets. Deferred income as of April 30, 2020 and July 31, 2019, were \$318,000 and \$285,000, respectively.

Costs to Obtain a Customer Contract

Sales commissions are paid upon collections of related revenue and are expensed during the same period. Sales commissions for the nine months ended April 30, 2020 and April 30, 2019, were \$51,953 and \$39,828, respectively.

Direct Costs - Cloud software and service

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

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

The net income (loss) attributed to the NCI is separately designated in the accompanying consolidated statements of operations and other comprehensive income (loss). For the nine months ended April 30, 2020 and 2019, the Company recognized a noncontrolling deficits of \$58,000 and \$87,000, respectively.

Recently issued accounting pronouncements.

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

NOTE 2 – GOING CONCERN

Financial Condition

The Company's consolidated financial statements for the nine months ending April 30, 2020 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 \$88,392,000 and a working capital deficit of approximately \$5,285,000 which raises substantial doubt about Digerati's ability to continue as a going concern.

Management Plans to Continue as a Going Concern

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

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

The Company's consolidated financial statements as of April 30, 2020 do not include any adjustments that might result from the inability to implement or execute the Company'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, 2020 and July 31, 2019:

	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
April 30, 2020			
NetSapiens - license, 10 years	\$ 150,000	\$ (150,000)	\$ -
Customer relationships, 5 years	40,000	(18,672)	21,328
Customer relationships, 7 years	1,480,000	(434,648)	1,045,352
Marketing & Non-compete, 5 years	800,000	(320,000)	480,000
Total Define-lived Assets	<u>2,470,000</u>	<u>(923,320)</u>	<u>1,546,680</u>
Goodwill, Indefinite	810,353	-	810,353
Balance, April 30, 2020	<u>\$ 3,280,353</u>	<u>\$ (923,320)</u>	<u>\$ 2,357,033</u>
July 31, 2019			
NetSapiens - license, 10 years	\$ 150,000	\$ (150,000)	\$ -
Customer relationships, 5 years	40,000	(12,672)	27,328
Customer relationships, 7 years	1,480,000	(276,077)	1,203,923
Marketing & Non-compete, 5 years	800,000	(200,000)	600,000
Total Define-lived Assets	<u>2,470,000</u>	<u>(638,749)</u>	<u>1,831,251</u>
Goodwill, Indefinite	810,353	-	810,353
Balance, July 31, 2019	<u>\$ 3,280,353</u>	<u>\$ (638,749)</u>	<u>\$ 2,641,604</u>

Total amortization expense for the nine months ended April 30, 2020 and 2019 was \$284,571 and \$284,571, 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, 2020, we issued:

- 7,313,827 common shares to the Executive Officers for services in lieu of cash compensation. The Company recognized stock-based compensation expense of approximately \$410,044 equivalent to the value of the shares calculated based on the share’s closing price at the grant dates.
- 2,988,251 shares of common stock to the Executive Officers, with a market value at time of issuance of \$158,216 the stock was issued as payment for outstanding compensation.
- 60,000 options to purchase common shares to an employee with an exercise price of \$0.12 per share and a term of 5 years. The options vest equally over a period of three years. The options have a fair market value of \$7,158.
- 11,509,020 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 approximately \$233,633 equivalent to the value of the shares calculated based on the share’s closing price at the grant date.

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

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

During the nine months ended April 30, 2019, we issued:

- 635,155 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 approximately \$115,000 equivalent to the value of the shares calculated based on the share's closing price at the grant dates.
- 100,000 options to purchase common shares to a member of the Board of Directors with an exercise price of \$0.18 per share and a term of 5 years. The options vest equally over a period of one year. The options have a fair market value of \$11,406.
- 1,725,000 options to purchase common shares to members of the Management team with an exercise price of \$0.19 per share and a term of 5 years. The options vest equally over a period of one year. The options have a fair market value of \$217,263.

The Company recognized approximately \$315,000 and \$403,000 in stock option amortization expense to employees during the nine months ended April 30, 2020 and 2019, respectively. Unamortized compensation cost totaled \$126,182 and \$388,732 on April 30, 2020 and April 30, 2019, respectively. In addition, during the nine months ended April 30, 2020 and 2019 Digerati recognized approximately \$817,000 and \$313,000, respectively in stock compensation expense to employees as part of the Company's Non-Standardized profit-sharing plan contribution and other stock compensation to employees.

A summary of the stock options as of April 30, 2020 and July 31, 2019 and the changes during the nine months ended April 30, 2020 are presented below:

	Options	Weighted average exercise price	Weighted average remaining contractual term (years)
Outstanding at July 31, 2019	4,940,000	\$ 0.27	3.65
Granted	60,000	\$ 0.12	4.57
Exercised	-	-	-
Forfeited and cancelled	-	-	-
Outstanding at April 30, 2020	<u>5,000,000</u>	<u>\$ 0.27</u>	<u>2.92</u>
Exercisable at April 30, 2020	<u>4,681,507</u>	<u>\$ 0.26</u>	<u>2.86</u>

The aggregate intrinsic value (the difference between the Company's closing stock price on the last trading day of the period and the exercise price, multiplied by the number of in-the-money options) of the 5,000,000 and 4,940,000 stock options outstanding at April 30, 2020 and July 31, 2019 was \$0 and \$0, respectively.

The aggregate intrinsic value of 4,681,507 and 3,452,405 stock options exercisable at April 30, 2020 and July 31, 2019 was \$0 and \$0, respectively.

NOTE 5 – WARRANTS

During the nine months ended April 30, 2020, we issued the following warrants.

In March 2020, the Company received \$25,000 in professional services and issued 25,000 shares of Series A Convertible Preferred Stock at an conversion price of \$0.30 per share and warrants to purchase an additional 50,000 shares of its common stock at an exercise price of \$0.20 per share. We determined that the warrants issued in connection with the services received were equity instruments and did not represent derivative instruments. The Company adopted a sequencing policy and determined that the warrants with fixed exercise price were excluded from derivative consideration.

During the nine months ended April 30, 2019, we issued the following warrants:

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

In October 2018, the Company issued 200,000 warrants under an extension of payments to existing promissory notes, with a combined current principal balance of \$75,000, the warrants vested at time of issuance. The warrants have a term of 3 years, with an exercise price of \$0.10. Under a Black-Scholes valuation the relative fair market value of the warrants at time of issuance was approximately \$31,000 and was recognized as a discount on the promissory note, the company will amortize the fair market value as interest expense over 3 months. The Company adopted a sequencing policy and determined that the warrants with fixed exercise price were excluded from derivative consideration.

In January 2019, the Company cancelled 260,000 warrants with an exercise price of \$0.15. Additionally, the Company issued 260,000 common shares to replace these warrants, in conjunction with two promissory notes with a principal balance of \$50,000, in addition at the time of issuance we recognized a discount of \$36,000.

In February 2019, the Company secured \$50,000 from accredited investors under a private placement and issued 50,000 shares of Series A Convertible Preferred Stock at an conversion price of \$0.30 per share and warrants to purchase an additional 100,000 shares of its common stock at an exercise price of \$0.20 per share. We determined that the warrants issued in connection with the private placement were equity instruments and did not represent derivative instruments. The Company adopted a sequencing policy and determined that the warrants with fixed exercise price were excluded from derivative consideration.

In February 2019, the Company received \$1,500 for the exercise of 15,000 warrants, with an exercise price of \$0.10 per warrant.

In March 2019, the Company received \$6,000 for the exercise of 60,000 warrants, with an exercise price of \$0.10 per warrant.

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

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

A summary of the warrants as of April 30, 2020 and July 31, 2019 and the changes during the six months ended April 30, 2020 are presented below:

	Warrants	Weighted average exercise price	Weighted average remaining contractual term (years)
Outstanding at July 31, 2019	2,700,000	\$ 0.32	2.19
Granted	50,000	\$ 0.20	3.00
Exercised	-	-	-
Forfeited and cancelled	(300,000)	\$ 0.14	-
Outstanding at April 30, 2020	<u>2,450,000</u>	<u>\$ 0.34</u>	<u>1.73</u>
Exercisable at April 30, 2020	<u>2,150,000</u>	<u>\$ 0.25</u>	<u>1.59</u>

The aggregate intrinsic value (the difference between the Company's closing stock price on the last trading day of the period and the exercise price, multiplied by the number of in-the-money warrants) of the 2,450,000 and 2,700,000 warrants outstanding at April 30, 2020 and July 31, 2019 was \$5,060 and \$63,602, respectively.

The aggregate intrinsic value of 2,150,000 and 2,400,000 warrants exercisable at April 30, 2020 and July 31, 2019 was \$4,290 and \$63,602, respectively.

In January 2020, 300,000 warrants expired with an exercise price of \$0.136. These warrants were issued in January 2015.

In December 2017, the Company issued 100,000 warrants to a consultant for services, the warrants vested at time of issuance. The warrants have a term of 5 years, with an exercise price of \$0.50. Under a Black-Scholes valuation the fair market value of the warrants at time of issuance was approximately \$49,000, the Company will amortize the fair market value as warrant expense over 12 months. Additionally, the Company committed to issue 100,000 warrants if the Company's stock price traded at \$0.75 per share for 10 consecutive days, to issue 100,000 warrants if the Company's stock price traded at \$1.00 per share for 10 consecutive days, and to issue 100,000 warrants if the Company's stock price traded at \$1.25 per share for 10 consecutive days. Under a Black-Scholes valuation the fair market value of the warrants at time of issuance was approximately \$143,000, the Company amortized the fair market value as warrant expense over 12 months. The 200,000 commitment warrants have not been issued since the requirements were not achieved during the nine months ending April 30, 2020.

NOTE 6 - DEBT

Non-convertible - debt

On April 30, 2018, T3 Communications, Inc., a Nevada corporation ("T3"), our majority owned subsidiary, entered into a secured promissory note for \$650,000 with an effective annual interest rate of 0% and a maturity date of May 14, 2018, provided, however, the Maturity Date will automatically be extended by one (1) additional period of thirty (30) days, until June 14, 2018. In addition, T3 entered into a Security Agreement, whereby T3 agreed to pledge one third of the outstanding shares of its Florida operations, T3 Communications, Inc., the secured interest will continue until the principal balance is paid in full. Furthermore, a late fee of \$3,000 per calendar week will be accessed beginning on May 15, 2018 and will continue until the principal balance is paid in full. On May 6, 2020, the Company received an additional \$50,000 from the lender and increased the principal of the promissory note to \$700,000 and the lender agreed to extend the maturity date until June 30, 2020, we are currently paying a \$3,250 per week late fee. As of April 30, 2020, and July 31, 2019, the outstanding principal balance were \$700,000 and \$650,000, respectively.

On April 30, 2018, T3 entered into a credit facility under a secured promissory note of \$500,000, interest payment for the first twenty-three months with a balloon payment on the twenty-fourth month and a maturity date of April 30, 2020. Collateralized by T3's accounts receivables and with an effective annual interest rate of prime plus 5.25%, adjusted quarterly on the first day of each calendar quarter. However, the rate will never be less than 9.50% per annum. In the event of default, the interest rate will be the maximum non-usurious rate of interest per annum permitted by whichever of applicable United States federal law or Louisiana law permits the higher interest rate. T3 agreed to pay the lender a commitment fee of 1.00% upon payment of the first interest payment under the credit facility and 1.00% on the first anniversary of the credit facility. In addition, T3 agreed to pay a monitoring fee of 0.33% of the credit facility, payable in arrears monthly. T3 also agreed to pay an over-advance fee of 3.00% of the amount advanced in excess of the borrowing base or maximum amount of the credit facility, payable in arrears monthly. T3 is required to maintain the following financial covenants: 1) A consolidated debt service coverage ratio, as of the last day of each fiscal quarter, of at least 1.25 to 1.00, 2) A fixed charge coverage ratio, as of the last day of each fiscal quarter, of at least 1.25 to 1.00, and 3) A tangible net worth, at all times of at least \$100,000. On April 10, 2020, the Company increased the credit facility to \$600,000 and the lender agreed to extend the maturity date until April 10, 2022. In addition, the Company agreed to a revised effective annual interest rate of prime plus 5.75%, adjusted quarterly on the first day of each calendar quarter. However, the rate will never be less than 11.00% per annum. During the period ended April 30, 2020, the Company received an additional \$93,820 from the lender. As of April 30, 2020, and July 31, 2019, the outstanding principal balance were \$593,820 and \$500,000, respectively.

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. In February 2020, the maturity date was extended to December 31, 2020. In conjunction with the extension, the Company issued 40,000 shares of common stock. At issuance, the fair market value of the shares was recorded as interest expense of \$800. 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, 2020 was \$50,000.

On June 14, 2019, the Company, entered into a Stock Purchase Agreement (the "Agreement") to acquire a 12% minority interest in Itellum Comunicacions Costa Rica, S.R.L. In conjunction with this transaction, we entered into a non-recourse promissory note for \$17,500 with an effective annual interest rate of 8% and an initial maturity date of September 14, 2019. On February 15, 2020, the maturity date was extended to July 31, 2020. In addition, the holder agreed to accept 200,000 shares of common stock as a principal payment on the note for \$10,000. The outstanding balance as of April 30, 2020 was \$7,500.

On February 26, 2020, the Company entered into a secured promissory note for \$30,000 with an effective annual interest rate of 12% and a maturity date of May 1, 2020. Subsequently, the note holder agreed to extend the maturity date until August 31, 2020. The proceeds from this note were used to extend the closing date of the acquisition of Nexogy, the funds are held in an escrow account for the benefit of owners of Nexogy, and therefore, the Company included the prepaid amounts in other current assets as of April 30, 2020. The promissory note is secured by the Company's receivables. The outstanding balance as of April 30, 2020 was \$30,000.

On April 22, 2020, the Company, entered into two unsecured promissory notes (the "Notes") for \$62,500 and \$86,500 made to the Company under the Paycheck Protection Program (the "PPP"). The PPP was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration (the "SBA"). The loans to the Company was made through The Bank of San Antonio (the "Lender").

The Notes provide for an interest rate of 1.00% per year and matures two years after the issuance date. Beginning on the seventh month following the date of the Notes, the Company is required to make 18 monthly payments of principal and interest in the amount of \$8,316. The Notes may be used for payroll costs, costs related to certain group health care benefits and insurance premiums, rent payments, utility payments, mortgage interest payments and interest payments on any other debt obligation that were incurred before February 15, 2020. The Notes contain events of default and other conditions customary for a Note of this type.

Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loan granted under the PPP, with such forgiveness to be determined, subject to limitations, based on the use of the loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, and utilities. The terms of any forgiveness may also be subject to further requirements in any regulations and guidelines the SBA may adopt. While the Company currently believes that its use of the Note proceeds will meet the conditions for forgiveness under the PPP, no assurance is provided that the Company will obtain forgiveness of the Notes in whole or in part.

Notes payable, related party

On April 30, 2018, T3 entered into a convertible secured promissory note for \$525,000 with an effective annual interest rate of 8% and a maturity date of April 30, 2020. With a principal payment of \$100,000 due on June 1, 2018 and a principal payment of \$280,823 due on April 30, 2020. Payment are based on a 60-month repayment schedule. At any time while this Note is outstanding, but only upon: (i) the occurrence of an Event of Default under the Note or the Pledge and Escrow Agreement; or (ii) mutual agreement between the Borrower and the Holder, the Holder may convert all or any portion of the outstanding principal, accrued and unpaid interest, Premium, if applicable, and any other sums due and payable hereunder (such total amount, the "Conversion Amount") into shares of Common Stock (the "Conversion Shares") at a price equal to: (i) the Conversion Amount (the numerator); *divided by* (ii) a conversion price of \$1.50 per share of Common Stock, which price shall be indicated in the conversion notice (the denominator) (the "Conversion Price"). The Holder shall submit a Conversion Notice indicating the Conversion Amount, the number of Conversion Shares issuable upon such conversion, and where the Conversion Shares should be delivered. The promissory note is secured by a Pledge and Escrow Agreement, whereby T3 agreed to pledge 51% of the securities owned in its Florida operations, T3 Communications, Inc., until the principal payment is paid in full. In conjunction with the promissory note, the Company issued 3-year warrants to purchase 75,000 shares of common stock at an exercise price of \$0.50 per share. Under a Black-Scholes valuation the relative fair market value of the warrants at time of issuance was \$19,267 and was recognized as a discount on the promissory note. The Company amortized \$7,297 as interest expense during the nine months ended April 30, 2020. The total unamortized discount as of April 30, 2020 and July 31, 2019 were \$0 and \$7,297, respectively. In addition, during the nine months ended April 30, 2020, the Company paid in full the total outstanding balance of \$332,985. The total principal outstanding as of April 30, 2020 and July 31, 2019 were \$0 and \$332,985, respectively. In May 2020, the Company executed a Settlement Agreement and Mutual release, whereby the lender released the Company of any pledged collateral and any other obligation under the promissory note. One of the note holders also serves as President, CEO and Board Member of T3 Communications, Inc., the Florida entity that is one of our operating subsidiaries.

On February 27, 2020, the Company entered into an unsecured promissory note for \$70,000 with an effective annual interest rate of 12% and a maturity date of May 1, 2020. Subsequently, the note holder agreed to extend the maturity date until August 31, 2020. In addition, the Company agreed to pay the lender in services provided by the Company, and any unpaid principal and accrued interest will be paid in cash. The proceeds from this note were used to extend the closing date of the acquisition of Nexogy, the funds are held in an escrow account for the benefit of owners of Nexogy, and therefore, the Company included the prepaid amounts in other current assets as of April 30, 2020. The note holder also serves as President, CEO and Board Member of T3 Communications, Inc., the Florida entity that is one of our operating subsidiaries.

On May 1, 2018, T3 entered into a secured promissory note for \$275,000 with an effective annual interest rate of 0% with an interest and principal payment of \$6,000 per month and shall continue perpetuity until the entire principal amount is paid in full. The promissory note is guaranteed to the lender by 15% of the stock owned by T3 in its Florida operations, T3 Communications, Inc., the secured interest will continue until the principal balance is paid in full. In conjunction with the promissory note, the Company issued 3-year warrants to purchase 100,000 shares of common stock at an exercise price of \$0.50 per share. Under a Black-Scholes valuation the relative fair market value of the warrants at time of issuance was approximately \$26,543 and was recognized as a discount on the promissory note, the company amortized \$5,193 as interest expense during the nine months ended April 30, 2020. The total unamortized discount as of April 30, 2020 and July 31, 2019 were \$11,495 and \$16,686, respectively. During the nine months ended April 30, 2020, the Company paid \$42,369, of the principal balance. The total principal outstanding as of April 30, 2020 and July 31, 2019 were \$167,363 and \$209,732, respectively. The note holder also serves as Board Member of T3 Communications, Inc., the Florida entity that is one of our operating subsidiaries.

Convertible debt non-derivative

In March 2018, the Company entered into two (2) Promissory Notes (the “Notes”) for \$250,000 each, bearing interest at a rate of 12% per annum. The Notes have a maturity date of September 15, 2018, provided, however, the Company shall have the right to request that the maturity date to be extended by one (1) additional period of ninety (90) days, until December 14, 2018. The Notes are payable every month, commencing April 15, 2018, in monthly payments of interest only and a single payment of the principal amount outstanding plus accrued interest on September 15, 2018. The Company agreed to repay the Notes from the proceeds from the Company’s current private placement. As proceeds from the Private Placement are received, the Company shall direct all funds to the Note Holders until the principal amount outstanding and accrued interest are paid in full. In addition, on March 15, 2018, the Company entered into a Note Conversion Agreement (the “Agreement”) with the Note holders, whereby, the holders may elect to convert up to 50% of the principal amount outstanding on the Notes into Common Stock of Digerati at any time after 90 days of funding the Notes. The Conversion Price shall be the greater of: (i) the Variable Conversion Price (as defined herein) or (ii) the Fixed Conversion Price (as defined herein). The “**Variable Conversion Price**” shall be equal to the average closing price for Digerati’s Common Stock (the “**Shares**”) for the ten (10) Trading Day period immediately preceding the Conversion Date. “Trading Day” shall mean any day on which the Common Stock is tradable for any period on the OTCQB, or on the principal securities exchange or other securities market on which the Common Stock is then being traded. The “**Fixed Conversion Price**” shall mean \$0.50. In conjunction with the notes, the Company issued 300,000 warrants, the warrants vested at time of issuance. The warrants have a term of 3 years, with an exercise price of \$0.10. Under a Black-Scholes valuation the relative fair market value of the warrants at time of issuance was approximately \$126,538 and was recognized as a discount on the promissory notes. Additionally, during the year ended July 31, 2019 the Company issued 375,000 shares of common stock for payment of \$60,000 in accrued interest for the notes. On December 27, 2018, the Company entered into an Amendment to the Loan Agreements, under the amendments the note holders agreed to extend the maturity date until September 14, 2019. In addition, as part of the amendment, the Company agreed to modify the “**Fixed Conversion Price**” to \$0.35, all other terms under the Promissory Notes remained the same. We accounted for the extensions to the Notes as debt modifications and not extinguishment of debt since the changes in fair value are not substantial in accordance with ASC 470-50. In November 2019, the Company issued 110,830 shares of common stock for payment of \$7,500 in accrued interest. On October 7, 2019, the holders agreed to extend the maturity date until March 30, 2020. As part of the amendments, the Company agreed to issue 400,000 shares of common stock. Under a Black-Scholes valuation the relative fair market value of the shares of common at time of issuance was approximately \$40,000 and was recognized as a discount on the promissory notes over the extended period. The Company amortized the total discount of \$40,000 during the nine months ending April 30, 2020. The total unamortized discount as of April 30, 2020 and July 31, 2019 were \$0 and \$0, respectively. On April 30, 2020, the Company and the debtholder agreed to settle the debt, as a result the Company issued 8,958,333 shares of common stock for the settlement of \$250,000 of the outstanding principal balance and \$18,750 in accrued interest. At the time of issuance, the Company recognized a gain in settlement of debt \$85,104. The gain on settlement was generated from the difference between principal and accrued interest settled and fair value of the common stock on settlement date. In addition, as part of the settlement the Company issued 268,750 shares of Series B Convertible Preferred Stock for payment in full and the settlement of \$250,000 of the outstanding principal balance and \$18,750 in accrued interest. The total principal outstanding balance as of April 30, 2020 and July 31, 2019 were \$0 and \$500,000, respectively.

On June 19, 2018, the Company entered into various Promissory Notes (the “Notes”) for \$272,000, bearing interest at a rate of 10% per annum, with an initial maturity date of April 10, 2019. In conjunction with the Notes, the Company issued 255,000 warrants under the promissory notes, the warrants vested at time of issuance. The warrants have a term of 3 years, with an exercise price of \$0.10. Under a Black-Scholes valuation the relative fair market value of the warrants at time of issuance was approximately \$118,400 and was recognized as a discount on the promissory notes. The Company amortized \$109,552 as a non-cash interest during the year ended July 31, 2019. On March 29, 2019, the Company entered into a First Amendment to the Promissory Notes, under the amendments the note holders agreed to extend the maturity date until June 30, 2019. In addition, as part of the amendments, the Company agreed to issue 85,000 shares of common stock. The shares were recorded as debt discount of \$17,425 and amortized over the remaining term of the notes. The Company amortized \$17,425 as a non-cash interest during the years ended July 31, 2019. On June 30, 2019, the Company entered into a Second Amendment to the Promissory Notes, under the amendments the note holders agreed to extend the maturity date until November 30, 2019. In addition, as part of the amendments, the Company agreed to issue 85,000 shares of common stock. The shares were recorded as debt discount of \$14,450 and amortized over the remaining term of the notes. The Company amortized \$11,560 as a non-cash interest during the nine months ended April 30, 2020. The total unamortized discount as April 30, 2020 and July 31, 2019 for the issuance of the second amendment shares were \$0 and \$11,560, respectively. In addition, in November 2019, the Company issued 172,055 shares of common stock for payment of \$6,882 in accrued interest. Also, in November 2019 and February 2020, the holders agreed to extend the maturity date of the notes until April 30, 2020. As part of the amendments, the Company agreed to issue 340,000 shares of common stock. The shares were recorded as debt discount of \$10,090 and amortized during the note extension agreement. On April 30, 2020, the Company and the debtholder agreed to settle the debt, as a result the Company issued 5,180,493 shares of common stock for the settlement of \$136,000 of the outstanding principal balance and \$19,414 in accrued interest. At the time of issuance, the Company recognized a gain in settlement of debt \$49,215. The gain on settlement was generated from the difference between principal and accrued interest settled and fair value of the common stock on settlement date. In addition, as part of the settlement, the Company issued 155,415 shares of Series B Convertible Preferred Stock for payment in full and the settlement of \$136,000 of the outstanding principal balance and \$19,414 in accrued interest. The total principal outstanding balance as of April 30, 2020 and July 31, 2019 were \$0 and \$272,000, respectively.

