DIGERATI TECHNOLOGIES, INC.

FORM 10-Q
(Quarterly Report)

Filed 03/22/24 for the Period Ending 01/31/24

Address	8023 VANTAGE DRIVE SUITE 660 SAN ANTONIO, TX, 78230
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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 January 31, 2024.

or

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

For the transition period from ____________ to ___________

Commission File Number 001-15687

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

Nevada	**74-2849995**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
8023 Vantage Dr, Suite 660 San Antonio, Texas	**78230**
(Address of Principal Executive Offices)	(Zip Code)

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

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

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

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

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

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

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

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

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

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:
174,897,296	Common Stock $0.001 par value	March 22, 2024

DIGERATI TECHNOLOGIES, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JANUARY 31, 2024

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DIGERATI TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, unaudited)

	January 31, 2024	July 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 769	$ 924
Accounts receivable, net	1,044	749
Prepaid and other current assets	650	650
Total current assets	2,463	2,323
LONG-TERM ASSETS:		
Intangible assets, net	11,165	12,211
Goodwill	19,380	19,380
Property and equipment, net	1,129	1,346
Other assets	518	437
Investment in Itellum	185	185
Right-of-Use assets - financing	1,221	578
Right-of-Use assets - operating	1,051	1,912
Total assets	$ 37,112	$ 38,372
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 4,612	$ 5,373
Accrued liabilities	10,852	9,877
Equipment financing	527	228
Convertible note payable, current, net of discount of $460 and $960, respectively	7,766	8,216
Note payable, current, related party, current, net of discount of $1 and $0, respectively	514	500
Note payable, current, net of discount of $237 and $60, respectively	42,942	36,497
Acquisition payable, net of discount of $3 and $0, respectively	1,028	1,000
Deferred income	1,119	1,124
Derivative liability	4,707	4,125
Operating lease liability, current	527	662
Total current liabilities	74,594	67,602
LONG-TERM LIABILITIES:		
Equipment financing	597	354
Operating lease liability, net of current portion	574	1,320
Total long-term liabilities	1,171	1,674
Total liabilities	75,765	69,276
Commitments and contingencies		
STOCKHOLDERS' DEFICIT:		
Preferred stock, $0.001, 50,000,000 shares authorized		
Convertible Series A Preferred stock, $0.001, 1,500,000 shares designated, 0 issued and outstanding, respectively	-	-
Convertible Series B Preferred stock, $0.001, 1,000,000 shares designated, 425,442 and 425,442 issued and outstanding, respectively	-	-
Convertible Series C Preferred stock, $0.001, 1,000,000 shares designated, 55,400 and 55,400 issued and outstanding, respectively	-	-
Series F Super Voting Preferred stock, $0.001, 100 shares designated, 100 and 100 issued and outstanding, respectively	-	-
Common stock, $0.001, 500,000,000 shares authorized, 174,897,296 and 160,931,685 issued and outstanding (122,000,000 and 109,000,000, respectively, reserved in Treasury)	175	161
Additional paid in capital	94,659	93,911
Accumulated deficit	(129,325)	(121,684)
Other comprehensive income	1	1
Total Digerati's stockholders' deficit	(34,490)	(27,611)
Noncontrolling interest	(4,163)	(3,293)
Total stockholders' deficit	(38,653)	(30,904)
Total liabilities and stockholders' deficit	$ 37,112	$ 38,372

See accompanying notes to unaudited consolidated financial statements

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

	Three Months Ended January 31,		Six Months Ended January 31,	
	2024	2023	2024	2023
OPERATING REVENUES:				
Cloud software and service revenue	$ 7,565	$ 7,941	$ 15,219	$ 16,071
Total operating revenues	7,565	7,941	15,219	16,071
OPERATING EXPENSES:				
Cost of services (exclusive of depreciation and amortization)	2,660	2,968	5,211	5,819
Selling, general and administrative expense	4,175	4,458	8,364	8,599
Legal and professional fees	1,190	1,074	2,163	1,630
Bad debt expense	58	40	115	69
Depreciation and amortization expense	1,129	966	1,812	1,919
Total operating expenses	9,212	9,506	17,665	18,036
OPERATING LOSS	(1,647)	(1,565)	(2,446)	(1,965)
OTHER INCOME (EXPENSE):				
Gain (loss) on derivative instruments	31	3,849	(581)	773
Loss on extinguishment of debt	(99)	-	(99)	-
Other income (expense)	(51)	10	(51)	456
Interest expense	(2,223)	(2,371)	(5,264)	(4,436)
Income tax expense	(35)	(27)	(63)	(77)
Total other income (expense)	(2,377)	1,461	(6,058)	(3,284)
NET LOSS	(4,024)	(104)	(8,504)	(5,249)
Less: Net loss attributable to the noncontrolling interests	468	328	863	489
NET LOSS ATTRIBUTABLE TO DIGERATI'S SHAREHOLDERS	(3,556)	224	(7,641)	(4,760)
Deemed dividend on Series A Convertible preferred stock	-	(4)	-	(8)
NET INCOME (LOSS) ATTRIBUTABLE TO DIGERATI'S COMMON SHAREHOLDERS	$ (3,556)	$ 220	$ (7,641)	$ (4,768)
INCOME (LOSS) PER COMMON SHARE - BASIC	$ (0.02)	$ 0.00	$ (0.05)	$ (0.03)
LOSS PER COMMON SHARE - DILUTED	$ (0.02)	$ (0.01)	$ (0.05)	$ (0.03)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC	164,532,434	148,702,169	163,025,172	145,880,177
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED	164,532,434	262,728,841	163,025,172	145,880,177