Convertible debt - derivative

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

Peak One - Second Debenture

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

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

The following conversion were recognized by the Company:

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

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

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

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

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

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

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

During the nine months ended April 30, 2020, the Company amortized \$29,214 of the debt discount as interest expense. The total unamortized discount as April 30, 2020 and July 31, 2019, were \$0 and \$29,214. The total principal outstanding balance as of April 30, 2020 and July 31, 2019 were \$0 and \$50,000, respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

On January 8, 2020, the Company issued 785,760 shares of common stock for the conversion of \$5,000 of the principal outstanding, \$500 in fees and accrued interest of \$8,408 under one of the convertible notes.

The total unamortized discount on the Notes as of April 30, 2020 and July 31, 2019 were \$0 and \$29,765, respectively. The total principal balance outstanding as of April 30, 2020 and July 31, 2019, were \$0 and \$98,250. The Company amortized \$29,765 of debt discount as interest expense during the nine months ended April 30, 2020.

Convertible Promissory Note - February 2019

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

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

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

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

On December 16, 2019, the Company issued 520,833 shares of common stock for the conversion of \$9,500 of the principal outstanding and \$500 in fees under one of the convertible notes.

On December 31, 2019, the Company issued 517,598 shares of common stock for the conversion of \$9,500 of the principal outstanding and \$500 in fees under one of the convertible notes.

On January 16, 2020, the Company issued 705,128 shares of common stock for the conversion of \$10,500 of the principal outstanding and \$500 in fees under one of the convertible notes.

On January 28, 2020, the Company issued 956,226 shares of common stock for the conversion of \$9,250 of the principal outstanding, \$500 in fees and accrued interest of \$3,962 under one of the convertible notes.

The total unamortized discount on the Notes as of April 30, 2020 and July 31, 2019 were \$0 and \$29,166, respectively. The total principal balance outstanding as of April 30, 2020 and July 31, 2019, were \$0 and \$57,750. The Company amortized \$29,166 of debt discount as interest expense during the nine months ended April 30, 2020.

Convertible Promissory Note - April 2019

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

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

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

On November 14, 2019, the Company issued 301,697 shares of common stock for the conversion of \$7,500 of the principal outstanding, \$500 in fees and accrued interest of \$146 under one of the convertible notes.

On November 26, 2019, the Company issued 447,917 shares of common stock for the conversion of \$8,000 of the principal outstanding, \$500 in fees and accrued interest of \$100 under one of the convertible notes.

On December 24, 2019, the Company issued 444,672 shares of common stock for the conversion of \$8,000 of the principal outstanding, \$500 in fees and accrued interest of \$171 under one of the convertible notes.

On January 13, 2020, the Company issued 549,858 shares of common stock for the conversion of \$8,000 of the principal outstanding, \$500 in fees and accrued interest of \$78 under one of the convertible notes.

On January 28, 2020, the Company issued 474,891 shares of common stock for the conversion of \$6,000 of the principal outstanding, \$500 in fees and accrued interest of \$25 under one of the convertible notes.

The total unamortized discount on the Notes as of April 30, 2020 and July 31, 2019 were \$0 and \$26,668, respectively. The total principal balance outstanding as of April 30, 2020 and July 31, 2019, were \$0 and \$44,000. The Company amortized \$26,668 of debt discount as interest expense during the nine months ended April 30, 2020.

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

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

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

On January 9, 2020, the Company issued 200,000 shares of common stock for the conversion of \$1,328 of the principal outstanding and accrued interest of \$2,212 under one of the convertible notes.

On January 10, 2020, the Company assigned a convertible note with a \$145,297 principal and accrued interest of \$13,500. In addition, the Company assigned a second convertible note issued in October 2019 with a \$35,750 principal and accrued interest of \$15,453. The total assignment was for \$210,000.

On January 22, 2020, the Company assigned two promissory notes with a \$293,250 principal balance outstanding and accrued interest of \$66,750. The total assignment was for \$360,000.

The total unamortized discount on the Notes as of April 30, 2020 and July 31, 2019 were \$0 and \$449,332, respectively. The total principal balance outstanding as of April 30, 2020 and July 31, 2019 were \$140,000 and \$579,875, respectively. The Company amortized \$449,332 of debt discount as interest expense during the nine months ended April 30, 2020.

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

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

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

Convertible Promissory Note Assignment - August 6, 2019

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

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

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

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

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

The total unamortized discount on the Note as of April 30, 2020 was \$0. The total principal balance outstanding as of April 30, 2020 was \$0. The Company amortized \$10,823 of debt discount as interest expense during the nine months ended April 30, 2020.

Convertible Promissory Note - August 30, 2019

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

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

The total unamortized discount on the Note as of April 30, 2020 was \$9,448. The total principal balance outstanding as of April 30, 2020 was \$93,500. The Company amortized \$75,552 of debt discount as interest expense during the nine months ended April 30, 2020.

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

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

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

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

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

Convertible Promissory Notes - October 2019

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

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

On January 10, 2020, the Company assigned \$35,750 of the principal outstanding on one of the convertible notes, along with the other note discussed in Convertible Promissory Notes with four (4) investors - July 2019 section, and accrued interest of \$15,453. The total assignment for both notes was for \$210,000.

The total unamortized discount on the Notes as of April 30, 2020 was \$7,223. The total principal balance outstanding as of April 30, 2020 was \$35,750. The Company amortized \$64,277 of debt discount as interest expense during the nine months ended April 30, 2020.

Other Terms to the Convertible Promissory Notes - October 2019

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

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

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

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

Convertible Promissory Note Assignments – January 2020

On January 10, 2020, the Company entered into an Assignment Agreement whereby Armada Investment Fund LLC (the “Assignor”) assigned to Platinum Point Capital LLC (the “Assignee”) a principal amount of \$145,297 and \$35,750, representing the outstanding principal balance on the Convertible Promissory Notes dated July 11, 2019 and October 18, 2019, respectively, plus accrued interest of \$28,953. The new notes are in the aggregate principal amount of \$210,000, annual interest rate of 3% and a maturity date of January 10, 2021.

On January 22, 2020, the Company entered into an Assignment Agreement whereby BHP Capital NY Inc. (the “Assignor”) assigned to Platinum Point Capital LLC (the “Assignee”) a principal amount of \$146,625, representing the outstanding principal balance on the Convertible Promissory Note dated July 11, 2019, plus accrued interest of \$33,375. The new note is in the aggregate principal amount of \$180,000, annual interest rate of 3% and a maturity date of January 22, 2021.

On January 22, 2020, the Company entered into an Assignment Agreement whereby Jefferson Street Capital LLC (the “Assignor”) assigned to Platinum Point Capital LLC (the “Assignee”) a principal amount of \$146,625, representing the outstanding principal balance on the Convertible Promissory Note dated July 11, 2019, plus accrued interest of \$33,375. The new note is in the aggregate principal amount of \$180,000, annual interest rate of 3% and a maturity date of January 22, 2021.

The Company analyzed the Notes for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. As a result, at the time of the assignment, the Company recognized derivative liability for the new convertible notes of \$784,565, of which \$570,000 was recorded as debt discount and will be amortized during the term of the Notes, and \$214,565 was recorded as day 1 derivative loss.

On January 22, 2020, the Company issued 1,698,717 shares of common stock for the conversion of \$25,000 of the principal outstanding and accrued interest of \$1,500 under one of the convertible notes.

On February 4, 2020, the Company issued 2,054,263 shares of common stock for the conversion of \$25,000 of the principal outstanding and accrued interest of \$1,500 under one of the convertible notes.

On February 27, 2020, the Company issued 2,500,000 shares of common stock for the conversion of \$15,000 of the principal outstanding and accrued interest of \$1,500 under one of the convertible notes.

On April 2, 2020, the Company issued 3,208,955 shares of common stock for the conversion of \$20,000 of the principal outstanding and accrued interest of \$1,500 under one of the convertible notes.

On April 24, 2020, the Company issued 3,208,955 shares of common stock for the conversion of \$20,000 of the principal outstanding and accrued interest of \$1,500 under one of the convertible notes.

The total unamortized discount on the Notes as of April 30, 2020 was \$324,417, and the total principal balance outstanding as of April 30, 2020 was \$467,500. The Company amortized \$248,083 of debt discount as interest expense during the nine months ended April 30, 2020.

Other Terms to the Convertible Promissory Notes and Note Assignments – January 2020

Notes shall bear interest at a rate of three (3%) per annum (the “Interest Rate”), which interest shall be paid by the Company to each Investor in shares of Common Stock at any time an Investor sends a notice of conversion to the Company. Each of the Investors is entitled to, at its option, convert all or any amount of the principal amount and any accrued but unpaid interest of the Note into shares of the Company’s Common Stock, at any time, at a conversion price for each share of Common Stock equal to (i) the lowest trading price of the Common Stock (as defined in the Note) as reported on the National Quotations Bureau OTC Marketplace exchange upon which the Company’s shares are traded during the twenty (20) consecutive Trading Day period immediately preceding the issuance date of each Note; or (ii) 60% multiplied by the lowest traded price of the Common Stock during the twenty (20) consecutive Trading Day period immediately preceding the Trading Day that the Company receives a notice of conversion (the “Variable Conversion Price”). The Variable Conversion Price may further be adjusted in connection with the terms of the Notes.

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

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

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

Convertible Promissory Notes – February 2020 & April 2020

On February 13, 2020, the Company entered into a convertible promissory note (the “Note”). The note is in the aggregate principal amount of \$33,500, annual interest rate of 10% and a maturity date of February 13, 2021. After payment of transaction-related expenses of \$3,500, net proceeds to the Company from the Note totaled \$30,000. The Company recorded these discounts and cost of \$3,500 as a discount to the Note and fully amortized as interest expense during the period.

The Company analyzed the Note for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. As a result, at the time of issuance, the Company recognized derivative liability for the convertible note of \$42,976, of which \$30,000 was recorded as debt discount and will be amortized during the term of the Note, and \$12,976 was recorded as day 1 derivative loss.

The total unamortized discount on the Note as of April 30, 2020 was \$22,500. The total principal balance outstanding as of April 30, 2020 was \$33,500. The Company amortized \$7,500 of debt discount as interest expense during the nine months ended April 30, 2020.

On April 28, 2020, the Company entered into a convertible promissory note (the “Note”). The note is in the principal amount of \$15,000, annual interest rate of 10% and a maturity date of April 28, 2021.

The Company analyzed the Note for derivative accounting consideration and determined that the embedded conversion option qualified as a derivative instrument, due to the variable conversion price. As a result, at the time of issuance, the Company recognized derivative liability for the convertible note of \$26,629, of which \$15,000 was recorded as debt discount and will be amortized during the term of the Note, and \$11,629 was recorded as day 1 derivative loss.

The total unamortized discount on the Note as of April 30, 2020 was \$15,000. The total principal balance outstanding as of April 30, 2020 was \$15,000. The Company amortized \$0 of debt discount as interest expense during the nine months ended April 30, 2020.

Other Terms to the Convertible Promissory Notes – February 2020 & April 2020

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

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

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

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

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

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

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

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

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

Our derivative liabilities as of April 30, 2020 and July 31, 2019 of \$1,098,917 and \$927,171, 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, 2019	\$ 927,171	-	-	\$ 927,171
Convertible promissory notes derivative liability at April 30, 2020	\$ 1,098,917	-	-	\$ 1,098,917

The fair market value of all derivatives during the nine months ended April 30, 2020 was determined using the Black-Scholes option pricing model which used the following assumptions:

Expected dividend yield	0.00%
Expected stock price volatility	83.28% - 268.02%
Risk-free interest rate	0.16% -2.67%
Expected term	0.01 - 3.00 years

Level 3 inputs.

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

Balance at July 31, 2019	\$ 927,171
Derivative from new convertible promissory notes recorded as debt discount	765,000
Derivative liability resolved to additional paid in capital due to debt conversion	(524,850)
Derivative gain	(68,404)
Balance at April 30, 2020	\$ 1,098,917

NOTE 7 – EQUITY

During the nine months ended April 30, 2020, the Company issued the following shares of common stock:

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

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

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

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

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

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

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

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

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

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

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

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

On November 14, 2019, the Company issued 301,697 shares of common stock for the conversion of \$7,500 of the principal outstanding, \$500 in fees and accrued interest of \$146 under one of the convertible notes.

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

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

On November 26, 2019, the Company issued 447,917 shares of common stock for the conversion of \$8,000 of the principal outstanding, \$500 in fees and accrued interest of \$100 under one of the convertible notes.

In November 2019, in conjunction of various note extension agreements, the Company issued 80,000 shares of common stock with a fair market value \$3,200.

In November 2019, the Company issued 282,885 shares of common stock for payment of \$14,382 in accrued interest.

In November 2019, the Company issued 86,667 shares of common stock in conjunction to the conversion of 25,000 shares of the Series A Convertible Preferred stock and \$1,189 in accrued dividends.

On December 10, 2019, the Company issued 400,000 shares of common stock with a fair market value of \$15,240 for compensation on an agreement for professional services.

On December 16, 2019, the Company issued 520,833 shares of common stock for the conversion of \$9,500 of the principal outstanding and \$500 in fees under one of the convertible notes.

On December 24, 2019, the Company issued 444,672 shares of common stock for the conversion of \$8,000 of the principal outstanding, \$500 in fees and accrued interest of \$171 under one of the convertible notes.

On December 31, 2019, the Company issued 517,598 shares of common stock for the conversion of \$9,500 of the principal outstanding and \$500 in fees under one of the convertible notes.

On January 8, 2020, the Company issued 785,760 shares of common stock for the conversion of \$5,000 of the principal outstanding, \$500 in fees and accrued interest of \$8,408 under one of the convertible notes.

On January 9, 2020, the Company issued 200,000 shares of common stock for the conversion of \$1,328 of the principal outstanding and accrued interest of \$2,212 under one of the convertible notes.

On January 13, 2020, the Company issued 549,858 shares of common stock for the conversion of \$8,000 of the principal outstanding, \$500 in fees and accrued interest of \$78 under one of the convertible notes.

On January 16, 2020, the Company issued 705,128 shares of common stock for the conversion of \$10,500 of the principal outstanding and \$500 in fees under one of the convertible notes.

On January 22, 2020, the Company issued 1,698,717 shares of common stock for the conversion of \$25,000 of the principal outstanding and accrued interest of \$1,500 under one of the convertible notes.

On January 28, 2020, the Company issued 474,891 shares of common stock for the conversion of \$6,000 of the principal outstanding, \$500 in fees and accrued interest of \$25 under one of the convertible notes.

On January 28, 2020, the Company issued 956,226 shares of common stock for the conversion of \$9,250 of the principal outstanding, \$500 in fees and accrued interest of \$3,962 under one of the convertible notes.

On February 4, 2020, the Company issued 2,054,263 shares of common stock for the conversion of \$25,000 of the principal outstanding and accrued interest of \$1,500 under one of the convertible notes.

On February 15, 2020, the Company issued 200,000 shares of common stock as a principal payment on a note for \$10,000. At issuance, the Company recognized a benefit to non-cash expense of \$4,600, this benefit was recognized as a result of the difference between the fair market value of the shares of common stock issued and debt settled.

On February 19, 2020, the Company issued 110,027 shares of common stock for payment of accrued interest and a fair market value of \$4,290.

On February 19, 2020, in conjunction with various note extension agreements, the Company issued 260,000 shares of common stock with a fair market value of \$6,890.

On February 20, 2020, in conjunction with a note extension agreement, the Company issued 40,000 shares of common stock with a fair market value of \$800.

On February 24, 2020, the Company issued 11,509,022 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 approximately \$233,633 equivalent to the value of the shares calculated based on the share's closing price at the grant date.

On February 27, 2020, the Company issued 2,500,000 shares of common stock for the conversion of \$15,000 of the principal outstanding and accrued interest of \$1,500 under one of the convertible notes.

On April 2, 2020, the Company issued 3,208,955 shares of common stock for the conversion of \$20,000 of the principal outstanding and accrued interest of \$1,500 under one of the convertible notes.

On April 24, 2020, the Company issued 3,208,955 shares of common stock for the conversion of \$20,000 of the principal outstanding and accrued interest of \$1,500 under one of the convertible notes.

On April 30, 2020, the Company issued 14,138,826 shares of common stock for the settlement of debt of \$386,000 and \$38,164 in accrued interest. At the time of issuance, the Company recognized a gain in settlement of debt \$134,319.

During the nine months ended April 30, 2019, the Company issued the following shares of common stock:

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

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

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

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

On November 1, 2018 the Company issued an aggregate of 200,000 shares of common stock with a market value at time of issuance of \$69,600 and recognized the total fair market value as stock-based compensation expense at the time of issuance. The shares were issued for consulting services.

On November 5, 2018, the Company issued an aggregate of 16,883 shares of common stock with a market value at time of issuance of \$5,875. The shares were issued to settle accounts payables of \$5,287 to a professional, the Company recognized a loss of \$587 upon issuance of the shares. This loss is immaterial, thus presented in stock-based compensation expense on the statement of cash flows.

On November 14, 2018, the Company secured \$75,000 from an investor under a Securities Purchase Agreement and issued 258,621 shares of its common stock at a price of \$0.29.

On November 29, 2018, the Company issued an aggregate of 39,444 shares of common stock with a market value at time of issuance of \$11,833. The shares were issued to settle accounts payables of \$10,545 to a professional, the Company recognized a loss of \$1,288 upon issuance of the shares. This loss is immaterial, thus presented in stock-based compensation expense on the statement of cash flows.

On February 1, 2019, the Company issued an aggregate of 325,000 shares of common stock with a market value at time of issuance of \$78,000 and recognized the total fair market value as stock-based compensation expense at the time of issuance. The shares were issued for consulting services.

On February 5, 2019, the Company issued an aggregate of 60,715 shares of common stock with a market value at time of issuance of \$13,357. The shares were issued to settle accounts payables of \$10,382 to a professional, the Company recognized a loss of \$2,975 upon issuance of the shares.

On February 8, 2019, the Company secured \$150,000 from an accredited investor under a Securities Purchase Agreement and issued 600,000 shares of its common stock at a price of \$0.25.

On February 8, 2019, the Company issued an aggregate of 400,000 shares of common stock with a market value at time of issuance of \$100,000 and recognized the total fair market value as stock-based compensation expense at the time of issuance. The shares were issued for consulting services.

NOTE 8 - LEASES

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

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

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

The Company has not entered into any sale and leaseback transactions during the nine-month period ended April 30, 2020.

The impact of ASU No. 2016-02 (“Leases (Topic 842)”) on our consolidated balance sheet beginning August 1, 2019 was through the recognition of ROU assets and lease liabilities for operating leases. Amounts recognized on August 1, 2019 and April 30, 2020 for operating leases are as follows:

ROU Asset	August 1, 2019	\$ 372,651
Amortization		\$ (159,403)
ROU Asset	April 30, 2020	\$ 213,248
Lease Liability	August 1, 2019	\$ 372,651
Amortization		\$ (159,403)
Lease Liability	April 30, 2020	\$ 213,248
Lease Liability	Short term	\$ 114,387
Lease Liability	Long term	\$ 98,861
Lease Liability	Total:	\$ 213,248

For the nine-months ended April 30, 2020 amortization of assets was \$159,403.

For the nine-months ended April 30, 2020 amortization of liabilities was \$159,403.

The table below reconciles the fixed component of the undiscounted cash flows for each of the first five years and the total remaining years to the lease liabilities recorded on the Consolidated Balance Sheet as of April 30, 2020:

Amounts due within 12 months of April 30,	Operating Lease
2020	\$ 134,638
2021	56,872
2022	37,161
2023	-
2024	-
Total minimum lease payments	\$ 228,671
Less: effect of discounting	(15,423)
Present Value of future minimum lease payments	\$ 213,248
Less: current obligation under leases	(114,387)
Long-term lease obligation	\$ 98,861

NOTE 9 – 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 Preferred Stock. The Series B Preferred Stock is only issuable to the Company’s debt holders as of March 25, 2020 (“Existing Debt Holders”) who may purchase shares of Series B Preferred Stock at the Stated Value by converting all or part of the debt owed to them by the Corporation as of March 25, 2020. Each share of Series B Preferred Stock has a par value of \$0.001 per share and a stated value equal to one dollar (\$1.00) (the “Stated Value”). In April 2020, the Company issued a total of 424,165 shares of Series B Preferred Stock for settlement of debt of \$386,000 on various promissory notes and \$38,165 in accrued interest. No dividends are payable on the Series B Preferred Stock.

The terms of our Series B Preferred Stock allow for:

Voting Rights. Except as otherwise provided by the Nevada Revised Statutes, other applicable law or as provided in this Certificate of Designation, the Series B Preferred Stock shall have no voting rights. However, as long as any shares of Series B Preferred Stock are outstanding, the Corporation shall not, without the affirmative vote of the Holders of a majority of the then outstanding shares of the Series B Preferred Stock, (a) alter or change adversely the powers, preferences or rights given to the Series B Preferred Stock or alter or amend this Certificate of Designation, (b) amend its certificate of incorporation or other charter documents in any manner that adversely affects any rights of the Holders, (c) increase the number of authorized shares of Series B Preferred Stock, or (d) enter into any agreement with respect to any of the foregoing.

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

Redemption. At any time on or after the second anniversary of the date of issuance of shares of Series B Preferred Stock to the Holder, the Corporation, in its sole discretion, may elect, by delivering written notice to the Holder no less than 10 days or more than 20 prior to the redemption date set forth in such notice (the "Redemption Date"), to redeem all or any portion of the Series B Preferred Stock held by such Holder at a price per share (the "Redemption Price") equal to 120% of the Stated Value per share being redeemed. The Corporation shall, unless otherwise prevented by law, redeem from such holder on the Redemption Date the number of shares of Series B Preferred Stock identified in such notice of redemption. During the period ended April 30, 2020, 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. The Company will evaluate the convertible shares at each reporting balance sheet date and determine if a re-classification is required.

NOTE 10 – SUBSEQUENT EVENTS

Promissory Note

On May 4, 2020, the Company, entered into an unsecured promissory note (the “Note”) for \$213,100 made to the Company under the Paycheck Protection Program (the “PPP”). The PPP was established under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and is administered by the U.S. Small Business Administration (the “SBA”). The loans to the Company was made through The Bank of San Antonio (the “Lender”).

The Note provides for an interest rate of 1.00% per year and matures two years after the issuance date. Beginning on the seventh month following the date of the Note, the Company is required to make 18 monthly payments of principal and interest in the amount of \$11,933. The Note may be used for payroll costs, costs related to certain group health care benefits and insurance premiums, rent payments, utility payments, mortgage interest payments and interest payments on any other debt obligation that were incurred before February 15, 2020. The Note contains events of default and other conditions customary for a Note of this type.

Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loan granted under the PPP, with such forgiveness to be determined, subject to limitations, based on the use of the loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, and utilities. The terms of any forgiveness may also be subject to further requirements in any regulations and guidelines the SBA may adopt. While the Company currently believes that its use of the Note proceeds will meet the conditions for forgiveness under the PPP, no assurance is provided that the Company will obtain forgiveness of the Note in whole or in part.

Equity issuance

On May 29, 2020, the Company issued 3,500,000 shares of common stock for the conversion of \$30,000 of the principal outstanding and accrued interest of \$1,500 under one of the convertible notes.

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

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

The following is a discussion of the unaudited interim consolidated financial condition and results of operations of Digerati for the three and nine months ended April 30, 2020 and 2019. It should be read in conjunction with our audited Consolidated Financial Statements, the Notes thereto, and the other financial information included in the Company’s Annual Report on Form 10-K for the fiscal year ended July 31, 2019 filed with the Securities and Exchange Commission on October 28, 2019. For purposes of the following discussion, fiscal 2020 or 2020 refers to the year ended July 31, 2020 and fiscal 2019 or 2019 refers to the year ended July 31, 2019.

Overview

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

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

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

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

Recent Activity

In September 2019, the Company entered into a definitive agreement to acquire Nexogy, Inc. (“Nexogy”), a leading provider in South Florida of UCaaS and managed services, offering a portfolio of cloud-based solutions to the high-growth SMB market. In February 2020, after meeting the required public notice period pursuant to section 214 of the Communications Act of 1934, the Company secured FCC approval for the acquisition of Nexogy. In addition, in February 2020 the Company entered into a Letter of Intent (LOI) for another acquisition. The Company is expecting to simultaneously close both of the transactions during the fourth quarter of FY 2020 (on or before July 31, 2020), subject to finalizing debt financing for the transactions that were previously committed by an established and traditional lending source.

Sources of revenue:

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

Direct Costs:

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

Results of Operations

Three Months ended April 30, 2020 Compared to Three Months ended April 30, 2019

Cloud Software and Service Revenue. Cloud software and service revenue increased by \$81,000, or 5% from the three months ended April 30, 2019 to the three months ended April 30, 2020. The increase in revenue between periods is primarily attributed to the increase in total customers between periods. Our total number of customers increased from 688 for the three months ended April 30, 2019 to 731 customers for the three months ended April 30, 2020. Additionally, our average monthly revenue per customer decreased from \$723 for the three months ended April 30, 2019 to \$715 for the three months ended April 30, 2020.