See accompanying notes to unaudited consolidated financial statements

DIGERATI TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE SIX MONTHS ENDED JANUARY 31, 2024
(In thousands, except for share amounts, unaudited)

	Equity Digerati's Shareholders															
	Preferred															
	Convertible								Common							
	Series A Shares	Par	Series B Shares	Par	Series C Shares	Par	Series F Shares	Par	Shares	Par	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income	Stockholders Equity	Noncontrolling Interest	Totals
BALANCE, July 31, 2023	-	-	425,442	-	55,400	-	100	-	160,931,685	$ 161	$ 93,911	$ (121,684)	$ 1	$ (27,611)	$ (3,293)	$ (30,904)
Stock option expense	-	-	-	-	-	-	-	-	-	-	12	-	-	12	-	12
Common stock issued for debt extension	-	-	-	-	-	-	-	-	990,000	1	41	-	-	42	-	42
Reversal of conversion feature	-	-	-	-	-	-	-	-	-	-	(56)	-	-	(56)	(7)	(63)
Net loss	-	-	-	-	-	-	-	-	-	-	-	(4,085)	-	(4,085)	(395)	(4,480)
BALANCE, October 31, 2023	-	-	425,442	-	55,400	-	100	-	161,921,685	$ 162	$ 93,908	$ (125,769)	$ 1	$ (31,698)	$ (3,695)	$ (35,393)
Stock option expense	-	-	-	-	-	-	-	-	-	-	4	-	-	4	-	4
Common stock issued for debt conversion and settlement	-	-	-	-	-	-	-	-	4,813,667	5	284	-	-	289	-	289
Common stock issued for warrant conversion	-	-	-	-	-	-	-	-	8,161,944	8	322	-	-	330	-	330
Beneficial conversion feature on convertible debt - debt discount	-	-	-	-	-	-	-	-	-	-	141	-	-	141	-	141
Net loss	-	-	-	-	-	-	-	-	-	-	-	(3,556)	-	(3,556)	(468)	(4,024)
BALANCE, January 31, 2024	-	-	425,442	-	55,400	-	100	-	174,897,296	$ 175	$ 94,659	$ (129,325)	$ 1	$ (34,490)	$ (4,163)	$ (38,653)

See accompanying notes to unaudited consolidated financial statements

DIGERATI TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE SIX MONTHS ENDED JANUARY 31, 2023
(In thousands, except for share amounts, unaudited)