Cost of Services (exclusive of depreciation and amortization). The cost of services decreased by \$6,000, or 1%, from the three months ended April 30, 2019 to the three months ended April 30, 2020. The decrease in cost of services between periods is primarily attributed to the reduction of one of our colocation sites, whereby we consolidated multiple servers and consolidated to a nationwide provider. As a result of the cost reductions, our consolidated gross margin improved by \$87,000 from the quarter ended April 30, 2019 to the quarter ended April 30, 2020.

Selling, General and Administrative (SG&A) Expenses (exclusive of legal and professional fees and stock compensation expense). SG&A expenses decreased by \$141,000, or 16%, from the three months ended April 30, 2019 to the three months ended April 30, 2020. The decrease in SG&A is attributed to reduction of a few sales partners, customer care and technical support partners.

Stock Compensation expense. Stock compensation expense decreased by \$32,000 from the three months ended April 30, 2019 to the three months ended April 30, 2020. The decrease between periods is attributed to the recognition of stock option expense of \$62,979 recognized during the three months ended April 30, 2020 associated with the stock options with multiple vesting periods that were awarded to various employees during FY2018, FY2019 and FY2020. The Company also recognized \$233,633 in stock compensation expense associated with the funding of the 401(K)-profit sharing plan for the three months ended April 30, 2020.

Legal and professional fees. Legal and professional fees increased by \$3,000, from three months ended April 30, 2019 to the three months ended April 30, 2020. The increase between periods is attributed to the recognition during FY 2020 of \$18,750 in professional expenses incurred related to investor relations services, the recognition of \$10,500 in professional fees related to the due-diligence on target acquisitions, the recognition of \$26,000 in professional fees related to accounting and financial quarterly reviews and the recognition of \$10,650 in professional fees related to mediation with two former employees.

Bad debt. Bad debt was a benefit of \$19,000 for the three months ended April 30, 2020; this was recognized for accounts that were previously deemed uncollectable.

Depreciation and amortization. Depreciation and amortization decreased by \$19,000, from the three months ended April 30, 2019 to the three months ended April 30, 2020, mainly due to the decrease in depreciation expense related to assets that reached their expected useful life.

Operating loss. The Company reported an operating loss of \$472,000 for the three months ended April 30, 2020 compared to an operating loss of \$767,000 for the three months ended April 30, 2019. The improvement in operating loss between periods is primarily due to the decrease of \$141,000 in SG&A, the decrease of \$19,000 in depreciation expense, the improvement of \$87,000 in gross margin, decrease in stock compensation expense of \$32,000 and the improvement of \$19,000 in bad debt recovery.

Gain (loss) on derivative instruments. Gain (loss) on derivative instruments increased by \$1,152,000 from three months ended April 30, 2019 to the three months ended April 30, 2020. 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 an increase between periods.

Gain on settlement of debt. Gain on settlement of debt improved by \$134,000 from three months ended April 30, 2019 to the three months ended April 30, 2020. During the three months ended April 30, 2020 the Company issued 14,138,826 shares of common stock for the conversion of \$386,000 on the outstanding principal balance on various promissory notes and \$38,164 in accrued interest. At the time of issuance, the Company recognized \$134,000 as a gain in settlement of debt.

Income tax benefit (expense). During the three months ended April 30, 2020, the Company recognized an income tax expense of \$10,000, this was comparable to the three months ended April 30, 2019.

Interest expense. Interest income (expense) increased by \$135,000 from the three months ended April 30, 2019 to the three months ended April 30, 2020. The Company recognized non-cash interest / accretion expense of \$363,000 related to the adjustment to the present value of various convertible notes and debentures. Additionally, the Company recognized \$121,000 in interest expense for cash interest payments on various promissory notes, accrual of \$16,000 for interest expense for various promissory notes, interest paid in shares of common stock for \$8,000 and interest income of \$3,400.

Net income (loss) including noncontrolling interest. Net loss including noncontrolling interest for the three months ended April 30, 2020 was \$1,108,000 compared to a net loss for the three months ended April 30, 2019 of \$250,000. The increase in net loss including noncontrolling interest between periods is primarily due to the increase of \$81,000 in stock compensation expense, the increase of \$3,000 in legal and professional fees, the increase of \$1,152,000 in loss on derivative instruments, and the increase of \$135,000 in interest expense. The increases were slightly offset by the improvement of \$87,000 in gross margin between periods, the decline of \$141,000 in SG&A, the decline of \$32,000 in stock compensation expense and the improvement of \$134,000 in gain on settlement of debt.

Net income attributable to the noncontrolling interest. During the three months ended April 30, 2020, the consolidated entity recognized net income in noncontrolling interest of \$1,000. The noncontrolling interest is presented as a separate line item in the Company's stockholders equity section of the balance sheet.

Net income (loss) attributable to Digerati's common shareholders. Net loss for the three months ended April 30, 2020 was \$1,107,000 compared to a net loss for the three months ended April 30, 2019 of \$221,000.

Nine Months ended April 30, 2020 Compared to Nine Months ended April 30, 2019

Cloud Software and Service Revenue. Cloud software and service revenue increased by \$219,000, or 5% from the nine months ended April 30, 2019 to the nine months ended April 30, 2020. The increase in revenue between periods is primarily attributed to the increase in total customers between periods. Our total number of customers increased from 688 for the nine months ended April 30, 2019 to 731 customers for the nine months ended April 30, 2020. Additionally, our average monthly revenue per customer decreased from \$738 for the nine months ended April 30, 2019 to \$730 for the nine months ended April 30, 2020.

Cost of Services (exclusive of depreciation and amortization). The cost of services increased by \$21,000, or 1%, from the nine months ended April 30, 2019 to the nine months ended April 30, 2020. The increase in cost of services between periods is primarily attributed to the additional costs arising from the acquired customers. Although our consolidated cost of services increased between periods, our consolidated gross margin improved by \$198,000 between periods. The improvement in gross margin between periods is attributed to a higher concentration of enterprise customers revenue, which generate a higher margin than services provided via resellers.

Selling, General and Administrative (SG&A) Expenses (exclusive of legal and professional fees and stock compensation expense). SG&A expenses decreased by \$99,000 or 4%, from the nine months ended April 30, 2019 to the nine months ended April 30, 2020. The decrease in SG&A is attributed to reduction of a few sales partners, customer care and technical support partners.

Stock Compensation expense. Stock compensation expense increased by \$416,000, from the nine months ended April 30, 2019 to the nine months ended April 30, 2020. The increase between periods is attributed to the recognition of stock option expense of \$315,000 recognized during the nine months ended April 30, 2020 associated with the stock options with multiple vesting periods that were awarded to various employees during FY2018, FY2019 and FY2020. The Company also recognized \$568,000 in stock compensation for stock issued in lieu of cash payments to the Management team during the nine months ended April 30, 2020. The Company also recognized \$233,633 in stock compensation expense associated with the funding of the 401(K)-profit sharing plan for the nine months ended April 30, 2020.

Legal and professional fees. Legal and professional fees increased by \$103,000, from nine months ended April 30, 2019 to the nine months ended April 30, 2020. The increase between periods is attributed to the recognition during FY 2020 of \$48,750 in professional expenses incurred related to investor relations services, the recognition of \$60,500 in professional fees related to the due-diligence on target acquisitions and the recognition of \$102,650 on professional fees related to mediation with two former employees.

Bad debt. Bad debt was a benefit of \$16,000 for the nine months ended April 30, 2020; this was recognized for accounts that were previously deemed uncollectable.

Depreciation and amortization. Depreciation and amortization decreased by \$40,000, from the nine months ended April 30, 2019 to the nine months ended April 30, 2020, mainly due to decrease in depreciation expense related to assets that reached their expected useful life.

Operating loss. The Company reported an operating loss of \$1,842,000 for the nine months ended April 30, 2020 compared to an operating loss of \$1,676,000 for the nine months ended April 30, 2019. The increase in operating loss between periods is primarily due to the increase of \$416,000 in stock compensation expense and the increase of \$103,000 in legal and professional fees. The increases were slightly offset by the improvement of \$198,000 in gross margin, improvement of \$40,000 in depreciation and amortization expense and the improvement of \$99,000 in SG&A.

Gain (loss) on derivative instruments. Gain (loss) on derivative instruments improved by \$663,000 from the nine months ended April 30, 2019 to the nine months ended April 30, 2020. 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 an improvement between periods.

Gain on settlement of debt. Gain on settlement of debt improved by \$134,000 from nine months ended April 30, 2019 to the nine months ended April 30, 2020. During the three months ended April 30, 2020 the Company issued 14,138,826 shares of common stock for the conversion of \$386,000 on the outstanding principal balance on various promissory notes and \$38,164 in accrued interest. At the time of issuance, the Company recognized \$134,000 as a gain in settlement of debt.

Income tax benefit (expense). During the nine months ended April 30, 2020, the Company recognized an income tax benefit of \$22,000. During the nine months ended April 30, 2019, the Company recognized an income tax expense of \$37,000.

Interest expense. Interest income (expense) increased by \$99,000 from the nine months ended April 30, 2019 to the nine months ended April 30, 2020. The Company recognized non-cash interest / accretion expense of \$1,086,000 related to the adjustment to the present value of various convertible notes and debentures. Additionally, the Company recognized \$218,500 in interest expense for cash interest payments on various promissory notes, \$35,000 of interest paid in stock for various promissory notes, accrual of \$67,000 for interest expense for various promissory notes and interest income of \$11,000.

Net income (loss) including noncontrolling interest. Net loss including noncontrolling interest for the nine months ended April 30, 2020 was \$3,130,000 compared to a net loss for the nine months ended April 30, 2019 of \$3,721,000. The increase in net loss including noncontrolling interest between periods is primarily due to the increase of \$416,000 in stock compensation expense, the increase of \$103,000 in legal and professional fees, the increase of \$99,000 in interest expense and the increase of \$21,000 in cost of services. The increases were slightly offset by the improvement of \$198,000 in gross margin between periods and the improvement of \$757,000 in other income and expense, the improvement of \$99,000 in SG&A, and the improvement of \$40,000 in depreciation expense.

Net income attributable to the noncontrolling interest. During the nine months ended April 30, 2020, the consolidated entity recognized net income in noncontrolling interest of \$58,000. The noncontrolling interest is presented as a separate line item in the Company's stockholders equity section of the balance sheet.

Net income (loss) attributable to Digerati's common shareholders. Net loss for the nine months ended April 30, 2020 was \$3,072,000 compared to a net loss for the nine months ended April 30, 2019 of \$3,636,000.

Liquidity and Capital Resources

Cash Position: We had a consolidated cash balance of \$445,000 as of April 30, 2020. Net cash provided by operating activities during the nine months ended April 30, 2020 was approximately \$36,000, primarily as a result of operating expenses, that included \$1,132,000 in stock compensation and warrant expense, amortization of debt discount of \$1,046,000, gain on derivative liability of \$69,000, depreciation and amortization expense of \$465,000. Additionally, we had an increase of \$277,000 in accounts payable, increase in accrued expenses of \$532,000, increase in deferred income of \$33,000, decrease in accounts receivables of \$116,000, a decrease in prepaid expenses and other current assets of \$18,000 and a gain on settlement of debt of \$134,000.

Cash used in investing activities during the nine months ended April 30, 2020 was \$159,000, which included \$57,000 for the purchase of equipment and the cash paid of \$102,000 for escrow deposits related to an acquisition.

Cash provided by financing activities during the nine months ended April 30, 2020 was \$162,000. The Company secured \$195,000 from convertible notes, net of issuance costs and discounts. The Company also secured \$70,000 from borrowing from a related party, and \$322,000 from borrowings from 3rd party promissory notes. The Company made principal payments of \$376,000 on related party notes and \$49,000 in principal payments on equipment financing. Overall, our net operating, investing, and financing activities during the nine months ended April 30, 2020 provided approximately \$39,000 to our available cash.

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

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

Our current cash expenses are expected to be approximately \$95,000 per month, including wages, rent, utilities and corporate professional fees. As described elsewhere herein, we are not generating sufficient cash from operations to pay for our ongoing operating expenses, or to pay our current liabilities. As of April 30, 2020, our total liabilities were approximately \$7,238,000, which included \$1,099,000 in derivative liabilities. We will continue to use our available cash on hand to cover our deficiencies in operating expenses.

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

Digerati's consolidated financial statements for the nine months ending April 30, 2020 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 \$88,392,000 and a working capital deficit of approximately \$5,285,000 which raises doubt about Digerati's ability to continue as a going concern.

Item 3. Quantitative and Qualitative Disclosures About Market Risks.

Not Applicable.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this quarterly report on Form 10-Q for the quarter ended April 30, 2020, our Principal Executive Officer ("PEO") and Principal Financial Officer ("PFO") evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our PEO and PFO concluded that our disclosure controls and procedures as of the end of the period covered by this report were not effective such that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our Chief Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Changes in Internal Controls over Financial Reporting

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

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 1A. Risk Factors.

Not Applicable

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

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

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

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

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

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

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

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

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

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

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

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

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

On November 14, 2019, the Company issued 301,697 shares of common stock for the conversion of \$7,500 of the principal outstanding, \$500 in fees and accrued interest of \$146 under one of the convertible notes.

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

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

On November 26, 2019, the Company issued 447,917 shares of common stock for the conversion of \$8,000 of the principal outstanding, \$500 in fees and accrued interest of \$100 under one of the convertible notes.

In November 2019, in conjunction of various note extension agreements, the Company issued 80,000 shares of common stock with a fair market value \$3,200.

In November 2019, the Company issued 282,885 shares of common stock for payment of \$14,382 in accrued interest.

In November 2019, the Company issued 86,667 shares of common stock in conjunction to the conversion of 25,000 shares of the Series A Convertible Preferred stock and \$1,189 in accrued dividends.

On December 10, 2019, the Company issued 400,000 shares of common stock with a fair market value of \$15,240 for compensation on an agreement for professional services.

On December 16, 2019, the Company issued 520,833 shares of common stock for the conversion of \$9,500 of the principal outstanding and \$500 in fees under one of the convertible notes.

On December 24, 2019, the Company issued 444,672 shares of common stock for the conversion of \$8,000 of the principal outstanding, \$500 in fees and accrued interest of \$171 under one of the convertible notes.

On December 31, 2019, the Company issued 517,598 shares of common stock for the conversion of \$9,500 of the principal outstanding and \$500 in fees under one of the convertible notes.

On January 8, 2020, the Company issued 785,760 shares of common stock for the conversion of \$5,000 of the principal outstanding, \$500 in fees and accrued interest of \$8,408 under one of the convertible notes.

On January 9, 2020, the Company issued 200,000 shares of common stock for the conversion of \$1,328 of the principal outstanding and accrued interest of \$2,212 under one of the convertible notes.

On January 13, 2020, the Company issued 549,858 shares of common stock for the conversion of \$8,000 of the principal outstanding, \$500 in fees and accrued interest of \$78 under one of the convertible notes.

On January 16, 2020, the Company issued 705,128 shares of common stock for the conversion of \$10,500 of the principal outstanding and \$500 in fees under one of the convertible notes.

On January 22, 2020, the Company issued 1,698,717 shares of common stock for the conversion of \$25,000 of the principal outstanding and accrued interest of \$1,500 under one of the convertible notes.

On January 28, 2020, the Company issued 474,891 shares of common stock for the conversion of \$6,000 of the principal outstanding, \$500 in fees and accrued interest of \$25 under one of the convertible notes.

On January 28, 2020, the Company issued 956,226 shares of common stock for the conversion of \$9,250 of the principal outstanding, \$500 in fees and accrued interest of \$3,962 under one of the convertible notes.

On February 4, 2020, the Company issued 2,054,263 shares of common stock for the conversion of \$25,000 of the principal outstanding and accrued interest of \$1,500 under one of the convertible notes.

On February 15, 2020, the Company issued 200,000 shares of common stock as a principal payment on a note for \$10,000. At issuance, the Company recognized a benefit to non-cash expense of \$4,600, this benefit was recognized as a result of the difference between the fair market value of the shares of common stock issued and debt settled.

On February 19, 2020, the Company issued 110,027 shares of common stock for payment of accrued interest and a fair market value of \$4,401.

On February 19, 2020, in conjunction with various note extension agreements, the Company issued 260,000 shares of common stock with a fair market value of \$6,890.

On February 20, 2020, in conjunction with a note extension agreement, the Company issued 40,000 shares of common stock with a fair market value of \$800.

On February 24, 2020, the Company issued 11,509,022 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 approximately \$233,633 equivalent to the value of the shares calculated based on the share's closing price at the grant date.

On February 27, 2020, the Company issued 2,500,000 shares of common stock for the conversion of \$15,000 of the principal outstanding and accrued interest of \$1,500 under one of the convertible notes.

On April 2, 2020, the Company issued 3,208,955 shares of common stock for the conversion of \$20,000 of the principal outstanding and accrued interest of \$1,500 under one of the convertible notes.

On April 24, 2020, the Company issued 3,208,955 shares of common stock for the conversion of \$20,000 of the principal outstanding and accrued interest of \$1,500 under one of the convertible notes.

On April 30, 2020, the Company issued 14,138,826 shares of common stock for the settlement of debt of \$386,000 and \$38,164 in accrued interest. At the time of issuance, the Company recognized a gain in settlement of debt \$134,319.

On April 30, 2020, the Company issued a total of 424,165 shares of Series B Preferred Stock for payment of \$386,000 of the outstanding principal balance on various promissory notes and \$38,165 in accrued interest.

On May 29, 2020, the Company issued 3,500,000 shares of common stock for the conversion of \$30,000 of the principal outstanding and accrued interest of \$1,500 under one of the convertible notes.

The sales and issuances of the securities described above were made pursuant to the exemptions from registration contained in to Section 4(a) (2) of the Securities Act and Regulation D under the Securities Act. Each purchaser represented that such purchaser's intention to acquire the shares for investment only and not with a view toward distribution. We requested our stock transfer agent to affix appropriate legends to the stock certificate issued to each purchaser and the transfer agent affixed the appropriate legends. Each purchaser was given adequate access to sufficient information about us to make an informed investment decision. Except as described in this Quarterly Report on Form 10-Q, none of the securities were sold through an underwriter and accordingly, there were no underwriting discounts or commissions involved.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not Applicable

Item 5. Other Information.

Item 1.01 Entry into a Material Definitive Agreement.

Convertible Promissory Note

On February 13, 2020, the Company entered into securities purchase agreement (the "February SPA") and related convertible promissory note (the "February Convertible Note"). The February Convertible Note is in the aggregate principal amount of \$33,500, annual interest rate of 10% and a maturity date of February 13, 2021. After payment of transaction-related expenses of \$3,500, net proceeds to the Company from the February Convertible Note totaled \$30,000. The Company recorded these discounts and cost of \$3,500 as a discount to the Note and fully amortized as interest expense during the period.

Item 1.01 under Part II, Item 5 of this Quarterly Report on Form 10-Q contains only a brief description of the material terms of the February SPA and February Convertible Note and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such description is qualified in its entirety by reference to the full text of the February SPA and the February Convertible Note, filed as Exhibits 10.1 and 4.1 to this Form 10-Q for the quarter ended April 30, 2020.

Non-Convertible Promissory Notes and Related Party Loan

On February 26, 2020, the Company entered into a non-convertible promissory note for \$30,000 with an effective annual interest rate of 12% and a maturity date of May 1, 2020 (the "February Non-Convertible Note Number 1"). Subsequently, the note holder agreed to extend the maturity date until August 31, 2020.

On February 27, 2020, the Company entered into a non-convertible promissory note for \$70,000 with an effective annual interest rate of 12% and a maturity date of May 1, 2020 (the "February Non-Convertible Note Number 2"). Subsequently, the note holder agreed to extend the maturity date until August 31, 2020. The note holder also serves as President, CEO and Board Member of T3 Communications, Inc., the Florida entity that is one of our operating subsidiaries.

Item 1.01 under Part II, Item 5 of this Quarterly Report on Form 10-Q contains only a brief description of the material terms of the February Non-Convertible Notes Number 1 and Number 2 and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such description is qualified in its entirety by reference to the full text of the February Non-Convertible Notes Number 1 and Number 2, filed as Exhibits 4.2 and 4.3 to this Form 10-Q for the quarter ended April 30, 2020.

Paycheck Protection Program (the “PPP”) Loans

On April 22, 2020, the Company, entered into two unsecured promissory notes (the “April Notes”) for \$62,500 and \$86,500 made to the Company under the Paycheck Protection Program (the “PPP”). The PPP was established under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and is administered by the U.S. Small Business Administration (the “SBA”). The loans to the Company was made through The Bank of San Antonio (the “Lender”).

The April Notes provide for an interest rate of 1.00% per year and matures two years after the issuance date. Beginning on the seventh month following the date of the April Notes, the Company is required to make 18 monthly payments of principal and interest in the amount of \$8,316. The April Notes may be used for payroll costs, costs related to certain group health care benefits and insurance premiums, rent payments, utility payments, mortgage interest payments and interest payments on any other debt obligation that were incurred before February 15, 2020. The April Notes contain events of default and other conditions customary for a Note of this type.

On May 4, 2020, the Company, entered into an unsecured promissory note (the “May Note”) for \$213,100 made to the Company under the PPP. The loan to the Company was made through the Lender. The May Note provides for an interest rate of 1.00% per year and matures two years after the issuance date. Beginning on the seventh month following the date of the May Note, the Company is required to make 18 monthly payments of principal and interest in the amount of \$11,933. The May Note may be used for payroll costs, costs related to certain group health care benefits and insurance premiums, rent payments, utility payments, mortgage interest payments and interest payments on any other debt obligation that were incurred before February 15, 2020. The May Note contains events of default and other conditions customary for a Note of this type.

Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loan granted under the PPP, with such forgiveness to be determined, subject to limitations, based on the use of the loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, and utilities. The terms of any forgiveness may also be subject to further requirements in any regulations and guidelines the SBA may adopt. While the Company currently believes that its use of the April Notes and May Note proceeds will meet the conditions for forgiveness under the PPP, no assurance is provided that the Company will obtain forgiveness of the April Notes and May Note in whole or in part.

Item 1.01 under Part II, Item 5 of this Quarterly Report on Form 10-Q contains only a brief description of the material terms of the April Notes and May Note and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such description is qualified in its entirety by reference to the full text of the April Notes and May Note, filed as Exhibit 4.4, Exhibit 4.5 and Exhibit 4.6 to this Form 10-Q for the quarter ended April 30, 2020.

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

The discussion of the February Note, April Notes, and May Note set forth in Item 1.01 under Part II, Item 5 of this Quarterly Report on Form 10-Q is incorporated in this Item 2.03 by reference.

Item 3.02 Unregistered Sales of Equity Securities.

The disclosure set forth in Item 1.01 under Part II, Item 5 of this Quarterly Report on Form 10-Q with regard to the shares issuable pursuant to the February Convertible Note an issued pursuant to the Debt Conversion Agreement is incorporated in this Item 3.02 by reference. The issuance of the securities set forth herein was made in reliance on the exemption provided by Section 4(a)(2) of the Securities Act for the offer and sale of securities not involving a public offering. The Company’s reliance upon Section 4(a)(2) of the Securities Act in issuing the securities was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there were only four recipients; (c) there were no subsequent or contemporaneous public offerings of the securities by the Company; (d) the securities were not broken down into smaller denominations; (e) the negotiations for the issuance of the securities took place directly between the individual entities and the Company; and (f) the recipients of the securities are accredited investors.

Item 6. Exhibits

Exhibit Number	Exhibit Title
4.1	<u>Convertible Promissory Note for \$33,500 with Platinum Point Capital LLC dated February 13, 2020 (filed as Exhibit 4.9 to Form 10-Q filed with the SEC on March 6, 2020).</u>
4.2	<u>Promissory Note for \$30,000 with 3BRT Investments, LP dated February 26, 2020 (filed as Exhibit 4.10 to Form 10-Q filed with the SEC on March 6, 2020).</u>
4.3	<u>Promissory Note for \$70,000 with NexGen Integrated Communications, LLC dated February 27, 2020 (filed as Exhibit 4.11 to Form 10-Q filed with the SEC on March 6, 2020).</u>
4.4*	<u>PPP Note for \$62,500 dated April 22, 2020.</u>
4.5*	<u>PPP Note for \$86,000 dated April 22, 2020.</u>
4.6*	<u>PPP Note for \$213,100 dated May 4, 2020.</u>
4.7*	<u>Convertible Promissory Note for \$15,000 with Platinum Point Capital LLC dated April 28, 2020.</u>
10.1*	<u>Securities Purchase Agreement for \$15,500 with Platinum Point Capital LLC dated April 28, 2019. (filed as Exhibit 10.15 to Form 10-K filed with the SEC on October 28, 2019).</u>
10.2*	<u>Form of Debt Conversion Agreement dated April 30, 2020.</u>
31.1*	<u>Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1+	<u>Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2+	<u>Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

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

SIGNATURES

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

Date: June 9, 2020

DIGERATI TECHNOLOGIES, INC.

By: /s/ Arthur L. Smith
Name: Arthur L. Smith
Title: President and
Chief Executive Officer
(Duly Authorized Officer and Principal Executive Officer)

Date: June 9, 2020

By: /s/ Antonio Estrada Jr.
Name: Antonio Estrada Jr.
Title: Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$62,500.00	04-22-2020	04-22-2022	524034	4A / 001	DAA0618	ADL	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "****" has been omitted due to text length limitations.

Borrower: Digerati Technologies, Inc.
825 W Bitters Ste 104
San Antonio, TX 78216

Lender: THE BANK OF SAN ANTONIO
HEADQUARTERS
1900 NW LOOP 410
SAN ANTONIO, TX 78213

Principal Amount: \$62,500.00

Interest Rate: 1.000%

Date of Note: April 22, 2020

PROMISE TO PAY. Digerati Technologies, Inc. ("Borrower") promises to pay to THE BANK OF SAN ANTONIO ("Lender"), or order, in lawful money of the United States of America, the principal amount of Sixty-two Thousand Five Hundred & 00/100 Dollars (\$62,500.00), together with interest on the unpaid principal balance from April 22, 2020, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 1.000% per annum based on a year of 360 days, until maturity. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in accordance with the following payment schedule:

Borrower must make all payments at the place Lender designates. The payment terms for this Note are:

The interest rate is 1% per year, beginning on the date of this Note. To the extent the loan amount is not forgiven under the Paycheck Protection Program (Sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)), Borrower must make equal monthly payments of principal and interest, beginning six (6) months from the date of this Note, until the maturity date, which is two (2) years from the date of the Note. This Note may be prepaid in part or in full, at any time, without penalty.

SBA. When SBA is the holder, this Note will be interpreted and enforced under Federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any Federal immunity from state or local control, penalty, tax, or liability. As to this Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt Federal law.

This Note arise out of the Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136 (the "CARES Act") and the Paycheck Protection Program administered by the U.S. Small Business Administration (the "SBA") under the SBA's 7(a) loan program (the "PPP") [together with other federal statutes and regulations that are now, or may become, applicable to the Note, the "Regulations"]; pursuant to the Regulations, some or all of the outstanding principal balance of the Note, together with accrued and unpaid interest thereon, is subject to being forgiven if Borrower satisfies certain requirements relating to the continued employment and compensation of its employees, and use of proceeds of the Note.

Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; and then to any late charges.
Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

MAXIMUM INTEREST RATE. Under no circumstances will the interest rate on this Note exceed (except for any higher default rate shown below) the lesser of 18.000% per annum or the maximum rate allowed by applicable law.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 30/360 simple interest basis; that is, with the exception of odd days before the first full payment cycle, monthly interest is calculated by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by a month of 30 days. Interest for the odd days before the first full month is calculated on the basis of the actual days and a 360-day year. All interest payable under this Note is computed using this method.

PROMISSORY NOTE
(Continued)

Loan No: 524034

Page 2

PREPAYMENT. Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Prepayment in full shall consist of payment of the remaining unpaid principal balance together with all accrued and unpaid interest and all other amounts, costs and expenses for which Borrower is responsible under this Note or any other agreement with Lender pertaining to this loan, and in no event will Borrower ever be required to pay any unearned interest. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. **All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: THE BANK OF SAN ANTONIO, 1900 NW Loop 410 San Antonio, TX 78213.**

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged **5.000% of the unpaid portion of the regularly scheduled payment.**

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased to 18.000% per annum based on a year of 360 days. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

PROMISSORY NOTE

(Continued)

Loan No: 524034

Page 3

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Change In Ownership. Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may declare the entire indebtedness, including the unpaid principal balance under this Note, all accrued unpaid interest, and all other amounts, costs and expenses for which Borrower is responsible under this Note or any other agreement with Lender pertaining to this loan, immediately due, without notice, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire an attorney to help collect this Note if Borrower does not pay, and Borrower will pay Lender's reasonable attorneys' fees. Borrower also will pay Lender all other amounts Lender actually incurs as court costs, lawful fees for filing, recording, releasing to any public office any instrument securing this Note; the reasonable cost actually expended for repossessing, storing, preparing for sale, and selling any security; and fees for noting a lien on or transferring a certificate of title to any motor vehicle offered as security for this Note, or premiums or identifiable charges received in connection with the sale of authorized insurance.

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Texas without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Texas.

CHOICE OF VENUE. If there is a lawsuit, and if the transaction evidenced by this Note occurred in BEXAR County, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of BEXAR County, State of Texas.

DISHONORED CHECK CHARGE. Borrower will pay a processing fee of \$25.00 if any check given by Borrower to Lender as a payment on this loan is dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the debt against any and all such accounts.

COLLATERAL. This loan is unsecured.

PROMISSORY NOTE

(Continued)

Loan No: 524034

Page 4

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES. Borrower may notify Lender if Lender reports any inaccurate information about Borrower's account(s) to a consumer reporting agency. Borrower's written notice describing the specific inaccuracy(ies) should be sent to Lender at the following address: THE BANK OF SAN ANTONIO 1900 NW Loop 410 San Antonio, TX 78213.

GENERAL PROVISIONS. NOTICE: Under no circumstances (and notwithstanding any other provisions of this Note) shall the interest charged, collected, or contracted for on this Note exceed the maximum rate permitted by law. The term "maximum rate permitted by law" as used in this Note means the greater of (a) the maximum rate of interest permitted under federal or other law applicable to the indebtedness evidenced by this Note, or (b) the higher, as of the date of this Note, of the "Weekly Ceiling" or the "Quarterly Ceiling" as referred to in Sections 303.002, 303.003 and 303.006 of the Texas Finance Code. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Borrower does not agree or intend to pay, and Lender does not agree or intend to contract for, charge, collect, take, reserve or receive (collectively referred to herein as "charge or collect"), any amount in the nature of interest or in the nature of a fee for this loan, which would in any way or event (including demand, prepayment, or acceleration) cause Lender to charge or collect more for this loan than the maximum Lender would be permitted to charge or collect by federal law or the law of the State of Texas (as applicable). Any such excess interest or unauthorized fee shall, instead of anything stated to the contrary, be applied first to reduce the principal balance of this loan, and when the principal has been paid in full, be refunded to Borrower. The right to accelerate maturity of sums due under this Note does not include the right to accelerate any interest which has not otherwise accrued on the date of such acceleration, and Lender does not intend to charge or collect any unearned interest in the event of acceleration. All sums paid or agreed to be paid to Lender for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of the loan evidenced by this Note until payment in full so that the rate or amount of interest on account of the loan evidenced hereby does not exceed the applicable usury ceiling. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, notice of dishonor, notice of intent to accelerate the maturity of this Note, and notice of acceleration of the maturity of this Note. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PROMISSORY NOTE
(Continued)

Loan No: 524034

Page 5

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

DIGERATI TECHNOLOGIES, INC.

By: /s/ Antonio Estrada, Jr. 4/24/2020
Antonio Estrada, Jr., CFO/Director of Digerati
Technologies, Inc

By: /s/ Arthur L Smith 4/25/2020
Arthur L Smith, CEO/Director of Digerati
Technologies, Inc.

LENDER:

THE BANK OF SAN ANTONIO

X /s/ ANGIE LEWIS 4/25/2020
ANGIE LEWIS, Vice President

PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$86,000.00	04-22-2020	04-22-2022	524301	4A / 001	SAA1336	ADL	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "***" has been omitted due to text length limitations.

Borrower: Shift8 Networks, Inc.
825 W Bitters Rd Ste 104
San Antonio, TX 78216

Lender: THE BANK OF SAN ANTONIO
HEADQUARTERS
1900 NW LOOP 410
SAN ANTONIO, TX 78213

Principal Amount: \$86,000.00

Interest Rate: 1.000%

Date of Note: April 22, 2020

PROMISE TO PAY. Shift8 Networks, Inc. ("Borrower") promises to pay to THE BANK OF SAN ANTONIO ("Lender"), or order, in lawful money of the United States of America, the principal amount of Eighty-six Thousand & 00/100 Dollars (\$86,000.00), together with interest on the unpaid principal balance from April 22, 2020, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 1.000% per annum based on a year of 360 days, until maturity. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in accordance with the following payment schedule:

Borrower must make all payments at the place Lender designates. The payment terms for this Note are:

The interest rate is 1% per year, beginning on the date of this Note. To the extent the loan amount is not forgiven under the Paycheck Protection Program (Sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)), Borrower must make equal monthly payments of principal and interest, beginning six (6) months from the date of this Note, until the maturity date, which is two (2) years from the date of the Note. This Note may be prepaid in part or in full, at any time, without penalty.

SBA. When SBA is the holder, this Note will be interpreted and enforced under Federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any Federal immunity from state or local control, penalty, tax, or liability. As to this Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt Federal law.

This Note arise out of the Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136 (the "CARES Act") and the Paycheck Protection Program administered by the U.S. Small Business Administration (the "SBA") under the SBA's 7(a) loan program (the "PPP") [together with other federal statutes and regulations that are now, or may become, applicable to the Note, the "Regulations"]; pursuant to the Regulations, some or all of the outstanding principal balance of the Note, together with accrued and unpaid interest thereon, is subject to being forgiven if Borrower satisfies certain requirements relating to the continued employment and compensation of its employees, and use of proceeds of the Note.

Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; and then to any late charges. **Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.**

MAXIMUM INTEREST RATE. Under no circumstances will the interest rate on this Note exceed (except for any higher default rate shown below) the lesser of 18.000% per annum or the maximum rate allowed by applicable law.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 30/360 simple interest basis; that is, with the exception of odd days before the first full payment cycle, monthly interest is calculated by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by a month of 30 days. Interest for the odd days before the first full month is calculated on the basis of the actual days and a 360-day year. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Prepayment in full shall consist of payment of the remaining unpaid principal balance together with all accrued and unpaid interest and all other amounts, costs and expenses for which Borrower is responsible under this Note or any other agreement with Lender pertaining to this loan, and in no event will Borrower ever be required to pay any unearned interest. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. **All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: THE BANK OF SAN ANTONIO, 1900 NW Loop 410 San Antonio, TX 78213.**

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged **5.000% of the unpaid portion of the regularly scheduled payment.**

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased to 18.000% per annum based on a year of 360 days. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Change In Ownership. Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may declare the entire indebtedness, including the unpaid principal balance under this Note, all accrued unpaid interest, and all other amounts, costs and expenses for which Borrower is responsible under this Note or any other agreement with Lender pertaining to this loan, immediately due, without notice, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire an attorney to help collect this Note if Borrower does not pay, and Borrower will pay Lender's reasonable attorneys' fees. Borrower also will pay Lender all other amounts Lender actually incurs as court costs, lawful fees for filing, recording, releasing to any public office any instrument securing this Note; the reasonable cost actually expended for repossessing, storing, preparing for sale, and selling any security; and fees for noting a lien on or transferring a certificate of title to any motor vehicle offered as security for this Note, or premiums or identifiable charges received in connection with the sale of authorized insurance.

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Texas without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Texas.

CHOICE OF VENUE. If there is a lawsuit, and if the transaction evidenced by this Note occurred in BEXAR County, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of BEXAR County, State of Texas.

DISHONORED CHECK CHARGE. Borrower will pay a processing fee of \$25.00 if any check given by Borrower to Lender as a payment on this loan is dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the debt against any and all such accounts.

COLLATERAL. This loan is unsecured.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES. Borrower may notify Lender if Lender reports any inaccurate information about Borrower's account(s) to a consumer reporting agency. Borrower's written notice describing the specific inaccuracy(ies) should be sent to Lender at the following address: THE BANK OF SAN ANTONIO 1900 NW Loop 410 San Antonio, TX 78213.

GENERAL PROVISIONS. NOTICE: Under no circumstances (and notwithstanding any other provisions of this Note) shall the interest charged, collected, or contracted for on this Note exceed the maximum rate permitted by law. The term "maximum rate permitted by law" as used in this Note means the greater of (a) the maximum rate of interest permitted under federal or other law applicable to the indebtedness evidenced by this Note, or (b) the higher, as of the date of this Note, of the "Weekly Ceiling" or the "Quarterly Ceiling" as referred to in Sections 303.002, 303.003 and 303.006 of the Texas Finance Code. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Borrower does not agree or intend to pay, and Lender does not agree or intend to contract for, charge, collect, take, reserve or receive (collectively referred to herein as "charge or collect"), any amount in the nature of interest or in the nature of a fee for this loan, which would in any way or event (including demand, prepayment, or acceleration) cause Lender to charge or collect more for this loan than the maximum Lender would be permitted to charge or collect by federal law or the law of the State of Texas (as applicable). Any such excess interest or unauthorized fee shall, instead of anything stated to the contrary, be applied first to reduce the principal balance of this loan, and when the principal has been paid in full, be refunded to Borrower. The right to accelerate maturity of sums due under this Note does not include the right to accelerate any interest which has not otherwise accrued on the date of such acceleration, and Lender does not intend to charge or collect any unearned interest in the event of acceleration. All sums paid or agreed to be paid to Lender for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of the loan evidenced by this Note until payment in full so that the rate or amount of interest on account of the loan evidenced hereby does not exceed the applicable usury ceiling. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, notice of dishonor, notice of intent to accelerate the maturity of this Note, and notice of acceleration of the maturity of this Note. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PROMISSORY NOTE
(Continued)

Loan No: 524301

Page 5

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

SHIFT8 NETWORKS, INC.

DIGERATI TECHNOLOGIES, INC., Officer of Shift8 Networks, Inc.

By: /s/ Antonio Estrada 4/25/2020
Antonio Estrada, CFO/Director of Digerati
Technologies, Inc.

By: /s/ Arthur L Smith 4/25/2020
Arthur L Smith, CEO/Director of Digerati
Technologies, Inc.

LENDER:

THE BANK OF SAN ANTONIO

X /s/ ANGIE LEWIS 4/25/2020
ANGIE LEWIS, Vice President

PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$213,100.00	05-04-2020	05-04-2022	525170	4A / 001	TAA0792	ADL	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "****" has been omitted due to text length limitations.

Borrower: T3 Communications, Inc.
825 W Bitters Rd, STE 104
San Antonio, TX 78216

Lender: THE BANK OF SAN ANTONIO
HEADQUARTERS
1900 NW LOOP 410
SAN ANTONIO, TX 78213

Principal Amount: \$213,100.00

Interest Rate: 1.000%

Date of Note: May 4, 2020

PROMISE TO PAY. T3 Communications, Inc. ("Borrower") promises to pay to THE BANK OF SAN ANTONIO ("Lender"), or order, in lawful money of the United States of America, the principal amount of Two Hundred Thirteen Thousand One Hundred & 00/100 Dollars (\$213,100.00), together with interest on the unpaid principal balance from May 4, 2020, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 1.000% per annum based on a year of 360 days, until maturity. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in accordance with the following payment schedule:

Borrower must make all payments at the place Lender designates. The payment terms for this Note are:

The interest rate is 1% per year, beginning on the date of this Note. To the extent the loan amount is not forgiven under the Paycheck Protection Program (Sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)), Borrower must make equal monthly payments of principal and interest, beginning six (6) months from the date of this Note, until the maturity date, which is two (2) years from the date of the Note. This Note may be prepaid in part or in full, at any time, without penalty.

SBA. When SBA is the holder, this Note will be interpreted and enforced under Federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any Federal immunity from state or local control, penalty, tax, or liability. As to this Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt Federal law.

This Note arise out of the Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136 (the "CARES Act") and the Paycheck Protection Program administered by the U.S. Small Business Administration (the "SBA") under the SBA's 7(a) loan program (the "PPP") [together with other federal statutes and regulations that are now, or may become, applicable to the Note, the "Regulations"]; pursuant to the Regulations, some or all of the outstanding principal balance of the Note, together with accrued and unpaid interest thereon, is subject to being forgiven if Borrower satisfies certain requirements relating to the continued employment and compensation of its employees, and use of proceeds of the Note.

Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; and then to any late charges. **Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.**

MAXIMUM INTEREST RATE. Under no circumstances will the interest rate on this Note exceed (except for any higher default rate shown below) the lesser of 18.000% per annum or the maximum rate allowed by applicable law.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 30/360 simple interest basis; that is, with the exception of odd days before the first full payment cycle, monthly interest is calculated by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by a month of 30 days. Interest for the odd days before the first full month is calculated on the basis of the actual days and a 360-day year. All interest payable under this Note is computed using this method.

PROMISSORY NOTE

(Continued)

Loan No: 525170

Page 2

PREPAYMENT. Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Prepayment in full shall consist of payment of the remaining unpaid principal balance together with all accrued and unpaid interest and all other amounts, costs and expenses for which Borrower is responsible under this Note or any other agreement with Lender pertaining to this loan, and in no event will Borrower ever be required to pay any unearned interest. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. **All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: THE BANK OF SAN ANTONIO, 1900 NW Loop 410 San Antonio, TX 78213.**

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged **5.000% of the unpaid portion of the regularly scheduled payment.**

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased to 18.000% per annum based on a year of 360 days. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Change In Ownership. Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may declare the entire indebtedness, including the unpaid principal balance under this Note, all accrued unpaid interest, and all other amounts, costs and expenses for which Borrower is responsible under this Note or any other agreement with Lender pertaining to this loan, immediately due, without notice, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire an attorney to help collect this Note if Borrower does not pay, and Borrower will pay Lender's reasonable attorneys' fees. Borrower also will pay Lender all other amounts Lender actually incurs as court costs, lawful fees for filing, recording, releasing to any public office any instrument securing this Note; the reasonable cost actually expended for repossessing, storing, preparing for sale, and selling any security; and fees for noting a lien on or transferring a certificate of title to any motor vehicle offered as security for this Note, or premiums or identifiable charges received in connection with the sale of authorized insurance.

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Texas without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Texas.

CHOICE OF VENUE. If there is a lawsuit, and if the transaction evidenced by this Note occurred in BEXAR County, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of BEXAR County, State of Texas.

DISHONORED CHECK CHARGE. Borrower will pay a processing fee of \$25.00 if any check given by Borrower to Lender as a payment on this loan is dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the debt against any and all such accounts.

COLLATERAL. This loan is unsecured.

PROMISSORY NOTE

(Continued)

Loan No: 525170

Page 4

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES. Borrower may notify Lender if Lender reports any inaccurate information about Borrower's account(s) to a consumer reporting agency. Borrower's written notice describing the specific inaccuracy(ies) should be sent to Lender at the following address: THE BANK OF SAN ANTONIO 1900 NW Loop 410 San Antonio, TX 78213.

GENERAL PROVISIONS. NOTICE: Under no circumstances (and notwithstanding any other provisions of this Note) shall the interest charged, collected, or contracted for on this Note exceed the maximum rate permitted by law. The term "maximum rate permitted by law" as used in this Note means the greater of (a) the maximum rate of interest permitted under federal or other law applicable to the indebtedness evidenced by this Note, or (b) the higher, as of the date of this Note, of the "Weekly Ceiling" or the "Quarterly Ceiling" as referred to in Sections 303.002, 303.003 and 303.006 of the Texas Finance Code. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Borrower does not agree or intend to pay, and Lender does not agree or intend to contract for, charge, collect, take, reserve or receive (collectively referred to herein as "charge or collect"), any amount in the nature of interest or in the nature of a fee for this loan, which would in any way or event (including demand, prepayment, or acceleration) cause Lender to charge or collect more for this loan than the maximum Lender would be permitted to charge or collect by federal law or the law of the State of Texas (as applicable). Any such excess interest or unauthorized fee shall, instead of anything stated to the contrary, be applied first to reduce the principal balance of this loan, and when the principal has been paid in full, be refunded to Borrower. The right to accelerate maturity of sums due under this Note does not include the right to accelerate any interest which has not otherwise accrued on the date of such acceleration, and Lender does not intend to charge or collect any unearned interest in the event of acceleration. All sums paid or agreed to be paid to Lender for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of the loan evidenced by this Note until payment in full so that the rate or amount of interest on account of the loan evidenced hereby does not exceed the applicable usury ceiling. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, notice of dishonor, notice of intent to accelerate the maturity of this Note, and notice of acceleration of the maturity of this Note. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

T3 COMMUNICATIONS, INC.

By: Arthur L. Smith 5/6/2020
Arthur L. Smith, President & CEO of
T3 Communications, Inc.

By: Antonio Estrada 5/6/2020
Antonio Estrada, Secretary of
T3 Communications, Inc.

LENDER:

THE BANK OF SAN ANTONIO

X /s/ ANGIE LEWIS 5/6/2020
ANGIE LEWIS, Vice President

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

Principal Amount: US\$15,000.00

Issue Date: April 28, 2020

Purchase Price: US\$15,000.00

CONVERTIBLE PROMISSORY NOTE

FOR VALUE RECEIVED, DIGERATI TECHNOLOGIES, INC., a Nevada corporation (hereinafter called the “Borrower”) (Trading Symbol: DTGI), hereby promises to pay to the order of **PLATINUM POINT CAPITAL LLC**, a Nevada limited liability company, or registered assigns (the “Holder”) the sum of US\$15,000.00 together with any interest as set forth herein, on April 28, 2021 (the “Maturity Date”), and to pay interest on the unpaid principal balance hereof at the rate of ten percent (10%) (the “Interest Rate”) per annum from the date hereof (the “Issue Date”) until the same becomes due and payable, whether at maturity or upon acceleration or by prepayment or otherwise. This Note may not be prepaid in whole or in part except as otherwise explicitly set forth herein with the written consent of the Holder which may be withheld for any reason or for no reason. Any amount of principal or interest on this Note which is not paid when due shall bear interest at the rate of the lesser of (i) eighteen percent (18%) per annum or (ii) the maximum amount allowed by law from the due date thereof until the same is paid (the “Default Interest”). Interest shall commence accruing on the date that the Note is fully paid and shall be computed on the basis of a 360-day year and the actual number of days elapsed. All payments due hereunder (to the extent not converted into common stock, \$0.001 par value per share (the “Common Stock”) in accordance with the terms hereof) shall be made in lawful money of the United States of America. All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a business day, the same shall instead be due on the next succeeding day which is a business day and, in the case of any interest payment date which is not the date on which this Note is paid in full, the extension of the due date thereof shall not be taken into account for purposes of determining the amount of interest due on such date. As used in this Note, the term “business day” shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the city of New York, New York are authorized or required by law or executive order to remain closed.

Each capitalized term used herein, and not otherwise defined, shall have the meaning ascribed thereto in that certain Securities Purchase Agreement dated the date hereof, pursuant to which this Note was originally issued (the "Purchase Agreement").

This Note is free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Borrower and will not impose personal liability upon the holder thereof.

The following terms shall also apply to this Note:

ARTICLE I. CONVERSION RIGHTS

1.1 Conversion Right. The Holder shall have the right from time to time, and at any time on or following the Issue Date and ending on the later of (i) the Maturity Date and (ii) the date of payment of the Default Amount (as defined in Article III) pursuant to Section 1.6(a) or Article III, each in respect of the remaining outstanding principal amount of this Note to convert all or any part of the outstanding and unpaid principal amount of this Note into fully paid and non-assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the Conversion Price (as defined below) determined as provided herein (a "Conversion"); provided, however, that in no event shall the Holder be entitled to convert any portion of this Note in excess of that portion of this Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Notes or the unexercised or unconverted portion of any other security of the Borrower subject to a limitation on conversion or exercise analogous to the limitations contained herein) and (2) the number of shares of Common Stock issuable upon the conversion of the portion of this Note with respect to which the determination of this proviso is being made, would result in beneficial ownership by the Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock. For purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Regulations 13D-G thereunder, except as otherwise provided in clause (1) of such proviso, provided, further, however, that the limitations on conversion may be waived by the Holder (up to a maximum of 9.99%) upon, at the election of the Holder, not less than 61 days' prior notice to the Borrower, and the provisions of the conversion limitation shall continue to apply until such 61st day (or such later date, as determined by the Holder, as may be specified in such notice of waiver). The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the "Notice of Conversion"), delivered to the Borrower by the Holder in accordance with Section 1.4 below; provided that the Notice of Conversion is submitted by facsimile or e-mail (or by other means resulting in, or reasonably expected to result in, notice) to the Borrower before 11:59 p.m., New York, New York time on such conversion date (the "Conversion Date"). The term "Conversion Amount" means, with respect to any conversion of this Note, the sum of (1) the principal amount of this Note to be converted in such conversion plus (2) at the Holder's option, accrued and unpaid interest, if any, on such principal amount at the interest rates provided in this Note to the Conversion Date, provided however, that the Borrower shall have the right to pay any or all interest in cash plus (3) at the Holder's option, Default Interest, if any, on the amounts referred to in the immediately preceding clauses (1) and/or (2) plus (4) at the Holder's option, any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof.