	Equity Digerati's Shareholders															
	Preferred															
	Convertible								Common							
	Series A Shares	Par	Series B Shares	Par	Series C Shares	Par	Series F Shares	Par	Shares	Par	Additional Paid-in apital	Accumulated Deficit	Other Comprehensive Income	Stockholders Equity	Noncontrolling Interest	Totals
BALANCE, July 31, 2022	225,000	-	425,442	-	55,400	-	100	-	142,088,039	$ 142	$ 89,487	$ (113,393)	$ 1	$ (23,763)	$ (2,055)	$ (25,818)
Stock option expense	-	-	-	-	-	-	-	-	-	-	23	-	-	23	-	23
Common stock issued for conversion of Convertible Series A Preferred stock	(25,000)	-	-	-	-	-	-	-	105,723	-	7	-	-	7	-	7
Common stock issued for exercise of warrants	-	-	-	-	-	-	-	-	160,628	-	21	-	-	21	-	21
Common stock issued for debt extension	-	-	-	-	-	-	-	-	2,060,000	2	247	-	-	249	-	249
Common stock issued concurrent with convertible debt	-	-	-	-	-	-	-	-	650,000	1	94	-	-	95	-	95
Dividends accrued	-	-	-	-	-	-	-	-	-	-	(4)	-	-	(4)	-	(4)
Net loss	-	-	-	-	-	-	-	-	-	-	-	(4,984)	-	(4,984)	(161)	(5,145)
BALANCE, October 31, 2022	200,000	-	425,442	-	55,400	-	100	-	145,064,390	$ 145	$ 89,875	$ (118,377)	$ 1	$ (28,356)	$ (2,216)	$ (30,572)
Amortization of employee stock options	-	-	-	-	-	-	-	-	-	-	23	-	-	23	-	23
Common stock issued for conversion of Convertible Series A Preferred stock	(175,000)	-	-	-	-	-	-	-	749,327	1	49	-	-	50	-	50
Common stock issued for exercise of warrants	-	-	-	-	-	-	-	-	9,677	-	1	-	-	1	-	1
Common stock issued for debt extension	-	-	-	-	-	-	-	-	1,000,000	1	90	-	-	91	-	91
Common stock issued for debt conversion and settlement	-	-	-	-	-	-	-	-	1,500,000	1	74	-	-	75	-	75
Common stock issued concurrent with convertible debt	-	-	-	-	-	-	-	-	4,164,907	4	256	-	-	260	-	260
Dividends accrued	-	-	-	-	-	-	-	-	-	-	(4)	-	-	(4)	-	(4)
Warrant issued with debt - debt discount	-	-	-	-	-	-	-	-	-	-	667	-	-	667	-	667
Beneficial conversion feature on convertible debt - debt discount	-	-	-	-	-	-	-	-	-	-	1,275	-	-	1,275	-	1,275
Net income (loss)	-	-	-	-	-	-	-	-	-	-	-	224	-	224	(328)	(104)
BALANCE, January 31, 2023	25,000	-	425,442	-	55,400	-	100	-	152,488,301	$ 152	$ 92,306	$ (118,153)	$ 1	$ (25,694)	$ (2,544)	$ (28,238)

See accompanying notes to unaudited consolidated financial statements

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

	Six Months Ended January 31, 2024	Six Months Ended January 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (8,504)	$ (5,249)
Adjustments to reconcile net loss to cash (used in) provided by operating activities:		
Depreciation and amortization expense	1,397	1,919
Stock compensation expense	16	46
Bad debt expense	115	69
Amortization of Right-of-use assets	553	546
Amortization of debt discount	1,056	850
Loss on derivative liabilities	581	(773)
(Gain) on settlement of conversion premium on Notes	-	(466)
Loss on conversion of warrants	99	-
Debt extension fee charged to interest expense	-	418
Common stock issued for debt extension charged to interest expense	42	340
Changes in operating assets and liabilities:		
Accounts receivable	(410)	(275)
Prepaid expenses and other current assets	-	(57)
Inventory	-	18
Other assets	(81)	(175)
Right of use operating lease liability	(319)	(446)
Accounts payable	1,179	404
Accrued expenses	4,615	550
Deferred income	(5)	279
Net cash provided by (used in) operating activities	334	(2,002)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid in acquisition of equipment	(134)	(264)
Net cash used in investing activities	(134)	(264)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings from convertible debt, net of original issuance cost and discounts	-	3,990
Proceeds from the exercise of warrants	-	22
Borrowings from related party notes, net of original issuance cost and discounts	-	250
Principal payments on debt, net	-	(250)
Principal payments on convertible debt, net	-	(500)
Principal payments on related party notes, net	-	(499)
Principal payment on equipment financing	(355)	(53)
Net cash provided by (used in) financing activities	(355)	2,960
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(155)	694
CASH AND CASH EQUIVALENTS, beginning of period	924	1,509
CASH AND CASH EQUIVALENTS, end of period	$ 769	$ 2,203
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$ 46	$ 1,945
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Conversion of accounts payable	$ 120	$ -
Conversion of convertible notes	$ 169	$ -
Beneficial conversion feature on debt extinguishment	$ 141	-
Accounts payable reclassed to debt principal	$ 5,881	$ -
Accrued interest rolled into principal	$ -	$ 723
Reduction of Right-of-use liability due to termination of operating leases	$ 562	$ -
Debt discount from debt extinguishment	$ 595	$ 355
Day 1 (one) recognition of Right-of-use Assets	$ 898	365

Debt discount from derivative liabilities	$ -	$ 64
Debt discount from warrant issuances	$ -	$ 667
Beneficial conversion feature on convertible note	$ -	$ 1,275
Common stock issued for debt conversion and settlement	$ -	$ 75
Common Stock issued for the conversion of Preferred Stock Series A	$ -	$ 57
Dividends accrued	$ -	$ 8

See accompanying notes to unaudited consolidated financial statements

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

NOTE 1 – BASIS OF PRESENTATION

Description of Business

Unless otherwise indicated or the context otherwise requires, references in this subsection to "we," "us," "our," "the Company," and other similar terms refer to Digerati and its subsidiaries.

Digerati Technologies, Inc., a Nevada corporation (including our subsidiaries, "we," "us," "Company" or "Digerati"), through its operating subsidiaries, (i) Verve Cloud, Inc. (formerly known as T3 communications, Inc.), a Nevada corporation ("Verve Cloud Nevada"), (ii) Verve Cloud, Inc. (formerly known as Shift8 Networks, Inc.), a Texas corporation ("Verve Cloud Texas"), (iii) T3 Communications, Inc., a Florida corporation ("T3 Communications"), (iv) Nexogy, Inc., a Florida corporation ("Nexogy") and (v) NextLevel Internet, Inc., a California corporation ("Next Level" and, together with Verve Cloud Nevada, Verve Cloud Texas, T3 Communications and Nexogy, the "Operating Subsidiaries"), which, as of June 1, 2023, operate as a single business unit under the Verve Cloud name and have locations in Texas, Florida and California, provides cloud services specializing in Unified Communications as a Service ("UCaaS") and broadband connectivity 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 Wide Area Network ("WAN") or Software-defined Wide Area Network ("SD WAN") solutions.

Digerati provides enterprise-class, carrier-grade services to the small-to-medium-sized business ("SMB") at cost-effective monthly rates. Digerati's UCaaS or cloud communication services include fully hosted Internet Protocol ("IP")/private branch exchange ("PBX"), video conferencing, mobile applications, Voice over Internet Protocol ("VoIP") transport, Session Initiation Protocol ("SIP") trunking, and customized VoIP services all delivered Only in the Cloud™.

Basis of presentation and consolidation

The accompanying unaudited interim consolidated financial statements of Digerati Technologies, Inc. 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, 2023, contained in the Company's Annual Report on Form 10-K filed on November 24, 2023, have been omitted.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations or net assets of the Company.

Earnings (Loss) Per Share

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

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

	Three months ended January 31,		**Six months ended January 31,**	
	2024	**2023**	**2024**	**2023**
Stock options to purchase common stock	13,805,000	-	13,805,000	-
Warrants to purchase common stock	110,942,654	-	110,942,654	-
Convertible Preferred Shares	69,958,918	61,078,654	69,958,918	61,078,654
Convertible Debt	120,229,240	77,735,744	120,229,240	77,735,744
Total	**314,935,812**	**138,814,398**	**314,935,812**	**138,814,398**

Treasury Shares

As a result of entering into various convertible debt instruments which contained a variable conversion feature with no floor, warrants with fixed exercise price, and convertible notes with fixed conversion price or with a conversion price floor, we reserved 122,000,000 treasury shares for consideration for future conversions and exercise of warrants, for convertible notes with fixed conversion price, notes with variable conversion feature with a floor and warrants with a conversion price floor. The Company will evaluate the reserved treasury shares on a quarterly basis, and if necessary, reserve additional treasury shares. As of January 31, 2024, we believe that the treasury shares reserved are sufficient for any future conversions of these instruments. As a result, these debt instruments and warrants are excluded from derivative consideration.

Customers and Suppliers

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

During the six months ended January 31, 2024 and 2023, the Company did not derive revenues of 10% or more from any single customer.

As of January 31, 2024, the Company had one customer that comprised 15.0% of our outstanding accounts receivable. At July 31, 2023, the Company did not have outstanding accounts receivable comprising 10% or more of our total outstanding accounts receivable from any single customer.

Sources of revenue:

The Company recognizes cloud-based hosted services revenue, mainly from subscription services for its cloud telephony applications that includes hosted IP/PBX services, SIP trunking, call center applications, auto attendant, voice, and web conferencing, call recording, messaging, voicemail to email conversion, integrated mobility applications that are device and location agnostic, and other customized applications. Other services include enterprise-class data and connectivity solutions through multiple broadband technologies including cloud WAN or SD-WAN, 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: (i) identifying the contract with a customer, (ii) identifying the performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the performance obligations in the contract and (v) 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 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 data.

Disaggregation of Cloud-based hosted revenues.