1.2 Conversion Price.

Calculation of Conversion Price. Subject to the adjustments described herein, the conversion price (the “Conversion Price”) shall equal the lesser of (i) the lowest Trading Price (as defined herein) during the previous twenty (20) Trading Day (as defined herein) period ending on the latest complete Trading Day prior to the Issue Date and (ii) 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 60% multiplied by the Market Price (as defined herein) (representing a discount rate of 40%). “Market Price” means the lowest Trading Price (as defined below) for the Common Stock during the twenty (20) Trading Day period ending on the latest complete Trading Day prior to the Conversion Date. “Trading Price” means, for any security as of any date, the lesser of: (i) the lowest trade price on the OTC Pink, OTCQB or applicable trading market as reported by a reliable reporting service (“Reporting Service”) designated by the Holder or, if the OTC Pink is not the principal trading market for such security, the trading price of such security on the principal securities exchange or trading market where such security is listed or traded or, if no trading price of such security is available in any of the foregoing manners, the average of the trading prices of any market makers for such security that are listed in the “pink sheets” by the National Quotation Bureau, Inc., or (ii) the closing bid price on the OTC Pink, OTCQB or applicable trading market as reported by a Reporting Service designated by the Holder or, if the OTC Pink is not the principal trading market for such security, the closing bid price of such security on the principal securities exchange or trading market where such security is listed or traded or, if no closing bid price of such security is available in any of the foregoing manners, the average of the closing bid prices of any market makers for such security that are listed in the “pink sheets” by the National Quotation Bureau, Inc. To the extent the Conversion Price of the Borrower’s Common Stock closes below the par value per share, the Borrower will take all steps necessary to solicit the consent of the stockholders to reduce the par value to the lowest value possible under law. The Borrower agrees to honor all conversions submitted pending this adjustment. Furthermore, the Conversion Price may be adjusted downward if, within three (3) business days of the transmittal of the Notice of Conversion to the Borrower, the Common Stock has a closing bid which is 5% or lower than that set forth in the Notice of Conversion. If the shares of the Borrower’s Common Stock have not been delivered within three (3) business days to the Borrower, the Notice of Conversion may be rescinded. At any time after the Closing Date, if in the case that the Borrower’s Common Stock is not deliverable by DWAC (including if the Borrower’s transfer agent has a policy prohibiting or limiting delivery of shares of the Borrower’s Common Stock specified in a Notice of Conversion), an additional 10% discount will apply for all future conversions under all Notes. If in the case that the Borrower’s Common Stock is “chilled” for deposit into the DTC system and only eligible for clearing deposit, an additional 15% discount shall apply for all future conversions under all Notes while the “chill” is in effect. If in the case of both of the above, an additional cumulative 25% discount shall apply. Additionally, if the Borrower ceases to be a reporting company pursuant to the 1934 Act or if the Note cannot be converted into free trading shares after one hundred eighty-one (181) days from the Issue Date, an additional 15% discount will be attributed to the Conversion Price. If the Trading Price cannot be calculated for such security on such date in the manner provided above, the Trading Price shall be the fair market value as mutually determined by the Borrower and the holders of a majority in interest of the Notes being converted for which the calculation of the Trading Price is required in order to determine the Conversion Price of such Notes. “Trading Day” shall mean any day on which the Common Stock is tradable for any period on the OTC Pink, OTCQB or on the principal securities exchange or other securities market on which the Common Stock is then being traded. The Borrower shall be responsible for all the fees of its transfer agent and all DTC fees associated with any such issuance. Holder shall be entitled to deduct \$500.00 from the conversion amount in each Notice of Conversion to cover Holder’s deposit fees associated with each Notice of Conversion.

While this Note is outstanding, each time any 3rd party has the right to convert monies owed to that 3rd party (or receive shares pursuant to a settlement or otherwise), including but not limited to under Section 3(a)(9) and Section 3(a)(10), at a discount to market greater than the Conversion Price in effect at that time (prior to all other applicable adjustments in the Note), then the H1older, in Holder's sole discretion, may utilize such greater discount percentage (prior to all applicable adjustments in this Note) until this Note is no longer outstanding. While this Note is outstanding, each time any 3rd party has a look back period greater than the look back period in effect under the Note at that time, including but not limited to under Section 3(a)(9) and Section 3(a)(10), then the Holder, in Holder's sole discretion, may utilize such greater number of look back days until this Note is no longer outstanding. The Borrower shall give written notice to the Holder within one (1) business day of becoming aware of any event that could permit the Holder to make any adjustment described in the two immediately preceding sentences.

(a) Conversion Price During Major Announcements. Notwithstanding anything contained in Section 1.2(a) to the contrary, in the event the Borrower (i) makes a public announcement that it intends to consolidate or merge with any other corporation (other than a merger in which the Borrower is the surviving or continuing corporation and its capital stock is unchanged) or sell or transfer all or substantially all of the assets of the Borrower or (ii) any person, group or entity (including the Borrower) publicly announces a tender offer to purchase 50% or more of the Borrower's Common Stock (or any other takeover scheme) (the date of the announcement referred to in clause (i) or (ii) is hereinafter referred to as the "Announcement Date"), then the Conversion Price shall, effective upon the Announcement Date and continuing through the Adjusted Conversion Price Termination Date (as defined below), be equal to the lower of (x) the Conversion Price which would have been applicable for a Conversion occurring on the Announcement Date and (y) the Conversion Price that would otherwise be in effect. From and after the Adjusted Conversion Price Termination Date, the Conversion Price shall be determined as set forth in this Section 1.2(a). For purposes hereof, "Adjusted Conversion Price Termination Date" shall mean, with respect to any proposed transaction or tender offer (or takeover scheme) for which a public announcement as contemplated by this Section 1.2(b) has been made, the date upon which the Borrower (in the case of clause (i) above) or the person, group or entity (in the case of clause (ii) above) consummates or publicly announces the termination or abandonment of the proposed transaction or tender offer (or takeover scheme) which caused this Section 1.2(b) to become operative.

(b) Pro Rata Conversion; Disputes. In the event of a dispute as to the number of shares of Common Stock issuable to the Holder in connection with a conversion of this Note, the Borrower shall issue to the Holder the number of shares of Common Stock not in dispute and resolve such dispute in accordance with Section 4.13.

(c) If at any time the Conversion Price as determined hereunder for any conversion would be less than the par value of the Common Stock, then the Conversion Price hereunder shall equal such par value for such conversion and the Conversion Amount for such conversion shall be increased to include Additional Principal, where "Additional Principal" means such additional amount to be added to the Conversion Amount to the extent necessary to cause the number of conversion shares issuable upon such conversion to equal the same number of conversion shares as would have been issued had the Conversion Price not been subject to the minimum price set forth in this Section 1.2(c).

1.3 Authorized Shares. The Borrower covenants that during the period the conversion right exists, the Borrower will reserve from its authorized and unissued Common Stock a sufficient number of shares, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of this Note issued pursuant to the Purchase Agreement. The Borrower is required at all times to have authorized and reserved six times the number of shares that is actually issuable upon full conversion of the Note (based on the Conversion Price of the Notes in effect from time to time) (the "Reserved Amount"). The Reserved Amount shall be increased from time to time in accordance with the Borrower's obligations pursuant to Section 3(d) of the Purchase Agreement. The Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non-assessable. In addition, if the Borrower shall issue any securities or make any change to its capital structure which would change the number of shares of Common Stock into which the Notes shall be convertible at the then current Conversion Price, the Borrower shall at the same time make proper provision so that thereafter there shall be a sufficient number of shares of Common Stock authorized and reserved, free from preemptive rights, for conversion of the outstanding Notes. The Borrower (i) acknowledges that it has irrevocably instructed its transfer agent to issue certificates for the Common Stock issuable upon conversion of this Note, and (ii) agrees that its issuance of this Note shall constitute full authority to its officers and agents who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of Common Stock in accordance with the terms and conditions of this Note. Notwithstanding the foregoing, in no event shall the Reserved Amount be lower than the initial Reserved Amount, regardless of any prior conversions.

If, at any time the Borrower does not maintain or replenish the Reserved Amount within three (3) business days of the request of the Holder, the principal amount of the Note shall increase by Five Thousand and No/100 United States Dollars (\$5,000) (under Holder's and Borrower's expectation that any principal amount increase will tack back to the Issue Date) per occurrence.

1.4 Method of Conversion.

(a) Mechanics of Conversion. Subject to Section 1.1, this Note may be converted by the Holder in whole or in part at any time from time to time on or after the Issue Date, by (A) submitting to the Borrower a Notice of Conversion (by facsimile, e-mail or other reasonable means of communication dispatched on the Conversion Date prior to 11:59 p.m., New York, New York time) and (B) subject to Section 1.4(b), surrendering this Note at the principal office of the Borrower.

(b) Surrender of Note Upon Conversion. Notwithstanding anything to the contrary set forth herein, upon conversion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Borrower unless the entire unpaid principal amount of this Note is so converted. The Holder and the Borrower shall maintain records showing the principal amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Borrower, so as not to require physical surrender of this Note upon each such conversion. In the event of any dispute or discrepancy, such records of the Borrower shall, *prima facie*, be controlling and determinative in the absence of manifest error. Notwithstanding the foregoing, if any portion of this Note is converted as aforesaid, the Holder may not transfer this Note unless the Holder first physically surrenders this Note to the Borrower, whereupon the Borrower will forthwith issue and deliver upon the order of the Holder a new Note of like tenor, registered as the Holder (upon payment by the Holder of any applicable transfer taxes) may request, representing in the aggregate the remaining unpaid principal amount of this Note. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note represented by this Note may be less than the amount stated on the face hereof.

(c) Payment of Taxes. The Borrower shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock or other securities or property on conversion of this Note in a name other than that of the Holder (or in street name), and the Borrower shall not be required to issue or deliver any such shares or other securities or property unless and until the person or persons (other than the Holder or the custodian in whose street name such shares are to be held for the Holder's account) requesting the issuance thereof shall have paid to the Borrower the amount of any such tax or shall have established to the satisfaction of the Borrower that such tax has been paid.

(d) Delivery of Common Stock Upon Conversion. Upon receipt by the Borrower from the Holder of a facsimile transmission or e-mail (or other reasonable means of communication) of a Notice of Conversion meeting the requirements for conversion as provided in this Section 1.4, the Borrower shall issue and deliver or cause to be issued and delivered to or upon the order of the Holder certificates for the Common Stock issuable upon such conversion within three (3) business days after such receipt (the "Deadline") (and, solely in the case of conversion of the entire unpaid principal amount hereof, surrender of this Note) in accordance with the terms hereof and the Purchase Agreement.

(e) Obligation of Borrower to Deliver Common Stock. Upon receipt by the Borrower of a Notice of Conversion, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, the outstanding principal amount and the amount of accrued and unpaid interest on this Note shall be reduced to reflect such conversion, and, unless the Borrower defaults on its obligations under this Article I, all rights with respect to the portion of this Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as herein provided, on such conversion. If the Holder shall have given a Notice of Conversion as provided herein, the Borrower's obligation to issue and deliver the certificates for Common Stock shall be absolute and unconditional, irrespective of the absence of any action by the Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of the Borrower to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder of any obligation to the Borrower, and irrespective of any other circumstance which might otherwise limit such obligation of the Borrower to the Holder in connection with such conversion. The Conversion Date specified in the Notice of Conversion shall be the Conversion Date so long as the Notice of Conversion is received by the Borrower before 11:59 p.m., New York, New York time, on such date.

(f) Delivery of Common Stock by Electronic Transfer. In lieu of delivering physical certificates representing the Common Stock issuable upon conversion, provided the Borrower is participating in the Depository Trust Company ("DTC") Fast Automated Securities Transfer ("FAST") program, upon request of the Holder and its compliance with the provisions contained in Section 1.1 and in this Section 1.4, the Borrower shall use its commercially reasonable best efforts to cause its transfer agent to electronically transmit the Common Stock issuable upon conversion to the Holder by crediting the account of Holder's Prime Broker with DTC through its Deposit Withdrawal At Custodian ("DWAC") system.

(g) DTC Eligibility and Market Loss. If the Borrower fails to maintain its status as "DTC Eligible" for any reason, or, if the Conversion Price is less than \$0.01 at any time after the Issue Date, the principal amount of the Note shall increase by Fifteen Thousand and No/100 United States Dollars (\$15,000) (under Holder's and Borrower's expectation that any principal amount increase will tack back to the Issue Date). In addition, the Variable Conversion Price shall be redefined to mean forty percent (40%) multiplied by the Market Price, subject to adjustment as provided in this Note.

(h) Failure to Deliver Common Stock Prior to Delivery Deadline. Without in any way limiting the Holder's right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion of this Note is not delivered by the Deadline (other than a failure due to the circumstances described in Section 1.3 above, which failure shall be governed by such Section) the Borrower shall pay to the Holder \$2,000 per day in cash, for each day beyond the Deadline that the Borrower fails to deliver such Common Stock until the Borrower issues and delivers a certificate to the Holder or credit the Holder's balance account with OTC for the number of shares of Common Stock to which the Holder is entitled upon such Holder's conversion of any Conversion Amount (under Holder's and Borrower's expectation that any damages will tack back to the Issue Date). Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of the Holder (by written notice to the Borrower by the first day of the month following the month in which it has accrued), shall be added to the principal amount of this Note, in which event interest shall accrue thereon in accordance with the terms of this Note and such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Note. The Borrower agrees that the right to convert is a valuable right to the Holder. The damages resulting from a failure, attempt to frustrate, interference with such conversion right are difficult if not impossible to qualify. Accordingly the parties acknowledge that the liquidated damages provision contained in this Section 1.4(h) are justified.

(i) Rescindment of a Notice of Conversion. If (i) the Borrower fails to respond to Holder within one (1) business day from the Conversion Date confirming the details of Notice of Conversion, (ii) the Borrower fails to provide any of the shares of the Borrower's Common Stock requested in the Notice of Conversion within three (3) business days from the date of receipt of the Note of Conversion, (iii) the Holder is unable to procure a legal opinion required to have the shares of the Borrower's Common Stock issued unrestricted and/or deposited to sell for any reason related to the Borrower's standing, (iv) the Holder is unable to deposit the shares of the Borrower's Common Stock requested in the Notice of Conversion for any reason related to the Borrower's standing, (v) at any time after a missed Deadline, at the Holder's sole discretion, or (vi) if OTC Markets changes the Borrower's designation to 'Limited Information' (Yield), 'No Information' (Stop Sign), 'Caveat Emptor' (Skull & Crossbones), 'OTC', 'Other OTC' or 'Grey Market' (Exclamation Mark Sign) or other trading restriction on the day of or any day after the Conversion Date, the Holder maintains the option and sole discretion to rescind the Notice of Conversion ("Rescindment") with a "Notice of Rescindment."

1.5 Concerning the Shares. The shares of Common Stock issuable upon conversion of this Note may not be sold or transferred unless (i) such shares are sold pursuant to an effective registration statement under the Act or (ii) the Borrower or its transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration or (iii) such shares are sold or transferred pursuant to Rule 144 under the Act (or a successor rule) ("Rule 144") or (iv) such shares are transferred to an "affiliate" (as defined in Rule 144) of the Borrower who agrees to sell or otherwise transfer the shares only in accordance with this Section 1.5 and who is an Accredited Investor (as defined in the Purchase Agreement). Except as otherwise provided in the Purchase Agreement (and subject to the removal provisions set forth below), until such time as the shares of Common Stock issuable upon conversion of this Note have been registered under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold, each certificate for shares of Common Stock issuable upon conversion of this Note that has not been so included in an effective registration statement or that has not been sold pursuant to an effective registration statement or an exemption that permits removal of the legend, shall bear a legend substantially in the following form, as appropriate:

"NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES."

The legend set forth above shall be removed and the Borrower shall issue to the Holder a new certificate therefore free of any transfer legend if (i) the Borrower or its transfer agent shall have received an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Common Stock may be made without registration under the Act, which opinion shall be reasonably accepted by the Borrower so that the sale or transfer is effected or (ii) in the case of the Common Stock issuable upon conversion of this Note, such security is registered for sale by the Holder under an effective registration statement filed under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold. In the event that the Borrower does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.

1.6 Effect of Certain Events.

(a) Effect of Merger, Consolidation, Etc. At the option of the Holder, the sale, conveyance or disposition of all or substantially all of the assets of the Borrower, the effectuation by the Borrower of a transaction or series of related transactions in which more than 50% of the voting power of the Borrower is disposed of, or the consolidation, merger or other business combination of the Borrower with or into any other Person (as defined below) or Persons when the Borrower is not the survivor shall either: (i) be deemed to be an Event of Default (as defined in Article III) pursuant to which the Borrower shall be required to pay to the Holder upon the consummation of and as a condition to such transaction an amount equal to the Default Amount (as defined in Article III) or (ii) be treated pursuant to Section 1.6(b) hereof. "Person" shall mean any individual, corporation, limited liability company, partnership, association, trust or other entity or organization.

(b) Adjustment Due to Merger, Consolidation, Etc. If, at any time when this Note is issued and outstanding and prior to conversion of all of the Notes, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock of the Borrower shall be changed into the same or a different number of shares of another class or classes of stock or securities of the Borrower or another entity, or in case of any sale or conveyance of all or substantially all of the assets of the Borrower other than in connection with a plan of complete liquidation of the Borrower, then the Holder of this Note shall thereafter have the right to receive upon conversion of this Note, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion, such stock, securities or assets which the Holder would have been entitled to receive in such transaction had this Note been converted in full immediately prior to such transaction (without regard to any limitations on conversion set forth herein), and in any such case appropriate provisions shall be made with respect to the rights and interests of the Holder of this Note to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Conversion Price and of the number of shares issuable upon conversion of the Note) shall thereafter be applicable, as nearly as may be practicable in relation to any securities or assets thereafter deliverable upon the conversion hereof. The Borrower shall not affect any transaction described in this Section 1.6(b) unless (a) it first gives, to the extent practicable, thirty (30) days prior written notice (but in any event at least fifteen (15) days prior written notice) of the record date of the special meeting of shareholders to approve, or if there is no such record date, the consummation of, such merger, consolidation, exchange of shares, recapitalization, reorganization or other similar event or sale of assets (during which time the Holder shall be entitled to convert this Note) and (b) the resulting successor or acquiring entity (if not the Borrower) assumes by written instrument the obligations of this Section 1.6(b). The above provisions shall similarly apply to successive consolidations, mergers, sales, transfers or share exchanges.

(c) Adjustment Due to Distribution. If the Borrower shall declare or make any distribution of its assets (or rights to acquire its assets) to holders of Common Stock as a dividend, stock repurchase, by way of return of capital or otherwise (including any dividend or distribution to the Borrower's shareholders in cash or shares (or rights to acquire shares) of capital stock of a subsidiary (i.e., a spin-off)) (a "Distribution"), then the Holder of this Note shall be entitled, upon any conversion of this Note after the date of record for determining shareholders entitled to such Distribution, to receive the amount of such assets which would have been payable to the Holder with respect to the shares of Common Stock issuable upon such conversion had such Holder been the holder of such shares of Common Stock on the record date for the determination of shareholders entitled to such Distribution.

(d) Adjustment Due to Dilutive Issuance. If, at any time when any Notes are issued and outstanding, the Borrower issues or sells, or in accordance with this Section 1.6(d) hereof is deemed to have issued or sold, except for shares of Common Stock issued directly to vendors or suppliers of the Borrower in satisfaction of amounts owed to such vendors or suppliers (provided, however, that such vendors or suppliers shall not have an arrangement to transfer, sell or assign such shares of Common Stock prior to the issuance of such shares), any shares of Common Stock for no consideration or for a consideration per share (before deduction of reasonable expenses or commissions or underwriting discounts or allowances in connection therewith) less than the Conversion Price in effect on the date of such issuance (or deemed issuance) of such shares of Common Stock (a "Dilutive Issuance"), then immediately upon the Dilutive Issuance, the Conversion Price will be reduced to the amount of the consideration per share received by the Borrower in such Dilutive Issuance.

The Borrower shall be deemed to have issued or sold shares of Common Stock if the Borrower in any manner issues or grants any warrants, rights or options (not including employee stock option plans), whether or not immediately exercisable, to subscribe for or to purchase Common Stock or other securities convertible into or exchangeable for Common Stock ("Convertible Securities") (such warrants, rights and options to purchase Common Stock or Convertible Securities are hereinafter referred to as "Options") and the price per share for which Common Stock is issuable upon the exercise of such Options is less than the Conversion Price then in effect, then the Conversion Price shall be equal to such price per share. For purposes of the preceding sentence, the "price per share for which Common Stock is issuable upon the exercise of such Options" is determined by dividing (i) the total amount, if any, received or receivable by the Borrower as consideration for the issuance or granting of all such Options, plus the minimum aggregate amount of additional consideration, if any, payable to the Borrower upon the exercise of all such Options, plus, in the case of Convertible Securities issuable upon the exercise of such Options, the minimum aggregate amount of additional consideration payable upon the conversion or exchange thereof at the time such Convertible Securities first become convertible or exchangeable, by (ii) the maximum total number of shares of Common Stock issuable upon the exercise of all such Options (assuming full conversion of Convertible Securities, if applicable). No further adjustment to the Conversion Price will be made upon the actual issuance of such Common Stock upon the exercise of such Options or upon the conversion or exchange of Convertible Securities issuable upon exercise of such Options.

Additionally, the Borrower shall be deemed to have issued or sold shares of Common Stock if the Borrower in any manner issues or sells any Convertible Securities, whether or not immediately convertible (other than where the same are issuable upon the exercise of Options), and the price per share for which Common Stock is issuable upon such conversion or exchange is less than the Conversion Price then in effect, then the Conversion Price shall be equal to such price per share. For the purposes of the preceding sentence, the “price per share for which Common Stock is issuable upon such conversion or exchange” is determined by dividing (i) the total amount, if any, received or receivable by the Borrower as consideration for the issuance or sale of all such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Borrower upon the conversion or exchange thereof at the time such Convertible Securities first become convertible or exchangeable, by (ii) the maximum total number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities. No further adjustment to the Conversion Price will be made upon the actual issuance of such Common Stock upon conversion or exchange of such Convertible Securities.

(e) Purchase Rights. If, at any time when any Notes are issued and outstanding, the Borrower issues any convertible securities or rights to purchase stock, warrants, securities or other property (the “Purchase Rights”) pro rata to the record holders of any class of Common Stock, then the Holder of this Note will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such Holder could have acquired if such Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without regard to any limitations on conversion contained herein) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

(f) Notice of Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price as a result of the events described in this Section 1.6, the Borrower, at its expense, shall promptly compute such adjustment or readjustment and prepare and furnish to the Holder a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Borrower shall, upon the written request at any time of the Holder, furnish to such Holder a like certificate 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 securities or property which at the time would be received upon conversion of the Note.

1.7 [Intentionally Omitted].

1.8 Status as Shareholder. Upon submission of a Notice of Conversion by a Holder, (i) the shares covered thereby (other than the shares, if any, which cannot be issued because their issuance would exceed such Holder's allocated portion of the Reserved Amount or Maximum Share Amount) shall be deemed converted into shares of Common Stock and (ii) the Holder's rights as a Holder of such converted portion of this Note shall cease and terminate, excepting only the right to receive certificates for such shares of Common Stock and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Borrower to comply with the terms of this Note. Notwithstanding the foregoing, if a Holder has not received certificates for all shares of Common Stock prior to the tenth (10th) business day after the expiration of the Deadline with respect to a conversion of any portion of this Note for any reason, then (unless the Holder otherwise elects to retain its status as a holder of Common Stock by so notifying the Borrower) the Holder shall regain the rights of a Holder of this Note with respect to such unconverted portions of this Note and the Borrower shall, as soon as practicable, return such unconverted Note to the Holder or, if the Note has not been surrendered, adjust its records to reflect that such portion of this Note has not been converted. In all cases, the Holder shall retain all of its rights and remedies (including, without limitation, (i) the right to receive Conversion Default Payments pursuant to Section 1.3 to the extent required thereby for such Conversion Default and any subsequent Conversion Default and (ii) the right to have the Conversion Price with respect to subsequent conversions determined in accordance with Section 1.3) for the Borrower's failure to convert this Note.

1.9 Prepayment. Subject to the terms of this Note, and provided that an Event of Default has not occurred under this Note, the Borrower may prepay the amounts outstanding hereunder pursuant to the following terms and conditions:

(a) At any time during the period beginning on the Issue Date and ending on the date which is ninety (90) calendar days following the Issue Date, the Borrower shall have the right, exercisable on not less than three (3) Trading Days prior written notice to the Holder of the Note to prepay the outstanding Note (principal and accrued interest), in full by making a payment to the Holder of an amount in cash equal to 125%, multiplied by the sum of: (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note plus (y) Default Interest, if any.