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

	For the Three Months Ended January 31,		For the Six Months Ended January 31,	
	2024	2023	2024	2023
Cloud software and service revenue	$ 7,538	$ 7,840	$ 15,160	$ 15,917
Product revenue	27	101	59	154
Total operating revenues	$ 7,565	$ 7,941	$ 15,219	$ 16,071

Deferred Income

Deferred income represents billings or payment received in advance of revenue recognition and is recognized upon transfer of control. Balances consist primarily of annual plan subscription services, for services not yet provided as of the balance sheet date. Deferred revenues that will be recognized during the succeeding 12-month period are recorded as current deferred revenues in the consolidated balance sheets, with the remainder recorded as other noncurrent liabilities in the consolidated balance sheets. Deferred income as of January 31, 2024 and July 31, 2023 was $303,153 and $281,294, respectively.

Customer deposits

The Company in some instances requires customers to make deposits for the last month of services, equipment, installation charges and training. As equipment is installed and training takes place, the deposits are then applied to revenue. The deposit for the last month of services is applied to any outstanding balances if services are cancelled. If the customer's account is paid in full, the Company will refund the full deposit in the month following service termination. As of January 31, 2024 and July 31, 2023, Digerati's customer deposits balance was $815,711 and $842,956, respectively. The customer deposit balance is included as part of deferred income on the consolidated balance sheets.

Costs to Obtain a Customer Contract

Direct incremental costs of obtaining a contract consisting of sales commissions are deferred and amortized over the estimated life of the customer, which currently averages 36 months. The Company calculates the estimated life of the customer on an annual basis. The Company classifies deferred commissions as prepaid expenses or other noncurrent assets based on the timing of when it expects to recognize the expense. As of January 31, 2024, the Company has $972,154 in deferred commissions/contract costs, of which the current portion of $454,966 is included in prepaid and other current assets and the long-term portion of $517,188 in other assets in the consolidated balance sheets. Sales commissions expenses for the six months ended January 31, 2024 and 2023 were $1,685,995 and $1,327,284, respectively. The costs to obtain customer contract balances are included as part of prepaid expenses and other assets on the consolidated balance sheets.

Direct Costs - Cloud software and service

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

Derivative financial instruments.

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

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

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

Fair Value of Financial Instruments.

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

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

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

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

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

Our derivative liabilities as of January 31, 2024 and July 31, 2023 were $4,706,577 and $4,125,429, respectively.

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

		Fair value measurements at reporting date using.		
Description	**Fair Value**	**Quoted prices in active markets for identical liabilities (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Derivative liability at July 31, 2023	$ 4,125,429	-	-	$ 4,125,429
Derivative liability at January 31, 2024	$ 4,706,577	-	-	$ 4,706,577

The fair market value of all derivatives during the year ended July 31, 2023 was determined using the Black-Scholes option pricing model which used the following assumptions:

Expected dividend yield	0.00%
Expected stock price volatility	169.54% - 178.58%
Risk-free interest rate	3.97% - 5.55%
Expected term	0.25 - 7.30 years

The fair market value of all derivatives during the three months ended January 31, 2024 was determined using the Black-Scholes option pricing model which used the following assumptions:

Expected dividend yield	0.00%
Expected stock price volatility	153.43% - 161.81%
Risk-free interest rate	3.99% - 4.68%
Expected term	0.92 – 6.80 years

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

Balance at July 31, 2023	$	4,125,429
Derivative loss		581,148
Balance at January 31, 2024	$	4,706,577

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.

Recently issued accounting pronouncements.

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

In August 2020, the FASB issued "ASU 2020-06, Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)" which simplifies the accounting for convertible instruments. The guidance removes certain accounting models which separate the embedded conversion features from the host contract for convertible instruments. Either a modified retrospective method of transition or a fully retrospective method of transition is permissible for the adoption of this standard. Update No. 2020-06 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The Company is currently evaluating the potential impact of this ASU on its financial statements.

NOTE 2 – GOING CONCERN

Financial Condition

The Company's consolidated financial statements 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 $129,325,000 and a working capital deficit of approximately $72,131,000 which raises substantial doubt about Digerati's ability to continue as a going concern. The Company's consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Management Plans to Continue as a Going Concern

Management believes that available resources as of January 31, 2024, will not be sufficient to fund the Company's operations and corporate expenses over the next 12 months. The Company's ability to continue to meet its obligations and to achieve its business objectives is dependent upon, 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.

We are currently taking initiatives to reduce our overall cash deficiencies on a monthly basis. During Fiscal Year 2024, certain members of our executive management team have continued to defer compensation to reduce the depletion of our available cash. To strengthen our business, we intend to adopt best practices from our recent acquisitions and invest in a marketing and sales strategy to grow our monthly recurring revenue; we anticipate utilizing our value-added resellers and channel partners to tap into new sources of revenue streams; and we have also secured numerous agent agreements through our recent acquisitions that we anticipate will accelerate revenue growth. In addition, we will continue to focus on selling a greater number of comprehensive services to our existing customer base. Further, in an effort to increase our revenues, we will continue to evaluate the acquisition of various assets with emphasis in VoIP Services and Cloud Communication Services. As a result, during the due diligence process we anticipate incurring significant legal and professional fees.

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

We require cash to meet our interest payments to Post Road (as defined below), capital expenditure needs, and operational cash flow needs. The Company anticipates issuing additional equity or entering into additional Convertible Notes to secure the funding required to meet these cash needs. 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, the Company may not be able to meet its interest payments, capital expenditures, and operational needs. As a result, the Company will be required to negotiate with its lender the terms of the current financing agreements, in addition to postponing the timing of deployment of its capital expenditures and extending the timing of the operational cash needs.

The Operating Subsidiaries are parties to the Credit Agreement, dated as of November 17, 2020 (as amended from time to time, the "Credit Agreement"), among the Operating Subsidiaries, Post Road Special Opportunity Fund II LLP ("PRSOF"), as a lender, the other lenders party thereto and Post Road Administrative LLC ("PR Administrative" and, together with its affiliate PRSOF, "Post Road"), as administrative agent for the lenders. The Company is also a party to certain sections of the Credit Agreement. Next Level Internet, Inc. became an Operating Subsidiary and a party to the Credit Agreement in February 2022.

The Credit Agreement contains customary representations, warranties, and indemnification provisions. The Credit Agreement also contains affirmative and negative covenants with respect to the operation of the business and properties of the loan parties as well as financial performance.

Below are key financial covenant requirements, (measured quarterly) for the fiscal quarter ended January 31, 2024:

- Minimum–Allowed - Liquidity of $750,000
- Minimum–Allowed – Fixed Charge Coverage Ratio of 1.25 to 1.00
- Maximum Allowed - Churn of 3.00% at any time

As of January 31, 2024 the Company was in compliance with the financial covenants under the Credit Agreement, which were based on the amended financial covenants as set forth in the Third Forbearance Agreement and Amendment to Loan Documents (the “Third Forbearance Agreement”) effective February 2, 2024. While Digerati, the parent company of Verve Cloud Nevada, is not subject to these financial covenants, they have had and will continue to have a material impact on Verve Cloud Nevada’s expenditures and ability to raise funds

The Operating Subsidiaries’ obligations under the Credit Agreement are secured by first priority security interests in (a) the equity interests of the Operating Subsidiaries (other than Verve Cloud Nevada), pursuant to the Pledge Agreement, dated November 17, 2020 (the “Pledge Agreement”), made by Verve Cloud Nevada in favor of Post Road Administrative and (b) substantially all of the other assets of the Operating Subsidiaries, pursuant to the Guaranty and Collateral Agreement, dated November 17, 2020, subsequently amended on December 31, 2021, February 4, 2022, December 15, 2022, and February 3, 2023 (the “Guaranty and Collateral Agreement”), among the Operating Subsidiaries and Post Road Administrative.

During the period beginning on November 1, 2021, and ending on January 31, 2024, the Company and Post Road entered into several amendments and other modifications to the Credit Agreement. Specifically:

- On December 15, 2022, Post Road agreed to forbear from exercising its remedies in connection with the Company’s failure to comply with the financial covenants in the Credit Agreement as of the last day of the fiscal quarter ended October 31, 2022, as well as certain other specified defaults, until December 23, 2022.

- On February 3, 2023, Digerati, the Operating Subsidiaries and Post Road entered into a Consent, Limited Waiver and Fourth Amendment to Credit Agreement and Amendment to Notes (the “Fourth Amendment”). Among other things, the Fourth Amendment (a) conditionally revised each of the six financial covenants set forth in the Credit Agreement (related to maximum leverage, minimum liquidity, minimum EBITDA, maximum capital expenditures, minimum interest coverage (a provision that replaced the minimum fixed charge coverage ratio provision), and maximum churn), (b) conditionally waived all then-existing events of default under the Credit Agreement and (c) modified the interest rates payable under the Credit Agreement. In addition, the Fourth Amendment provided that none of the revised financial covenants (other than minimum liquidity of $1,000,000, which was tested and met as of January 31, 2023) would be tested as of the last day of the fiscal quarter ended January 31, 2023 so long as no additional events of default occurred prior to such date. The conditional revisions to the financial covenants and the conditional waivers of existing events of default in the Fourth Amendment were contingent on the consummation of the Merger with Minority Equality Opportunities Acquisition, Inc., a Delaware corporation (“MEOA”) by February 28, 2023 (the “Merger Outside Closing Date”). If the Merger was not consummated by the Merger Outside Closing Date, the terms of the financial covenants would revert to the terms in effect immediately prior to the Fourth Amendment and the existing events of default would continue unwaived. The Merger Outside Closing Date was, as described below, extended several times, but the termination of the Business Combination Agreement with MEOA has effectively nullified the revisions to the financial covenants and conditional waivers set forth in the Fourth Amendment.