(b) At any time during the period beginning the day which is ninety one (91) calendar days following the Issue Date and ending on the date which is one hundred eighty (180) calendar days following the Issue Date, the Borrower shall have the right, exercisable on not less than three (3) Trading Days prior written notice to the Holder of the Note to prepay the outstanding Note (principal and accrued interest), in full by making a payment to the Holder of an amount in cash equal to 130%, multiplied by the sum of: (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note plus (y) Default Interest, if any.

(c) After the expiration of one hundred eighty (180) calendar days following the date of the Note, the Borrower shall have no right of prepayment.

1.10 Any notice of prepayment hereunder (an "Optional Prepayment Notice") shall be delivered to the Holder of the Note at its registered addresses by physical mail and shall state: (1) that the Borrower is exercising its right to prepay the Note, and (2) the date of prepayment which shall be not more than three (3) Trading Days from the date of the Optional Prepayment Notice. On the date fixed for prepayment (the "Optional Prepayment Date"), the Borrower shall make payment of the applicable prepayment amount to or upon the order of the Holder as specified by the Holder in writing to the Borrower. If the Borrower delivers an Optional Prepayment Notice and fails to pay the applicable prepayment amount due to the Holder of the Note within two (2) business days following the Optional Prepayment Date, the Borrower shall forever forfeit its right to prepay the Note pursuant to Section 1.9.

ARTICLE II. CERTAIN COVENANTS

2.1 Distributions on Capital Stock. So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent (a) pay, declare or set apart for such payment, any dividend or other distribution (whether in cash, property or other securities) on shares of capital stock other than dividends on shares of Common Stock solely in the form of additional shares of Common Stock or (b) directly or indirectly or through any subsidiary make any other payment or distribution in respect of its capital stock except for distributions pursuant to any shareholders' rights plan which is approved by a majority of the Borrower's disinterested directors.

2.2 Restriction on Stock Repurchases. So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent redeem, repurchase or otherwise acquire (whether for cash or in exchange for property or other securities or otherwise) in any one transaction or series of related transactions any shares of capital stock of the Borrower or any warrants, rights or options to purchase or acquire any such shares.

2.3 Borrowings. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, create, incur, assume guarantee, endorse, contingently agree to purchase or otherwise become liable upon the obligation of any person, firm, partnership, joint venture or corporation, except by the endorsement of negotiable instruments for deposit or collection, or suffer to exist any liability for borrowed money, except (a) borrowings in existence or committed on the date hereof and of which the Borrower has informed Holder in writing prior to the date hereof, (b) indebtedness to trade creditors financial institutions or other lenders incurred in the ordinary course of business or (c) borrowings, the proceeds of which shall be used to repay this Note.

2.4 Sale of Assets. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, sell, lease or otherwise dispose of any significant portion of its assets outside the ordinary course of business. Any consent to the disposition of any assets shall be conditioned on a specified use of the proceeds towards the repayment of this Note.

2.5 Advances and Loans. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, lend money, give credit or make advances to any person, firm, joint venture or corporation, including, without limitation, officers, directors, employees, subsidiaries and affiliates of the Borrower, except loans, credits or advances (a) in existence or committed on the date hereof and which the Borrower has informed Holder in writing prior to the date hereof, (b) made in the ordinary course of business or (c) not in excess of \$100,000.

2.6 Section 3(a)(10) Transaction. So long as this Note is outstanding, the Borrower shall not enter into any transaction or arrangement structured in accordance with, based upon, or related or pursuant to, in whole or in part, Section 3(a)(10) of the Securities Act (a "3(a)(10) Transaction"). In the event that the Borrower does enter into, or makes any issuance of Common Stock related to a 3(a)(10) Transaction while this note is outstanding, a liquidated damages charge of 25% of the outstanding principal balance of this Note, but not less than Fifteen Thousand Dollars \$15,000, will be assessed and will become immediately due and payable to the Holder at its election in the form of cash payment or addition to the balance of this Note.

2.7 Preservation of Existence, etc. The Borrower shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, its existence, rights and privileges, and become or remain, and cause each of its Subsidiaries (other than dormant Subsidiaries that have no or minimum assets) to become or remain, duly qualified and in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary.

2.8 Non-circumvention. The Borrower hereby covenants and agrees that the Borrower will not, by amendment of its Certificate or Articles of Incorporation or Bylaws, or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, 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 of this Note, and will at all times in good faith carry out all the provisions of this Note and take all action as may be required to protect the rights of the Holder.

2.9 Repayment from Proceeds. While any portion of this Note is outstanding, if the Borrower receives cash proceeds from any source or series of related or unrelated sources, including but not limited to, from payments from customers, the issuance of equity or debt, the conversion of outstanding warrants of the Borrower, the issuance of securities pursuant to an equity line of credit of the Borrower or the sale of assets, the Borrower shall, within one (1) business day of Borrower's receipt of such proceeds, inform the Holder of such receipt, following which the Holder shall have the right in its sole discretion to require the Borrower to immediately apply all or any portion of such proceeds to repay all or any portion of the outstanding amounts owed under this Note. Failure of the Borrower to comply with this provision shall constitute an Event of Default. In the event that such proceeds are received by the Holder prior to the Maturity Date, the required repayment shall be subject to the terms of Section 1.9 herein.

ARTICLE III. EVENTS OF DEFAULT

If any of the following events of default (each, an “Event of Default”) shall occur:

3.1 Failure to Pay Principal or Interest. The Borrower fails to pay the principal hereof or interest thereon when due on this Note, whether at maturity, upon acceleration or otherwise.

3.2 Conversion and the Shares. The Borrower (i) fails to issue shares of Common Stock to the Holder (or announces or threatens in writing that it will not honor its obligation to do so) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note, (ii) fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form) any certificate for shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, (iii) directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form) any certificate for shares of Common Stock to be issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, (iv) fails to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph) and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for three (3) business days after the Holder shall have delivered a Notice of Conversion, (v) fails to remain current in its obligations to its transfer agent, (vi) causes a conversion of this Note is delayed, hindered or frustrated due to a balance owed by the Borrower to its transfer agent, (vii) fails to repay Holder, within forty eight (48) hours of a demand from the Holder, any amount of funds advanced by Holder to Borrower’s transfer agent in order to process a conversion, (viii) fails to reserve sufficient amount of shares of common stock to satisfy the Reserved Amount at all times, (ix) fails to provide a Rule 144 opinion letter from the Borrower’s legal counsel to the Holder, covering the Holder’s resale into the public market of the respective conversion shares under this Note, within two (2) business days of the Holder’s submission of a Notice of Conversion to the Borrower (provided that the Holder must request the opinion from the Borrower at the time that Holder submits the respective Notice of Conversion and the date of the respective Notice of Conversion must be on or after the date which is six (6) months after the date that the Holder funded the Purchase Price under this Note), and/or (x) an exemption under Rule 144 is unavailable for the Holder’s deposit into Holder’s brokerage account and resale into the public market of any of the conversion shares under this Note at any time after the date which is six (6) months after the date that the Holder funded the Purchase Price under this Note.

3.3 Failure to Deliver Transaction Expense Amount. The Borrower fails to deliver the Transaction Expense Amount (as defined in the Purchase Agreement) to the Holder within three (3) business days of the date such amount is due.

3.4 Breach of Covenants. The Borrower breaches any material covenant or other material term or condition contained in this Note and any collateral documents including but not limited to the Purchase Agreement and such breach continues for a period of ten (10) days after written notice thereof to the Borrower from the Holder.

3.5 Breach of Representations and Warranties. Any representation or warranty of the Borrower made herein or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith (including, without limitation, the Purchase Agreement), shall be false or misleading in any material respect when made and the breach of which has (or with the passage of time will have) a material adverse effect on the rights of the Holder with respect to this Note or the Purchase Agreement.

3.6 Receiver or Trustee. The Borrower or any subsidiary of the Borrower shall make an assignment for the benefit of creditors or commence proceedings for its dissolution, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business, or such a receiver or trustee shall otherwise be appointed for the Borrower or for a substantial part of its property or business without its consent and shall not be discharged within sixty (60) days after such appointment.

3.7 Judgments. Any money judgment, writ or similar process shall be entered or filed against the Borrower or any subsidiary of the Borrower or any of its property or other assets for more than \$50,000, and shall remain unvacated, unbonded or unstayed for a period of twenty (20) days unless otherwise consented to by the Holder, which consent will not be unreasonably withheld.

3.8 Bankruptcy. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings, voluntary or involuntary, for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Borrower or any subsidiary of the Borrower, or the Borrower admits in writing its inability to pay its debts generally as they mature, or have filed against it an involuntary petition for bankruptcy relief, all under federal or state laws as applicable or the Borrower admits in writing its inability to pay its debts generally as they mature, or have filed against it an involuntary petition for bankruptcy relief, all under international, federal or state laws as applicable.

3.9 Delisting of Common Stock. The Borrower shall fail to maintain the listing of the Common Stock on at least one of the OTC Pink, OTCQB, Nasdaq National Market, Nasdaq Small Cap Market, New York Stock Exchange, NYSE MKT, or an equivalent replacement exchange

3.10 Failure to Comply with the Exchange Act. The Borrower shall fail to comply with the reporting requirements of the Exchange Act (including but not limited to becoming delinquent in its filings); and/or the Borrower shall cease to be subject to the reporting requirements of the Exchange Act.

3.11 Liquidation. Any dissolution, liquidation, or winding up of Borrower or any substantial portion of its business.

3.12 Cessation of Operations. Any cessation of operations by Borrower or Borrower admits it is otherwise generally unable to pay its debts as such debts become due, provided, however, that any disclosure of the Borrower's ability to continue as a "going concern" shall not be an admission that the Borrower cannot pay its debts as they become due.

3.13 Maintenance of Assets. The failure by Borrower to maintain any material intellectual property rights, personal, real property or other assets which are necessary to conduct its business (whether now or in the future), or any disposition or conveyance of any material asset of the Borrower.

3.14 Financial Statement Restatement. The restatement of any financial statements filed by the Borrower with the SEC for any date or period from two years prior to the Issue Date of this Note and until this Note is no longer outstanding, if the result of such restatement would, by comparison to the unrestated financial statement, have constituted a material adverse effect on the rights of the Holder with respect to this Note or the Purchase Agreement.

3.15 Reverse Splits. The Borrower effectuates a reverse split of its Common Stock without twenty (20) days prior written notice to the Holder.

3.16 Replacement of Transfer Agent. In the event that the Borrower proposes to replace its transfer agent, the Borrower fails to provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Purchase Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower.

3.17 Cessation of Trading. Any cessation of trading of the Common Stock on at least one of the OTC Pink, OTCQB, Nasdaq National Market, Nasdaq Small Cap Market, New York Stock Exchange, NYSE MKT, or an equivalent replacement exchange, and such cessation of trading shall continue for a period of five consecutive (5) Trading Days.

3.18 Cross-Default. Notwithstanding anything to the contrary contained in this Note or the other related or companion documents, a breach or default by the Borrower of any covenant or other term or condition contained in any of the Other Agreements (as defined herein), after the passage of all applicable notice and cure or grace periods, shall, at the option of the Holder, be considered a default under this Note and the Other Agreements, in which event the Holder shall be entitled (but in no event required) to apply all rights and remedies of the Holder under the terms of this Note and the Other Agreements by reason of a default under said Other Agreement or hereunder. "Other Agreements" means, collectively, all agreements and instruments between, among or by: (1) the Borrower, and, or for the benefit of, (2) the Holder (and any affiliate of the Holder) or any other third party, including, without limitation, promissory notes; provided, however, the term "Other Agreements" shall not include the agreements and instruments defined as the Documents. Each of the loan transactions will be cross-defaulted with each other loan transaction and with all other existing and future debt of Borrower to the Holder.

3.19 Bid Price. The Borrower shall lose the “bid” price for its Common Stock (\$0.0001 on the “Ask” with zero market makers on the “Bid” per Level 2) and/or a market (including the OTC Pink, OTCQB or an equivalent replacement exchange).

3.20 OTC Markets Designation. OTC Markets changes the Borrower’s designation to ‘No Information’ (Stop Sign), ‘Caveat Emptor’ (Skull and Crossbones), or ‘OTC’, ‘Other OTC’ or ‘Grey Market’ (Exclamation Mark Sign).

3.21 Inside Information. Any attempt by the Borrower or its officers, directors, and/or affiliates to transmit, convey, disclose, or any actual transmittal, conveyance, or disclosure by the Borrower or its officers, directors, and/or affiliates of, material non-public information concerning the Borrower, to the Holder or its successors and assigns, which is not immediately cured by Borrower’s filing of a Form 8-K pursuant to Regulation FD on that same date.

3.22 Unavailability of Rule 144. If, at any time on or after the date which is six (6) months after the Issue Date, the Holder is unable to (i) obtain a standard “144 legal opinion letter” from an attorney reasonably acceptable to the Holder, the Holder’s brokerage firm (and respective clearing firm), and the Borrower’s transfer agent in order to facilitate the Holder’s conversion of any portion of the Note into free trading shares of the Borrower’s Common Stock pursuant to Rule 144, and (ii) thereupon deposit such shares into the Holder’s brokerage account.

UPON THE OCCURRENCE OF ANY EVENT OF DEFAULT SPECIFIED IN SECTION 3.2 AND/OR 3.22 OF THIS NOTE, THE NOTE SHALL BECOME IMMEDIATELY DUE AND PAYABLE AND THE BORROWER SHALL PAY TO THE HOLDER, IN FULL SATISFACTION OF ITS OBLIGATIONS HEREUNDER, AN AMOUNT EQUAL TO: (Y) THE DEFAULT SUM (AS DEFINED HEREIN); MULTIPLIED BY (Z) TWO (2). Upon the occurrence of any Event of Default specified in Sections 3.1, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, 3.16, 3.17, 3.18, 3.19, 3.20, and/or 3.21, exercisable through the delivery of written notice to the Borrower by such Holders (the “Default Notice”), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to (i) 150% times the sum of (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the date of payment (the “Mandatory Prepayment Date”) plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and/or (x) plus (z) any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof (the then outstanding principal amount of this Note to the date of payment plus the amounts referred to in clauses (x), (y) and (z) shall collectively be known as the “Default Sum”) or (ii) at the option of the Holder, the “parity value” of the Default Sum to be prepaid, where parity value means (a) the highest number of shares of Common Stock issuable upon conversion of or otherwise pursuant to such Default Sum in accordance with Article I, treating the Trading Day immediately preceding the Mandatory Prepayment Date as the “Conversion Date” for purposes of determining the lowest applicable Conversion Price, unless the Default Event arises as a result of a breach in respect of a specific Conversion Date in which case such Conversion Date shall be the Conversion Date), multiplied by (b) the highest Trading Price for the Common Stock during the period beginning on the date of first occurrence of the Event of Default and ending one day prior to the Mandatory Prepayment Date (the “Default Amount”) and all other amounts payable hereunder shall immediately become due and payable, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity. Further, if a breach of Sections 3.9, 3.10 and/or 3.19 occurs or is continuing after the six (6) month anniversary of this Note, then the principal amount of the Note shall increase by Fifteen Thousand and No/100 United States Dollars (\$15,000) (under Holder’s and Borrower’s expectation that any principal amount increase will tack back to the Issue Date) and the Holder shall be entitled to use the lowest Trading Price during the delinquency period as a base price for the conversion with the Variable Conversion Price shall be redefined to mean forty percent (40%) multiplied by the Market Price (at the option of the Holder), subject to adjustment as provided in this Note. For example, if the lowest Trading Price during the delinquency period is \$0.50 per share and the conversion discount is 50%, then the Holder may elect to convert future conversions at \$0.25 per share. If this Note is not paid at Maturity Date, then the outstanding principal due under this Note shall increase by Fifteen Thousand and No/100 United States Dollars (\$15,000).

The Holder shall have the right at any time, to require the Borrower to immediately issue, in lieu of the Default Amount and/or Default Sum, the number of shares of Common Stock of the Borrower equal to the Default Amount and/or Default Sum divided by the Conversion Price then in effect, subject to the terms of this Note (including but not limited to any beneficial ownership limitations contained herein). This requirement by the Borrower shall automatically apply upon the occurrence of an Event of Default without the need for any party to give any notice or take any other action.

If the Holder shall commence an action or proceeding to enforce any provisions of this Note, including, without limitation, engaging an attorney, then if the Holder prevails in such action, the Holder shall be reimbursed by the Borrower for its attorneys' fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

ARTICLE IV. MISCELLANEOUS

4.1 Failure or Indulgence Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

4.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, electronic mail, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by electronic mail or facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Borrower, to:

Digerati Technologies, Inc.
825 W. Bitters, Suite 104
San Antonio, TX 78216
Attn: Arthur L. Smith, Chief Executive Officer

If to the Holder:

Platinum Point Capital LLC
211 East 43rd Street., Suite 626
New York, NY 10017
Attn: Brian Freifeld, President

4.3 Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term “Note” and all reference thereto, as used throughout this instrument, shall mean this instrument (and the other Notes issued pursuant to the Purchase Agreement) as originally executed, or if later amended or supplemented, then as so amended or supplemented.

4.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. Neither the Borrower nor the Holder shall assign this Note or any rights or obligations hereunder without the prior written consent of the other. Notwithstanding the foregoing, the Holder may assign its rights hereunder to any “accredited investor” (as defined in Rule 501(a) of the 1933 Act) in a private transaction from the Holder or to any of its “affiliates”, as that term is defined under the 1934 Act, without the consent of the Borrower. Notwithstanding anything in this Note to the contrary, this Note may be pledged as collateral in connection with a bona fide margin account or other lending arrangement. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note represented by this Note may be less than the amount stated on the face hereof.

4.5 Cost of Collection. If default is made in the payment of this Note, the Borrower shall pay the Holder hereof reasonable costs of collection, including reasonable attorneys’ fees.

4.6 Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Note shall be brought only in the state courts of New York or in the federal courts located in the State of New York. The parties to this Note hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. **THE BORROWER HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS NOTE OR ANY TRANSACTION CONTEMPLATED HEREBY.** The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Note or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

4.7 Certain Amounts. Whenever pursuant to this Note the Borrower is required to pay an amount in excess of the outstanding principal amount (or the portion thereof required to be paid at that time) plus accrued and unpaid interest plus Default Interest on such interest, the Borrower and the Holder agree that the actual damages to the Holder from the receipt of cash payment on this Note may be difficult to determine and the amount to be so paid by the Borrower represents stipulated damages and not a penalty and is intended to compensate the Holder in part for loss of the opportunity to convert this Note and to earn a return from the sale of shares of Common Stock acquired upon conversion of this Note at a price in excess of the price paid for such shares pursuant to this Note. The Borrower and the Holder hereby agree that such amount of stipulated damages is not plainly disproportionate to the possible loss to the Holder from the receipt of a cash payment without the opportunity to convert this Note into shares of Common Stock.

4.8 Purchase Agreement. By its acceptance of this Note, each party agrees to be bound by the applicable terms of the Purchase Agreement.

4.9 Notice of Corporate Events. Except as otherwise provided below, the Holder of this Note shall have no rights as a Holder of Common Stock unless and only to the extent that it converts this Note into Common Stock. The Borrower shall provide the Holder with prior notification of any meeting of the Borrower's shareholders (and copies of proxy materials and other information sent to shareholders). In the event of any taking by the Borrower of a record of its shareholders for the purpose of determining shareholders who are entitled to receive payment of any dividend or other distribution, any right to subscribe for, purchase or otherwise acquire (including by way of merger, consolidation, reclassification or recapitalization) any share of any class or any other securities or property, or to receive any other right, or for the purpose of determining shareholders who are entitled to vote in connection with any proposed sale, lease or conveyance of all or substantially all of the assets of the Borrower or any proposed liquidation, dissolution or winding up of the Borrower, the Borrower shall mail a notice to the Holder, at least twenty (20) days prior to the record date specified therein (or thirty (30) days prior to the consummation of the transaction or event, whichever is earlier), of the date on which any such record is to be taken for the purpose of such dividend, distribution, right or other event, and a brief statement regarding the amount and character of such dividend, distribution, right or other event to the extent known at such time. The Borrower shall make a public announcement of any event requiring notification to the Holder hereunder substantially simultaneously with the notification to the Holder in accordance with the terms of this Section 4.9 including, but not limited to, name changes, recapitalizations, etc. as soon as possible under law.

4.10 Usury. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable provision shall automatically be revised to equal the maximum rate of interest or other amount deemed interest permitted under applicable law. The Borrower covenants (to the extent that it may lawfully do so) that it will not seek to claim or take advantage of any law that would prohibit or forgive the Borrower from paying all or a portion of the principal or interest on this Note.

4.11 Remedies. The Borrower acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder, by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Borrower acknowledges that the remedy at law for a breach of its obligations under this Note will be inadequate and agrees, in the event of a breach or threatened breach by the Borrower of the provisions of this Note, that the Holder shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Note and to enforce specifically the terms and provisions thereof, without the necessity of showing economic loss and without any bond or other security being required. No provision of this Note shall alter or impair the obligation of the Borrower, which is absolute and unconditional, to pay the principal of, and interest on, this Note at the time, place, and rate, and in the form, herein prescribed.

4.12 Severability. In the event that any provision of this Note is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

4.13 Dispute Resolution. In the case of a dispute as to the determination of the Conversion Price, Conversion Amount, any prepayment amount or Default Amount, Default Sum, Closing or Maturity Date, the closing bid price, or fair market value (as the case may be) or the arithmetic calculation of the Conversion Price or the applicable prepayment amount(s) (as the case may be), the Borrower or the Holder shall submit the disputed determinations or arithmetic calculations via facsimile (i) within two (2) Business Days after receipt of the applicable notice giving rise to such dispute to the Borrower or the Holder or (ii) if no notice gave rise to such dispute, at any time after the Holder learned of the circumstances giving rise to such dispute. If the Holder and the Borrower are unable to agree upon such determination or calculation within two (2) Business Days of such disputed determination or arithmetic calculation (as the case may be) being submitted to the Borrower or the Holder, then the Borrower shall, within two (2) Business Days, submit via facsimile (a) the disputed determination of the Conversion Price, the closing bid price, the or fair market value (as the case may be) to an independent, reputable investment bank selected by the Borrower and approved by the Holder or (b) the disputed arithmetic calculation of the Conversion Price, Conversion Amount, any prepayment amount or Default Amount, Default Sum to an independent, outside accountant selected by the Holder that is reasonably acceptable to the Borrower. The Borrower shall cause at its expense the investment bank or the accountant to perform the determinations or calculations and notify the Borrower and the Holder of the results no later than ten (10) Business Days from the time it receives such disputed determinations or calculations. Such investment bank's or accountant's determination or calculation shall be binding upon all parties absent demonstrable error.

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

4.15 Piggyback Registration Rights. The Borrower shall include on the next registration statement the Borrower files with SEC (or on the subsequent registration statement if such registration statement is withdrawn) all shares issuable upon conversion of this Note. Failure to do so will result in liquidated damages of 25% of the outstanding principal balance of this Note, but not less than Fifteen Thousand and No/100 United States Dollars (\$15,000), being immediately due and payable to the Holder at its election in the form of cash payment or addition to the balance of this Note.

4.16 Future Raises; Repayment from Proceeds. The Borrower shall not consummate any capital raising transactions (including but not limited to from the issuance of debt and/or equity securities) during the initial ninety (90) days after the Issue Date. Until the Note is satisfied in full, if the Borrower receives cash proceeds from any source or series of related or unrelated sources, including but not limited to, from the issuance of equity and/or debt securities, the conversion of outstanding warrants of the Borrower, the issuance of securities pursuant to an equity line of credit of the Borrower or the sale of assets, the Borrower shall, within one (1) business day of Borrower's receipt of such proceeds, inform the Holder of such receipt, following which the Holder shall have the right in its sole discretion to require the Borrower to immediately apply all or any portion of such proceeds to repay all or any portion of this Note. Failure of the Borrower to comply with this provision shall constitute an Event of Default under Section 3.4 of the Note. In the event that such proceeds are received by the Holder prior to the Maturity Date, the required prepayment shall be subject to the terms of Section 1.9 herein.

[signature page follows]

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its duly authorized officer as of the date first above written.

DIGERATI TECHNOLOGIES, INC.

By: /s/ Arthur Smith

Name: Arthur Smith

Title: Chief Executive Officer

EXHIBIT A
NOTICE OF CONVERSION

The undersigned hereby elects to convert \$ _____ principal amount of the Note (defined below) together with \$ _____ of accrued and unpaid interest thereto, totaling \$ _____ into that number of shares of Common Stock to be issued pursuant to the conversion of the Note ("Common Stock") as set forth below, of Digerati Technologies, Inc., a Nevada corporation (the "Borrower"), according to the conditions of the convertible note of the Borrower dated as of April __, 2020 (the "Note"), as of the date written below. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any.

Box Checked as to applicable instructions:

- The Borrower shall electronically transmit the Common Stock issuable pursuant to this Notice of Conversion to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal At Custodian system ("DWAC Transfer").

Name of DTC Prime Broker:
Account Number:

- The undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

Name: [NAME]
Address: [ADDRESS]

Date of Conversion:	_____
Applicable Conversion Price:	\$ _____
Number of Shares of Common Stock to be Issued Pursuant to Conversion of the Notes:	_____
Amount of Principal Balance Due remaining Under the Note after this conversion:	_____
Accrued and unpaid interest remaining:	_____

[HOLDER]

By: _____
Name: [NAME]
Title: [TITLE]
Date: [DATE]

SECURITIES PURCHASE AGREEMENT

This **SECURITIES PURCHASE AGREEMENT** (the “Agreement”), dated as of April 28, 2020, by and between **DIGERATI TECHNOLOGIES, INC.**, a Nevada corporation, with headquarters located at 825 W. Bitters, Suite 104, San Antonio, Texas 78216 (the “Company”), and **PLATINUM POINT CAPITAL LLC**, a Nevada limited liability company, with its address at 211 East 43rd Street., Suite 626, New York, NY 10017 (the “Buyer”).

WHEREAS:

A. The Company and the Buyer are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by the rules and regulations as promulgated by the United States Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “1933 Act”);

B. Buyer desires to purchase and the Company desires to issue and sell, upon the terms and conditions set forth in this Agreement the Convertible Promissory Note of the Company, in the form attached hereto as Exhibit A, in the aggregate principal amount of US\$15,000.00 (together with any note(s) issued in replacement thereof or as a dividend thereon or otherwise with respect thereto in accordance with the terms thereof, the “Note”), convertible into shares of common stock, \$0.001 par value per share, of the Company (the “Common Stock”), upon the terms and subject to the limitations and conditions set forth in such Note.

C. The Buyer wishes to purchase, upon the terms and conditions stated in this Agreement, such principal amount of Note as is set forth immediately below its name on the signature pages hereto; and

NOW THEREFORE, the Company and the Buyer severally (and not jointly) hereby agree as follows:

1. PURCHASE AND SALE OF NOTE.

a. Purchase of Note. On the Closing Date (as defined below), the Company shall issue and sell to the Buyer and the Buyer agrees to purchase from the Company such principal amount of Note as is set forth immediately below the Buyer’s name on the signature pages hereto.

b. Form of Payment. On the Closing Date (as defined below), (i) the Buyer shall pay the purchase price for the Note to be issued and sold to it at the Closing (as defined below) (the “Purchase Price”) by wire transfer of immediately available funds to the Company, in accordance with the Company’s written wiring instructions, against delivery of the Note in the principal amount equal to the Purchase Price as is set forth immediately below the Buyer’s name on the signature pages hereto, and (ii) the Company shall deliver such duly executed Note on behalf of the Company, to the Buyer, against delivery of such Purchase Price.

c. Closing Date. Subject to the satisfaction (or written waiver) of the conditions thereto set forth in Section 7 and Section 8 below, the date and time of the issuance and sale of the Note pursuant to this Agreement (the “Closing Date”) shall be 12:00 noon, Eastern Standard Time on or about August 30, 2019, or such other mutually agreed upon time. The closing of the transactions contemplated by this Agreement (the “Closing”) shall occur on the Closing Date at such location as may be agreed to by the parties.

2. REPRESENTATIONS AND WARRANTIES OF THE BUYER. The Buyer represents and warrants to the Company that:

a. Investment Purpose. As of the date hereof, the Buyer is purchasing the Note and the shares of Common Stock issuable upon conversion of or otherwise pursuant to the Note (including, without limitation, such additional shares of Common Stock, if any, as are issuable (i) on account of interest on the Note (ii) as a result of the events described in Sections 1.3 and 1.4(g) of the Note or (iii) in payment of the Standard Liquidated Damages Amount (as defined in Section 2(f) below) pursuant to this Agreement, such shares of Common Stock being collectively referred to herein as the “Conversion Shares” and, collectively with the Note, the “Securities”) for its own account and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered or exempted from registration under the 1933 Act; provided, however, that by making the representations herein, the Buyer does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act.

b. Accredited Investor Status. The Buyer is an “accredited investor” as that term is defined in Rule 501(a) of Regulation D (an “Accredited Investor”).

c. Reliance on Exemptions. The Buyer understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer’s compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities.

d. Information. The Buyer and its advisors, if any, have been, and for so long as the Note remains outstanding will continue to be, furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer or its advisors. The Buyer and its advisors, if any, have been, and for so long as the Note remains outstanding will continue to be, afforded the opportunity to ask questions of the Company. Notwithstanding the foregoing, the Company has not disclosed to the Buyer any material nonpublic information and will not disclose such information unless such information is disclosed to the public prior to or promptly following such disclosure to the Buyer. Neither such inquiries nor any other due diligence investigation conducted by Buyer or any of its advisors or representatives shall modify, amend or affect Buyer's right to rely on the Company's representations and warranties contained in Section 3 below. The Buyer understands that its investment in the Securities involves a significant degree of risk. The Buyer is not aware of any facts that may constitute a breach of any of the Company's representations and warranties made herein.

e. Governmental Review. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.

f. Transfer or Re-sale. The Buyer understands that (i) the sale or re-sale of the Securities has not been and is not being registered under the 1933 Act or any applicable state securities laws, and the Securities may not be transferred unless (a) the Securities are sold pursuant to an effective registration statement under the 1933 Act, (b) the Buyer shall have delivered to the Company, at the cost of the Company, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in comparable transactions to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration, which opinion shall be accepted by the Company, (c) the Securities are sold or transferred to an "affiliate" (as defined in Rule 144 promulgated under the 1933 Act (or a successor rule) ("Rule 144")) of the Buyer who agrees to sell or otherwise transfer the Securities only in accordance with this Section 2(f) and who is an Accredited Investor, (d) the Securities are sold pursuant to Rule 144, or (e) the Securities are sold pursuant to Regulation S under the 1933 Act (or a successor rule) ("Regulation S"), and the Buyer shall have delivered to the Company, at the cost of the Company, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in corporate transactions, which opinion shall be accepted by the Company; (ii) any sale of such Securities made in reliance on Rule 144 may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any re-sale of such Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case). Notwithstanding the foregoing or anything else contained herein to the contrary, the Securities may be pledged as collateral in connection with a bona fide margin account or other lending arrangement. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, within three (3) business days of delivery of the opinion to the Company, the Company shall pay to the Buyer liquidated damages of five percent (5%) of the outstanding amount of the Note per day plus accrued and unpaid interest on the Note, prorated for partial months, in cash or shares at the option of the Buyer ("Standard Liquidated Damages Amount"). If the Buyer elects to be pay the Standard Liquidated Damages Amount in shares of Common Stock, such shares shall be issued at the Conversion Price (as defined in the Note) at the time of payment.

g. Legends. The Buyer understands that the Note and, until such time as the Conversion Shares have been registered under the 1933 Act may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, the Conversion Shares may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the certificates for such Securities):

“NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.”

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of any Security upon which it is stamped, if, unless otherwise required by applicable state securities laws, (a) such Security is registered for sale under an effective registration statement filed under the 1933 Act or otherwise may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, or (b) such holder provides the Company with an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Security may be made without registration under the 1933 Act, which opinion shall be accepted by the Company so that the sale or transfer is effected. The Buyer agrees to sell all Securities, including those represented by a certificate(s) from which the legend has been removed, in compliance with applicable prospectus delivery requirements, if any. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.

h. Authorization; Enforcement. This Agreement has been duly and validly authorized. This Agreement has been duly executed and delivered on behalf of the Buyer, and this Agreement constitutes a valid and binding agreement of the Buyer enforceable in accordance with its terms.

i. Residency. The Buyer is a resident of the jurisdiction set forth in the preamble.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to the Buyer that:

a. Organization and Qualification. The Company and each of its Subsidiaries (as defined below), if any, is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, with full power and authority (corporate and other) to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted. The Company and each of its Subsidiaries is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which its ownership or use of property or the nature of the business conducted by it makes such qualification necessary except where the failure to be so qualified or in good standing would not have a Material Adverse Effect. "Material Adverse Effect" means any material adverse effect on the business, operations, assets, financial condition or prospects of the Company or its Subsidiaries, if any, taken as a whole, or on the transactions contemplated hereby or by the agreements or instruments to be entered into in connection herewith. "Subsidiaries" means any corporation or other organization, whether incorporated or unincorporated, in which the Company owns, directly or indirectly, any equity or other ownership interest.

b. Authorization; Enforcement. (i) The Company has all requisite corporate power and authority to enter into and perform this Agreement, the Note and to consummate the transactions contemplated hereby and thereby and to issue the Securities, in accordance with the terms hereof and thereof, (ii) the execution and delivery of this Agreement, the Note by the Company and the consummation by it of the transactions contemplated hereby and thereby (including without limitation, the issuance of the Note and the issuance and reservation for issuance of the Conversion Shares issuable upon conversion or exercise thereof) have been duly authorized by the Company's Board of Directors and no further consent or authorization of the Company, its Board of Directors, or its shareholders is required, (iii) this Agreement has been duly executed and delivered by the Company by its authorized representative, and such authorized representative is the true and official representative with authority to sign this Agreement and the other documents executed in connection herewith and bind the Company accordingly, and (iv) this Agreement constitutes, and upon execution and delivery by the Company of the Note, each of such instruments will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

c. Capitalization. As of April 28, 2020, the authorized capital stock of the Company consists of: (i) 150,000,000 shares of Common Stock, of which approximately 70,705,318 shares are issued and outstanding; and (ii) 50,000,000 shares of preferred stock, of which 225,000 are issued and outstanding. Except as disclosed in the SEC Documents, no shares are reserved for issuance pursuant to the Company's stock option plans, no shares are reserved for issuance pursuant to securities (other than the Note) exercisable for, or convertible into or exchangeable for shares of Common Stock and 3,000,000 shares are reserved for issuance upon conversion of the Note. All of such outstanding shares of capital stock are, or upon issuance will be, duly authorized, validly issued, fully paid and non-assessable. No shares of capital stock of the Company are subject to preemptive rights or any other similar rights of the shareholders of the Company or any liens or encumbrances imposed through the actions or failure to act of the Company. Except as disclosed in the SEC Documents, as of the effective date of this Agreement, (i) there are no outstanding options, warrants, scrip, rights to subscribe for, puts, calls, rights of first refusal, agreements, understandings, claims or other commitments or rights of any character whatsoever relating to, or securities or rights convertible into or exchangeable for any shares of capital stock of the Company or any of its Subsidiaries, or arrangements by which the Company or any of its Subsidiaries is or may become bound to issue additional shares of capital stock of the Company or any of its Subsidiaries, (ii) there are no agreements or arrangements under which the Company or any of its Subsidiaries is obligated to register the sale of any of its or their securities under the 1933 Act and (iii) there are no anti-dilution or price adjustment provisions contained in any security issued by the Company (or in any agreement providing rights to security holders) that will be triggered by the issuance of the Note or the Conversion Shares. The Company has filed in its SEC Documents true and correct copies of the Company's Certificate of Incorporation as in effect on the date hereof ("Certificate of Incorporation"), the Company's By-laws, as in effect on the date hereof (the "By-laws"), and the terms of all securities convertible into or exercisable for Common Stock of the Company and the material rights of the holders thereof in respect thereto. The Company shall provide the Buyer with a written update of this representation signed by the Company's Chief Executive on behalf of the Company as of the Closing Date.

d. Issuance of Shares. The issuance of the Note is duly authorized and, upon issuance in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable and free from all preemptive or similar rights, taxes, liens, charges and other encumbrances with respect to the issue thereof. The Conversion Shares are duly authorized and reserved for issuance and, upon conversion of the Note in accordance with its respective terms, will be validly issued, fully paid and non-assessable, and free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Company and will not impose personal liability upon the holder thereof.

e. Acknowledgment of Dilution. The Company understands and acknowledges the potentially dilutive effect to the Common Stock upon the issuance of the Conversion Shares upon conversion of the Note. The Company further acknowledges that its obligation to issue Conversion Shares upon conversion of the Note in accordance with this Agreement, the Note is absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interests of other shareholders of the Company.

f. No Conflicts. The execution, delivery and performance of this Agreement and the Note by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance and reservation for issuance of the Conversion Shares) will not (i) conflict with or result in a violation of any provision of the Certificate of Incorporation or By-laws, or (ii) violate or conflict with, or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture, patent, patent license or instrument to which the Company or any of its Subsidiaries is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of any self-regulatory organizations to which the Company or its securities are subject) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect). Neither the Company nor any of its Subsidiaries is in violation of its Certificate of Incorporation, By-laws or other organizational documents and neither the Company nor any of its Subsidiaries is in default (and no event has occurred which with notice or lapse of time or both could put the Company or any of its Subsidiaries in default) under, and neither the Company nor any of its Subsidiaries has taken any action or failed to take any action that would give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its Subsidiaries is a party or by which any property or assets of the Company or any of its Subsidiaries is bound or affected, except for possible defaults as would not, individually or in the aggregate, have a Material Adverse Effect. The businesses of the Company and its Subsidiaries, if any, are not being conducted, and shall not be conducted so long as the Buyer owns any of the Securities, in violation of any law, ordinance or regulation of any governmental entity. Except as specifically contemplated by this Agreement and as required under the 1933 Act and any applicable state securities laws, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency, regulatory agency, self-regulatory organization or stock market or any third party in order for it to execute, deliver or perform any of its obligations under this Agreement, the Note in accordance with the terms hereof or thereof or to issue and sell the Note in accordance with the terms hereof and to issue the Conversion Shares upon conversion of the Note. All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof. The Company is not in violation of the listing requirements of the OTC Pink (the "OTC Pink"), the OTCQB or any similar quotation system, and does not reasonably anticipate that the Common Stock will be delisted by the OTC Pink, the OTCQB or any similar quotation system, in the foreseeable future nor are the Company's securities "chilled" by DTC. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

g. SEC Documents; Financial Statements. The Company has timely filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “1934 Act”) (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements and schedules thereto and documents (other than exhibits to such documents) incorporated by reference therein, being hereinafter referred to herein as the “SEC Documents”). The Company has delivered to the Buyer true and complete copies of the SEC Documents, except for such exhibits and incorporated documents. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the 1934 Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. None of the statements made in any such SEC Documents is, or has been, required to be amended or updated under applicable law (except for such statements as have been amended or updated in subsequent filings prior the date hereof). As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with United States generally accepted accounting principles, consistently applied, during the periods involved and fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except as set forth in the financial statements of the Company included in the SEC Documents, the Company has no liabilities, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to June 30, 2018, and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in such financial statements, which, individually or in the aggregate, are not material to the financial condition or operating results of the Company. The Company is subject to the reporting requirements of the 1934 Act. For the avoidance of doubt, filing of the documents required in this Section 3(g) via the SEC’s Electronic Data Gathering, Analysis, and Retrieval system (“EDGAR”) shall satisfy all delivery requirements of this Section 3(g).

h. Absence of Certain Changes. Since June 30, 2018, there has been no material adverse change and no material adverse development in the assets, liabilities, business, properties, operations, financial condition, results of operations, prospects or 1934 Act reporting status of the Company or any of its Subsidiaries.

i. Absence of Litigation. There is no action, suit, claim, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company or any of its Subsidiaries, threatened against or affecting the Company or any of its Subsidiaries, or their officers or directors in their capacity as such, that could have a Material Adverse Effect. Schedule 3(i) contains a complete list and summary description of any pending or, to the knowledge of the Company, threatened proceeding against or affecting the Company or any of its Subsidiaries, without regard to whether it would have a Material Adverse Effect. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

j. Patents, Copyrights, etc. The Company and each of its Subsidiaries owns or possesses the requisite licenses or rights to use all patents, patent applications, patent rights, inventions, know-how, trade secrets, trademarks, trademark applications, service marks, service names, trade names and copyrights (“Intellectual Property”) necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future). Except as disclosed in the SEC Documents, there is no claim or action by any person pertaining to, or proceeding pending, or to the Company’s knowledge threatened, which challenges the right of the Company or of a Subsidiary with respect to any Intellectual Property necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future); to the best of the Company’s knowledge, the Company’s or its Subsidiaries’ current and intended products, services and processes do not infringe on any Intellectual Property or other rights held by any person; and the Company is unaware of any facts or circumstances which might give rise to any of the foregoing. The Company and each of its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of their Intellectual Property.

k. No Materially Adverse Contracts, Etc. Neither the Company nor any of its Subsidiaries is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the judgment of the Company’s officers has or is expected in the future to have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is a party to any contract or agreement which in the judgment of the Company’s officers has or is expected to have a Material Adverse Effect.

l. Tax Status. The Company and each of its Subsidiaries has made or filed all federal, state and foreign income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject (unless and only to the extent that the Company and each of its Subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes) and has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and has set aside on its books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim. The Company has not executed a waiver with respect to the statute of limitations relating to the assessment or collection of any foreign, federal, state or local tax. None of the Company’s tax returns is presently being audited by any taxing authority.

m. Certain Transactions. Except for arm's length transactions pursuant to which the Company or any of its Subsidiaries makes payments in the ordinary course of business upon terms no less favorable than the Company or any of its Subsidiaries could obtain from third parties and other than the grant of stock options disclosed on Schedule 3(c), none of the officers, directors, or employees of the Company is presently a party to any transaction with the Company or any of its Subsidiaries (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

n. Disclosure. All information relating to or concerning the Company or any of its Subsidiaries set forth in this Agreement and provided to the Buyer pursuant to Section 2(d) hereof and otherwise in connection with the transactions contemplated hereby is true and correct in all material respects and the Company has not omitted to state any material fact necessary in order to make the statements made herein or therein, in light of the circumstances under which they were made, not misleading. No event or circumstance has occurred or exists with respect to the Company or any of its Subsidiaries or its or their business, properties, prospects, operations or financial conditions, which, under applicable law, rule or regulation, requires public disclosure or announcement by the Company but which has not been so publicly announced or disclosed (assuming for this purpose that the Company's reports filed under the 1934 Act are being incorporated into an effective registration statement filed by the Company under the 1933 Act).

o. Acknowledgment Regarding Buyer' Purchase of Securities. The Company acknowledges and agrees that the Buyer is acting solely in the capacity of arm's length purchasers with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Buyer is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any statement made by the Buyer or any of its respective representatives or agents in connection with this Agreement and the transactions contemplated hereby is not advice or a recommendation and is merely incidental to the Buyer' purchase of the Securities. The Company further represents to the Buyer that the Company's decision to enter into this Agreement has been based solely on the independent evaluation of the Company and its representatives.

p. No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales in any security or solicited any offers to buy any security under circumstances that would require registration under the 1933 Act of the issuance of the Securities to the Buyer. The issuance of the Securities to the Buyer will not be integrated with any other issuance of the Company's securities (past, current or future) for purposes of any shareholder approval provisions applicable to the Company or its securities.

q. No Brokers. The Company has taken no action which would give rise to any claim by any person for brokerage commissions, transaction fees or similar payments relating to this Agreement or the transactions contemplated hereby.

r. Permits; Compliance. The Company and each of its Subsidiaries is in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exemptions, consents, certificates, approvals and orders necessary to own, lease and operate its properties and to carry on its business as it is now being conducted (collectively, the "Company Permits"), and there is no action pending or, to the knowledge of the Company, threatened regarding suspension or cancellation of any of the Company Permits. Neither the Company nor any of its Subsidiaries is in conflict with, or in default or violation of, any of the Company Permits, except for any such conflicts, defaults or violations which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. Since June 30, 2018, neither the Company nor any of its Subsidiaries has received any notification with respect to possible conflicts, defaults or violations of applicable laws, except for notices relating to possible conflicts, defaults or violations, which conflicts, defaults or violations would not have a Material Adverse Effect.

s. Environmental Matters.

(i) There are, to the Company's knowledge, with respect to the Company or any of its Subsidiaries or any predecessor of the Company, no past or present violations of Environmental Laws (as defined below), releases of any material into the environment, actions, activities, circumstances, conditions, events, incidents, or contractual obligations which may give rise to any common law environmental liability or any liability under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 or similar federal, state, local or foreign laws and neither the Company nor any of its Subsidiaries has received any notice with respect to any of the foregoing, nor is any action pending or, to the Company's knowledge, threatened in connection with any of the foregoing. The term "Environmental Laws" means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

(ii) Other than those that are or were stored, used or disposed of in compliance with applicable law, no Hazardous Materials are contained on or about any real property currently owned, leased or used by the Company or any of its Subsidiaries, and no Hazardous Materials were released on or about any real property previously owned, leased or used by the Company or any of its Subsidiaries during the period the property was owned, leased or used by the Company or any of its Subsidiaries, except in the normal course of the Company's or any of its Subsidiaries' business.

(iii) There are no underground storage tanks on or under any real property owned, leased or used by the Company or any of its Subsidiaries that are not in compliance with applicable law.

t. Title to Property. Except as disclosed in the SEC Documents the Company and its Subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its Subsidiaries, in each case free and clear of all liens, encumbrances and defects or such as would not have a Material Adverse Effect. Any real property and facilities held under lease by the Company and its Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not have a Material Adverse Effect.

u. Internal Accounting Controls. Except as disclosed in the SEC Documents the Company and each of its Subsidiaries maintain a system of internal accounting controls sufficient, in the judgment of the Company's board of directors, to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

v. Foreign Corrupt Practices. Neither the Company, nor any of its Subsidiaries, nor any director, officer, agent, employee or other person acting on behalf of the Company or any Subsidiary has, in the course of his actions for, or on behalf of, the Company, used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

w. Solvency. The Company (after giving effect to the transactions contemplated by this Agreement) is solvent (i.e., its assets have a fair market value in excess of the amount required to pay its probable liabilities on its existing debts as they become absolute and matured) and currently the Company has no information that would lead it to reasonably conclude that the Company would not, after giving effect to the transaction contemplated by this Agreement, have the ability to, nor does it intend to take any action that would impair its ability to, pay its debts from time to time incurred in connection therewith as such debts mature. The Company did not receive a qualified opinion from its auditors with respect to its most recent fiscal year end and, after giving effect to the transactions contemplated by this Agreement, does not anticipate or know of any basis upon which its auditors might issue a qualified opinion in respect of its current fiscal year. For the avoidance of doubt any disclosure of the Borrower's ability to continue as a "going concern" shall not, by itself, be a violation of this Section 3(w).

x. No Investment Company. The Company is not, and upon the issuance and sale of the Securities as contemplated by this Agreement will not be an "investment company" required to be registered under the Investment Company Act of 1940 (an "Investment Company"). The Company is not controlled by an Investment Company.

y. Insurance. The Company and each of its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company and its Subsidiaries are engaged. Neither the Company nor any such Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect. Upon written request the Company will provide to the Buyer true and correct copies of all policies relating to directors' and officers' liability coverage, errors and omissions coverage, and commercial general liability coverage.

z. Bad Actor. No officer or director of the Company would be disqualified under Rule 506(d) of the Securities Act as amended on the basis of being a "bad actor" as that term is established in the September 19, 2013 Small Entity Compliance Guide published by the SEC.

aa. Shell Status. The Company represents that it is not a "shell" issuer and has never been a "shell" issuer, or that if it previously has been a "shell" issuer, that at least twelve (12) months have passed since the Company has reported Form 10 type information indicating that it is no longer a "shell" issuer. Further, the Company will instruct its counsel to either (i) write a 144- 3(a)(9) opinion to allow for salability of the Conversion Shares or (ii) accept such opinion from Holder's counsel.

bb. No-Off Balance Sheet Arrangements. There is no transaction, arrangement, or other relationship between the Company or any of its Subsidiaries and an unconsolidated or other off balance sheet entity that is required to be disclosed by the Company in its 1934 Act filings and is not so disclosed or that otherwise could be reasonably likely to have a Material Adverse Effect.

cc. Manipulation of Price. The Company has not, and to its knowledge no one acting on its behalf has: (i) taken, directly or indirectly, any action designed to cause or to result, or that could reasonably be expected to cause or result, in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any person any compensation for soliciting another to purchase any other securities of the Company.

dd. Sarbanes-Oxley Act. The Company and each Subsidiary is in material compliance with all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and all applicable rules and regulations promulgated by the SEC thereunder that are effective as of the date hereof.

ee. Employee Relations. Neither the Company nor any of its Subsidiaries is a party to any collective bargaining agreement or employs any member of a union. The Company believes that its and its Subsidiaries' relations with their respective employees are good. No executive officer (as defined in Rule 501(f) promulgated under the 1933 Act) or other key employee of the Company or any of its Subsidiaries has notified the Company or any such Subsidiary that such officer intends to leave the Company or any such Subsidiary or otherwise terminate such officer's employment with the Company or any such Subsidiary. To the knowledge of the Company, no executive officer or other key employee of the Company or any of its Subsidiaries is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement, non-competition agreement, or any other contract or agreement or any restrictive covenant, and the continued employment of each such executive officer or other key employee (as the case may be) does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all federal, state, local and foreign laws and regulations respecting labor, employment and employment practices and benefits, terms and conditions of employment and wages and hours, except where failure to be in compliance would not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

ff. Breach of Representations and Warranties by the Company. The Company agrees that if the Company breaches any of the representations or warranties set forth in this Section 3, and in addition to any other remedies available to the Buyer pursuant to this Agreement and it being considered an Event of Default under Section 3.5 of the Note, the Company shall pay to the Buyer the Standard Liquidated Damages Amount in cash or in shares of Common Stock at the option of the Company, until such breach is cured. If the Company elects to pay the Standard Liquidated Damages Amounts in shares of Common Stock, such shares shall be issued at the Conversion Price at the time of payment.