- On March 13, 2023, Digerati, the Operating Subsidiaries, and Post Road entered into the Fifth Amendment to Credit Agreement, which specifically extended the Merger Outside Closing Date from February 28, 2023, to April 28, 2023.

- On April 3, 2023, Digerati, the Operating Subsidiaries, and Post Road entered into a Sixth Amendment to its Credit Agreement (the “Sixth Amendment”), which (a) deferred the cash interest otherwise due and payable on April 1, 2023, to May 1, 2023, and (b) increased the net principal amount of additional convertible notes the Company was permitted by the Credit Agreement to have outstanding from $3,000,000 to $3,500,000.

- On May 1, 2023, Digerati, the Operating Subsidiaries, and Post Road entered into a Seventh Amendment to Credit Agreement (the "Seventh Amendment"), pursuant to which the Merger Outside Closing Date was extended from April 28, 2023, to May 31, 2023, or such later date as agreed to in writing by Post Road in its sole discretion.

- On August 16, 2023, Digerati, the Operating Subsidiaries and Post Road entered into a letter agreement, pursuant to which Post Road agreed that all accrued interest that was originally due and payable in cash by the Operating Subsidiaries on April 3, 2023, May 1, 2023, June 1, 2023, July 3, 2023 and August 1, 2023 would, instead, be added to the outstanding principal balances of Term Loan A and Term Loan C, as applicable, under the Credit Agreement on the effective date of the letter agreement, and due on the maturity dates of such loans, along with all other principal and interest amounts thereunder.

- On November 22, 2023 (with effect from November 2, 2023), Digerati, the Operating Subsidiaries, and Post Road entered into a Second Forbearance Agreement, Amendment to Loan Documents and Limited Consent (the "Second Forbearance Agreement"), which (a) extended the maturity date of our Term Loan C Note with Post Road from November 2, 2023, to December 31, 2023, (b) provided that Post Road and the other lenders under the Credit Agreement shall forbear through December 31, 2023 from exercising their rights and remedies under the loan documents and applicable law with respect to (i) certain existing events of default under the loan documents and (ii) certain events of default that are expected to arise before December 31, 2023, and (c) amended certain provisions of the Credit Agreement and the other loan documents to allow the company to incur up to an additional $2,000,000 of working capital financing

Additionally, on February 2, 2024 Digerati, the Operating Subsidiaries, and Post Road entered into a Third Forbearance Agreement which (a) extends the maturity date of our Term Loan C Note with Post Road from December 31, 2023, to November 17, 2024 (which is also the maturity date of the other loans outstanding under the Credit Agreement), (b) provides that Post Road and the other lenders under the Credit Agreement shall forbear through November 17, 2024 from exercising their rights and remedies under the loan documents and applicable law with respect to the Specified Defaults and (c) amends certain other provisions of the Credit Agreement. The Third Forbearance Agreement replaces the Second Forbearance Agreement, which expired in accordance with its terms on December 31, 2023, see Note 12 - Subsequent Events to the Consolidated Financial Statements.

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

NOTE 3 – INTANGIBLE ASSETS

Below are summarized changes in intangible assets at January 31 2024 and July 31, 2023:

January 31, 2024	**Gross Carrying Value**	**Accumulated Amortization**	**Net Carrying Amount**
NetSapiens - license, 10 years	$ 150,000	$ (150,000)	$ -
Customer relationships, 5 years	40,000	(40,000)	-
Customer relationships, 7 years	10,947,262	(4,515,133)	6,432,129
Trademarks, 7 & 10 years	7,148,000	(2,516,847)	4,631,153
Non-compete, 2 & 3 years	931,000	(829,750)	101,250
Marketing & Non-compete, 5 years	800,263	(800,263)	-
Total Definite-lived Intangible Assets	20,016,525	(8,851,993)	11,164,532
Goodwill	19,380,080	-	19,380,080
Balance, January 31, 2024	$ 39,396,605	$ (8,851,993)	$ 30,544,612