4. COVENANTS.

a. Best Efforts. The parties shall use their commercially reasonable best efforts to satisfy timely each of the conditions described in Section 7 and 8 of this Agreement.

b. Form D; Blue Sky Laws. The Company agrees to file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof to the Buyer promptly after such filing. The Company shall, on or before the Closing Date, take such action as the Company shall reasonably determine is necessary to qualify the Securities for sale to the Buyer at the applicable closing pursuant to this Agreement under applicable securities or “blue sky” laws of the states of the United States (or to obtain an exemption from such qualification), and shall provide evidence of any such action so taken to the Buyer on or prior to the Closing Date.

c. Use of Proceeds. The Company shall use the proceeds from the sale of the Note only for general working capital purposes.

d. Right of First Refusal. Unless it shall have first delivered to the Buyer, at least seventy two (72) hours prior to the closing of such Future Offering (as defined herein), written notice describing the proposed Future Offering, including the terms and conditions thereof, and providing the Buyer an option during the seventy two (72) hour period following delivery of such notice to purchase the securities being offered in the Future Offering on the same terms as contemplated by such Future Offering (the limitations referred to in this sentence and the preceding sentence are collectively referred to as the “Right of First Refusal”) (and subject to the exceptions described below), the Company will not conduct any equity financing (including debt with an equity component) (“Future Offerings”) during the period beginning on the Closing Date and ending twelve (12) months following the Closing Date. In the event the terms and conditions of a proposed Future Offering are amended in any respect after delivery of the notice to the Buyer concerning the proposed Future Offering, the Company shall deliver a new notice to the Buyer describing the amended terms and conditions of the proposed Future Offering and the Buyer thereafter shall have an option during the seventy two (72) hour period following delivery of such new notice to purchase its pro rata share of the securities being offered on the same terms as contemplated by such proposed Future Offering, as amended. The foregoing sentence shall apply to successive amendments to the terms and conditions of any proposed Future Offering. The Right of First Refusal shall not apply to any transaction involving (i) issuances of securities in a firm commitment underwritten public offering (excluding a continuous offering pursuant to Rule 415 under the 1933 Act), (ii) issuances to employees, officers, directors, contractors, consultants or other advisors approved by the Board, (iii) issuances to strategic partners or other parties in connection with a commercial relationship, or providing the Company with equipment leases, real property leases or similar transactions approved by the Board (iv) issuances of securities as consideration for a merger, consolidation or purchase of assets, or in connection with any strategic partnership or joint venture (the primary purpose of which is not to raise equity capital), or in connection with the disposition or acquisition of a business, product or license by the Company. The Right of First Refusal also shall not apply to the issuance of securities upon exercise or conversion of the Company’s options, warrants or other convertible securities outstanding as of the date hereof or to the grant of additional options or warrants, or the issuance of additional securities, under any Company stock option or restricted stock plan approved by the shareholders of the Company.

e. Expenses. The Company shall reimburse Buyer for any and all expenses incurred by them in connection with the negotiation, preparation, execution, delivery and performance of this Agreement and the other agreements to be executed in connection herewith (“Documents”), including, without limitation, reasonable attorneys’ and consultants’ fees and expenses, transfer agent fees, fees for stock quotation services, fees relating to any amendments or modifications of the Documents or any consents or waivers of provisions in the Documents, fees for the preparation of opinions of counsel, escrow fees, and costs of restructuring the transactions contemplated by the Documents. When possible, the Company must pay these fees directly, including, but not limited to, any and all wire fees, otherwise the Company must make immediate payment for reimbursement to the Buyer for all fees and expenses immediately upon written notice by the Buyer or the submission of an invoice by the Buyer.

f. Financial Information. The Company agrees to send or make available the following reports to the Buyer until the Buyer transfers, assigns, or sells all of the Securities: (i) within ten (10) days after the filing with the SEC, a copy of its Annual Report on Form 10-K its Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K; (ii) within one (1) day after release, copies of all press releases issued by the Company or any of its Subsidiaries; and (iii) contemporaneously with the making available or giving to the shareholders of the Company, copies of any notices or other information the Company makes available or gives to such shareholders. For the avoidance of doubt, filing the documents required in (i) above via EDGAR or releasing any documents set forth in (ii) above via a recognized wire service shall satisfy the delivery requirements of this Section 4(f).

g. Listing. The Company shall promptly secure the listing of the Conversion Shares upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance) and, so long as the Buyer owns any of the Securities, shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Conversion Shares from time to time issuable upon conversion of the Note. The Company will obtain and, so long as the Buyer owns any of the Securities, maintain the listing and trading of its Common Stock on the OTC Pink, OTCQB or any equivalent replacement exchange, the Nasdaq National Market (“Nasdaq”), the Nasdaq SmallCap Market (“Nasdaq SmallCap”), the New York Stock Exchange (“NYSE”), or the NYSE American and will comply in all respects with the Company’s reporting, filing and other obligations under the bylaws or rules of the Financial Industry Regulatory Authority (“FINRA”) and such exchanges, as applicable. The Company shall promptly provide to the Buyer copies of any material notices it receives from the OTC Pink, OTCQB and any other exchanges or quotation systems on which the Common Stock is then listed regarding the continued eligibility of the Common Stock for listing on such exchanges and quotation systems. The Company shall pay any and all fees and expenses in connection with satisfying its obligation under this Section 4(g).

h. Corporate Existence. So long as the Buyer beneficially owns any Note, the Company shall maintain its corporate existence and shall not sell all or substantially all of the Company's assets, except in the event of a merger or consolidation or sale of all or substantially all of the Company's assets, where the surviving or successor entity in such transaction (i) assumes the Company's obligations hereunder and under the agreements and instruments entered into in connection herewith and (ii) is a publicly traded corporation whose Common Stock is listed for trading on the OTC Pink, OTCQB, Nasdaq, NasdaqSmallCap, NYSE or AMEX.

i. No Integration. The Company shall not make any offers or sales of any security (other than the Securities) under circumstances that would require registration of the Securities being offered or sold hereunder under the 1933 Act or cause the offering of the Securities to be integrated with any other offering of securities by the Company for the purpose of any stockholder approval provision applicable to the Company or its securities.

j. Failure to Comply with the 1934 Act. So long as the Buyer beneficially owns the Note, the Company shall comply with the reporting requirements of the 1934 Act; and the Company shall continue to be subject to the reporting requirements of the 1934 Act.

k. Trading Activities. Neither the Buyer nor its affiliates has an open short position (or other hedging or similar transactions) in the common stock of the Company and the Buyer agree that it shall not, and that it will cause its affiliates not to, engage in any short sales of or hedging transactions with respect to the common stock of the Company.

l. Restriction on Activities. Commencing as of the date first above written, and until the sooner of the six month anniversary of the date first written above or payment of the Note in full, or full conversion of the Note, the Company shall not, directly or indirectly, without the Buyer's prior written consent, which consent shall not be unreasonably withheld: (a) change the nature of its business; (b) sell, divest, acquire, change the structure of any material assets other than in the ordinary course of business; or (c) solicit any offers for, respond to any unsolicited offers for, or conduct any negotiations with any other person or entity in respect of any variable rate debt transactions (i.e., transactions where the conversion or exercise price of the security issued by the Company varies based on the market price of the Common Stock) above \$500,000, whether a transaction similar to the one contemplated hereby or any other investment; or (d) file any registration statements with the SEC.

m. Legal Counsel Opinions. Upon the request of the Buyer from time to time, the Company shall be responsible (at its cost) for promptly (within two (2) business days from Buyer's request) supplying to the Company's transfer agent and the Buyer a customary legal opinion letter of its counsel (the "Legal Counsel Opinion") to the effect that the sale of Conversion Shares by the Buyer or its affiliates, successors and assigns is exempt from the registration requirements of the 1933 Act pursuant to Rule 144 (provided the requirements of Rule 144 are satisfied and provided the Conversion Shares are not then registered under the 1933 Act for resale pursuant to an effective registration statement). Should the Company's legal counsel fail for any reason to issue the Legal Counsel Opinion, the Buyer may (at the Company's cost) secure another legal counsel to issue the Legal Counsel Opinion, and the Company will instruct its transfer agent to accept such opinion.

n. Par Value. If the closing bid price at any time the Note is outstanding falls below \$0.001, the Company shall cause the par value of its Common Stock to be reduced to \$0.0001 or less.

o. Breach of Covenants. The Company agrees that if the Company breaches any of the covenants set forth in this Section 4, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an Event of Default under Section 3.4 of the Note, the Company shall pay to the Buyer the Standard Liquidated Damages Amount in cash or in shares of Common Stock at the option of the Buyer, until such breach is cured, or with respect to Section 4(d) above, the Company shall pay to the Buyer the Standard Liquidated Damages Amount in cash or shares of Common Stock, at the option of the Buyer, upon each violation of such provision. If the Company elects to pay the Standard Liquidated Damages Amounts in shares of Common Stock, such shares shall be issued at the Conversion Price at the time of payment.

5. Transaction Expense Amount. The Company shall pay US\$3,500.00 to the Buyer as an original issue discount (the "OID"). The OID has been included in the Principal Amount of the Note and accordingly such Principal Amount of the Note is US\$33,500.00.

6. Transfer Agent Instructions. The Company shall issue irrevocable instructions to its transfer agent to issue certificates, registered in the name of the Buyer or its nominee, for the Conversion Shares in such amounts as specified from time to time by the Buyer to the Company upon conversion of the Note in accordance with the terms thereof (the "Irrevocable Transfer Agent Instructions"). In the event that the Borrower proposes to replace its transfer agent, the Borrower shall provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Purchase Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower. Prior to registration of the Conversion Shares under the 1933 Act or the date on which the Conversion Shares may be sold pursuant to Rule 144 without any restriction as to the number of Securities as of a particular date that can then be immediately sold, all such certificates shall bear the restrictive legend specified in Section 2(g) of this Agreement. The Company warrants that: (i) no instruction other than the Irrevocable Transfer Agent Instructions referred to in this Section, and stop transfer instructions to give effect to Section 2(f) hereof (in the case of the Conversion Shares, prior to registration of the Conversion Shares under the 1933 Act or the date on which the Conversion Shares may be sold pursuant to Rule 144 without any restriction as to the number of Securities as of a particular date that can then be immediately sold), will be given by the Company to its transfer agent and that the Securities shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the Note; (ii) it will not direct its transfer agent not to transfer or delay, impair, and/or hinder its transfer agent in transferring (or issuing)(electronically or in certificated form) any certificate for Conversion Shares to be issued to the Buyer upon conversion of or otherwise pursuant to the Note as and when required by the Note and this Agreement; and (iii) it will not fail to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any Conversion Shares issued to the Buyer upon conversion of or otherwise pursuant to the Note as and when required by the Note and this Agreement. Nothing in this Section shall affect in any way the Buyer's obligations and agreement set forth in Section 2(g) hereof to comply with all applicable prospectus delivery requirements, if any, upon re-sale of the Securities. If the Buyer provides the Company, at the cost of the Company, with (i) an opinion of counsel in form, substance and scope customary for opinions in comparable transactions, to the effect that a public sale or transfer of such Securities may be made without registration under the 1933 Act and such sale or transfer is effected or (ii) the Buyer provides reasonable assurances that the Securities can be sold pursuant to Rule 144, the Company shall permit the transfer, and, in the case of the Conversion Shares, promptly instruct its transfer agent to issue one or more certificates, free from restrictive legend, in such name and in such denominations as specified by the Buyer. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer, by vitiating the intent and purpose of the transactions contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section may be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Section, that the Buyer shall be entitled, in addition to all other available remedies, to an injunction restraining any breach and requiring immediate transfer, without the necessity of showing economic loss and without any bond or other security being required.

7. CONDITIONS PRECEDENT TO THE COMPANY'S OBLIGATIONS TO SELL. The obligation of the Company hereunder to issue and sell the Note to the Buyer at the Closing is subject to the satisfaction, at or before the Closing Date of each of the following conditions thereto, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion:

- a. The Buyer shall have executed this Agreement and delivered the same to the Company.
- b. The Buyer shall have delivered the Purchase Price in accordance with Section 1(b) above.

c. The representations and warranties of the Buyer shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date), and the Buyer shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Buyer at or prior to the Closing Date.

d. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

8. CONDITIONS PRECEDENT TO THE BUYER'S OBLIGATION TO PURCHASE. The obligation of the Buyer hereunder to purchase the Note at the Closing is subject to the satisfaction, at or before the Closing Date of each of the following conditions, provided that these conditions are for the Buyer's sole benefit and may be waived by the Buyer at any time in its sole discretion:

a. The Company shall have executed this Agreement and delivered the same to the Buyer.

b. The Company shall have delivered to the Buyer the duly executed Note (in such denominations as the Buyer shall request) and in accordance with Section 1(b) above.

c. The Irrevocable Transfer Agent Instructions, in form and substance satisfactory to a majority-in-interest of the Buyer, shall have been delivered to and acknowledged in writing by the Company's Transfer Agent.

d. The representations and warranties of the Company shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at such time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Closing Date. The Buyer shall have received a certificate or certificates, executed by the chief executive officer of the Company, dated as of the Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by the Buyer including, but not limited to certificates with respect to the Company's Certificate of Incorporation, By-laws and Board of Directors' resolutions relating to the transactions contemplated hereby.

e. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

f. No event shall have occurred which could reasonably be expected to have a Material Adverse Effect on the Company including but not limited to a change in the 1934 Act reporting status of the Company or the failure of the Company to be timely in its 1934 Act reporting obligations.

g. The Conversion Shares shall have been authorized for quotation on the OTC Pink, OTCQB or any similar quotation system and trading in the Common Stock on the OTC Pink, OTCQB or any similar quotation system shall not have been suspended by the SEC or the OTC Pink, OTCQB or any similar quotation system.

h. The Buyer shall have received an officer's certificate described in Section 3(c) above, dated as of the Closing Date.

9. GOVERNING LAW; MISCELLANEOUS.

a. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement, the Note or any other agreement, certificate, instrument or document contemplated hereby shall be brought only in the state courts or federal courts located in the State of New York. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR UNDER ANY OTHER TRANSACTION DOCUMENT OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY.** The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

b. Counterparts; Signatures by Facsimile. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

c. Construction; Headings. This Agreement shall be deemed to be jointly drafted by the Company and the Buyer and shall not be construed against any person as the drafter hereof. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

e. Entire Agreement; Amendments. This Agreement, the Note and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the majority in interest of the Buyer.

f. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, email, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by email or facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company, to:

Digerati Technologies, Inc.
825 W. Bitters, Suite 104
San Antonio, Texas 78216
Attn: Arthur Smith

If to the Buyer:

Platinum Point Capital LLC
211 East 43rd Street., Suite 626
New York, NY 10017
Attn: Brian Freifeld, President t

Each party shall provide notice to the other party of any change in address.

g. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. Neither the Company nor the Buyer shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other. Notwithstanding the foregoing, subject to Section 2(f), the Buyer may assign its rights hereunder to any person that purchases Securities in a private transaction from the Buyer or to any of its “affiliates,” as that term is defined under the 1934 Act, without the consent of the Company.

h. Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

i. Survival. The representations and warranties of the Company and the agreements and covenants set forth in this Agreement shall survive the closing hereunder notwithstanding any due diligence investigation conducted by or on behalf of the Buyer. The Company agrees to indemnify and hold harmless the Buyer and all their officers, directors, employees and agents for loss or damage arising as a result of or related to any breach or alleged breach by the Company of any of its representations, warranties and covenants set forth in this Agreement or any of its covenants and obligations under this Agreement, including advancement of expenses as they are incurred.

j. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

k. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

l. Remedies. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Agreement will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Agreement, that the Buyer shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Agreement and to enforce specifically the terms and provisions hereof, without the necessity of showing economic loss and without any bond or other security being required.

m. Publicity. The Company, and the Buyer shall have the right to review a reasonable period of time before issuance of any press releases, SEC, OTCQB or FINRA filings, or any other public statements with respect to the transactions contemplated hereby; provided, however, that the Company shall be entitled, without the prior approval of the Buyer, to make any press release or SEC, OTCQB (or other applicable trading market) or FINRA filings with respect to such transactions as is required by applicable law and regulations (although the Buyer shall be consulted by the Company in connection with any such press release prior to its release and shall be provided with a copy thereof and be given an opportunity to comment thereon).

n. Indemnification. In consideration of the Buyer's execution and delivery of this Agreement and acquiring the Securities hereunder, and in addition to all of the Company's other obligations under this Agreement or the Note, the Company shall defend, protect, indemnify and hold harmless the Buyer and its stockholders, partners, members, officers, directors, employees and direct or indirect investors and any of the foregoing persons' agents or other representatives (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Indemnitees") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (the "Indemnified Liabilities"), incurred by any Indemnitee as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Company in this Agreement or the Note or any other agreement, certificate, instrument or document contemplated hereby or thereby, (b) any breach of any covenant, agreement or obligation of the Company contained in this Agreement or the Note or any other agreement, certificate, instrument or document contemplated hereby or thereby or (c) any cause of action, suit or claim brought or made against such Indemnitee by a third party (including for these purposes a derivative action brought on behalf of the Company) and arising out of or resulting from (i) the execution, delivery, performance or enforcement of this Agreement or the Note or any other agreement, certificate, instrument or document contemplated hereby or thereby, (ii) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of the issuance of the Securities, or (iii) the status of the Buyer or holder of the Securities as an investor in the Company pursuant to the transactions contemplated by this Agreement. To the extent that the foregoing undertaking by the Company may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities that is permissible under applicable law

[signature page follows]

IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Agreement to be duly executed as of the date first above written.

DIGERATI TECHNOLOGIES, INC.

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

PLATINUM POINT CAPITAL LLC

By: /s/ Brian Freifeld
Name: Brian Freifeld
Title: President

AGGREGATE SUBSCRIPTION AMOUNT:

Aggregate Principal Amount of Note:	US\$	15,000.00
Aggregate Purchase Price:	US\$	15,000.00

FORM OF DEBT CONVERSION AGREEMENT

This Debt Conversion Agreement (this "Agreement") is made as of April 30, 2020 by and between Digerati Technologies, Inc. a Nevada corporation having an address at 825 W Bitters, Suite 104, San Antonio, Texas 78216 (the "Company") and _____, having an address at _____ (the "Creditor").

WITNESSETH:

WHEREAS, pursuant to that certain promissory note attached as Exhibit A hereto (the "Note"), the Company had outstanding indebtedness to the Creditor as of and including April 30, 2020 in the aggregate amount of \$_____, comprised of both principal and interest (the "Indebtedness"); and

WHEREAS, the Creditor desires to, and the Company has agreed to, convert 50% of the Indebtedness into shares of the Company's Series B Convertible Preferred Stock, par value \$0.001 per share (the "Series B Preferred Stock"), at a conversion price of \$1.00 per share, and 50% of the Indebtedness into shares of the Company's Common Stock at a conversion price of \$0.03 per share, on the terms and conditions as set forth herein (the "Conversion"), it being agreed and acknowledged that subsequent to the Conversion, the Indebtedness shall be cancelled.

NOW, THEREFORE, the parties agree as follows:

1. *Conversion and Cancellation of the Indebtedness.* Effective automatically upon the execution and delivery of this Agreement by all the parties (the "Closing"), the Indebtedness shall be cancelled and converted into an aggregate of _____ shares of Series B Preferred Stock and _____ shares of Common Stock (the "Shares"). All interest due on the Note from April 30, 2020 through the date of Closing shall remain an obligation of the Company to the Creditor following the Closing.

2. *Representations and Warranties of the Company.* The Company represents and warrants to the Creditor that:

2.1 *Authority.* The Company has all requisite corporate power and authority to execute and deliver this Agreement and consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of the Company. The Company has duly executed and delivered this Agreement and, assuming due authorization, execution and delivery of this Agreement by the Creditor, this Agreement constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that enforceability may be limited by bankruptcy laws or other laws affecting creditors' rights generally and by general principles of equity. Neither the execution, delivery and performance of this Agreement, nor the performance of the transactions contemplated hereby, including without limitation the issuance of the Shares will: (i) constitute a breach or violation of the Company's constituent documents; (ii) conflict with or constitute (with or without the passage of time or the giving of notice) a breach of, or default under any material agreement, instrument or obligation to which the Company is a party or by which its assets are bound; or (iii) violate any court order, judgment, administrative or judicial order, writ, decree, stipulation, arbitration award or injunction or statute, law, ordinance, rule and regulation applicable to the Company.

2.2 Issuance. The issuance of the Shares pursuant to this Agreement will not violate any (i) preemptive right, right of first refusal or other rights of any person to acquire securities of the Company or (ii) applicable federal or state securities laws, and the rules and regulations promulgated thereunder.

3. Representations and Warranties of the Creditor. The Creditor represents and warrants to the Company that:

3.1 Authority. The Creditor has all the power and requisite authority to execute and deliver this Agreement and consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of the Creditor. The Creditor has duly executed and delivered this Agreement and, assuming due authorization, execution and delivery of this Agreement by the Company, this Agreement constitutes a legal, valid and binding obligation of the Creditor, enforceable against the Creditor in accordance with its terms, except to the extent that enforceability may be limited by bankruptcy laws or other laws affecting creditor's rights generally and by general principles of equity.

3.2 No Prior Transfer. The Creditor has not previously transferred any interest in the Note or incurred any obligation to do so.

3.3 Investment. The Creditor is acquiring the Shares pursuant to this Agreement solely for investment purposes, for the Creditor's own account and not with a view to resale or distribution. The Creditor understands that (i) the Shares are not registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws, (ii) the Company is under no obligation to register the Shares, and (iii) the Shares cannot be transferred, resold or otherwise disposed of by the Creditor without such registration unless the Company receives an opinion of counsel, reasonably acceptable to the Company, stating that such transfer, resale or other disposition is exempt from such registration requirements, or other evidence satisfactory to the Company that demonstrates the applicability of such exemption.

3.4 Investment Qualifications. The Creditor has such knowledge and experience in financial and business matters and familiarity with the Company as to be capable of evaluating the merits and risks of converting the Indebtedness into the Shares.

4. Survival. The representations and warranties in Sections 3 and 4 shall survive the Closing and continue in full force and effect thereafter.

5. *Miscellaneous.*

5.1 *Entire Agreement.* This Agreement supersedes and cancels any prior or contemporaneous agreements among the parties relating to the subject matter of this Agreement. There are no representations, agreements, arrangements or understandings between the Creditor and the Company relating to the subject matter of this Agreement that are not fully expressed herein.

5.2 *Amendment.* This Agreement may not be amended except by an instrument in writing signed by both the Company and the Creditor.

5.3 *Successors and Assigns.* This Agreement may not be assigned or transferred by any party without the prior written consent of the other party. Subject to the foregoing restriction on transfer or assignment, this Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns.

5.4 *Governing Law; Jurisdiction.* This Agreement shall be governed by and construed in accordance with the internal laws of the State of Nevada, without regard to conflict of law principles. Any litigation arising out of or related to this Agreement shall be instituted and prosecuted only in the appropriate state or federal court situated in Clark County, Nevada.

5.5 *Interpretation.* The captions of the sections of this Agreement are for convenience and reference only, and shall not be held to explain, modify, amplify or aid in the interpretation, construction or meaning of this Agreement.

5.6 *Expenses.* Each party will bear its own costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby.

5.7 *Counterparts; Electronic Signatures.* This Agreement may be executed in counterparts, each of which shall be considered an original instrument, but all of which together shall be considered one and the same agreement. Electronically transmitted copies of the signature page hereof shall be deemed originals and shall be binding for all purposes.

[-Signature Page Follows-]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first stated above.

THE COMPANY:

DIGERATI TECHNOLOGIES, INC.

By: _____
Name:
Title

THE CREDITOR:

By: _____
Name:
Title:

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 9, 2020

/s/ Arthur L. Smith

Arthur L. Smith

President and Chief Executive Officer

CERTIFICATION

I, Antonio Estrada, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Digerati Technologies, Inc., a Nevada Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 9, 2020

/s/ Antonio Estrada, Jr.

Antonio Estrada, Jr.
Chief Financial Officer

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

In connection with the Quarterly Report (the "Report") of Digerati Technologies, Inc. (the "Company") on Form 10-Q for the period ending April 30, 2020, 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 9, 2020

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, 2020, 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 9, 2020