July 31, 2023	**Gross Carrying Value**	**Accumulated Amortization**	**Net Carrying Amount**
NetSapiens - license, 10 years	$ 150,000	$ (150,000)	$ -
Customer relationships, 5 years	40,000	(40,000)	-
Customer relationships, 7 & 10 years	10,947,262	(3,989,768)	6,957,494
Trademarks, 7 & 10 years	7,148,000	(1,980,728)	5,167,272
Non-compete, 2 & 3 years	931,000	(844,583)	86,417
Marketing & Non-compete, 5 years	800,263	(800,263)	-
Total Definite-lived Intangible Assets	20,016,525	(7,805,342)	12,211,183
Goodwill	19,380,080	-	19,380,080
Balance, July 31, 2023	$ 39,396,605	$ (7,805,342)	$ 31,591,263

Total amortization expense for the six months ended January 31, 2024 and 2023 was $1,046,651 and $1,510,134, respectively.

The Company expects to record amortization expense of intangibles assets over the next five years and thereafter as follows:

Period Ending July 31,	Amortization
2024 *	$ 1,113,153
2025	2,108,167
2026	1,856,869
2027	1,838,645
2028	1,560,074
2029 and thereafter	2,687,624
Total:	$ 11,164,532

* Six months remaining

NOTE 4 – STOCK-BASED COMPENSATION

In November 2015, the Company adopted the Digerati Technologies, Inc. 2015 Equity Compensation Plan (the "Plan"). On May 25, 2023, the Company amended the Plan which now authorizes the grant of up to 15 million (previously 7.5 million) stock options, restricted common shares, non-restricted common shares and other awards to employees, directors, and certain other persons. The Plan is intended to permit the Company to retain and attract qualified individuals who will contribute to the overall success of the Company. The Company's Board of Directors determines the terms of any grants under the Plan. Exercise prices of all stock options and other awards vary based on the market price of the shares of common stock as of the date of grant. The stock options, restricted common stock, non-restricted common stock, and other awards vest based on the terms of the individual grant.

During the six months ended January 31, 2024 and 2023, the Company did not issue any new stock options.

The Company recognized $16,018 and $45,793 in stock-based compensation expense for stock options to employees for the six months ended January 31, 2024 and 2023, respectively. Unamortized compensation stock option cost totaled $0 and $52,179 as of January 31, 2024 and 2023, respectively.

A summary of the stock options outstanding as of January 31, 2024 and July 31, 2023, and the changes during the six months ended January 31, 2024 are presented below:

	Options	Weighted average exercise price	Weighted average remaining contractual term (years)
Outstanding at July 31, 2023	13,805,000	$ 0.05	3.68
Granted	-	-	-
Exercised	-	-	-
Forfeited and cancelled	-	-	-
Outstanding on January 31, 2024	13,805,000	$ 0.05	3.17
Exercisable on January 31, 2024	13,805,000	$ 0.05	3.17

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 13,805,000 and 13,805,000 stock options outstanding as of January 31, 2024 and July 31, 2023, was $87,937 and $28,065, respectively.

The aggregate intrinsic value of 13,805,000 and 13,519,606 stock options exercisable on January 31, 2024 and July 31, 2023 was $87,937 and $28,065, respectively.

NOTE 5 – WARRANTS

During the six months ended January 31, 2024, the Company did not issue any warrants.

During the six months ended January 31, 2023, the Company issued 13,534,535 warrants under promissory notes in which the warrants vested at the time of issuance. The warrants have an expiration term of five (5) years with an exercise price of $0.1195. Under the Black-Scholes valuation method, the relative fair market value of the warrants at time of issuance was approximately $666,971 and was recognized as a discount on the promissory notes. The company will amortize the debt discount as interest expense over 12 months.

A summary of the warrants outstanding as of January 31, 2024 and July 31, 2023, and the changes during the three months January 31, 2024, are presented below:

	Warrants		Weighted average exercise price	Weighted average remaining contractual term (years)
Outstanding at July 31, 2023	124,942,900	$	0.03	6.89
Granted	-		-	-
Exercised	(14,000,246)	$	0.58	-
Forfeited and cancelled	-	$	-	-
Outstanding on January 31, 2024	110,942,654	$	0.01	6.71
Exercisable on January 31, 2024	84,017,360	$	0.01	6.73

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 110,942,654 and 124,942,900 warrants outstanding as of January 31, 2024 and July 31, 2023, was $3,381,817 and $2,692,529, respectively.

The aggregate intrinsic value of 84,017,360 and 98,017,606 warrants exercisable on January 31, 2024 and July 31, 2023, was $2,536,363 and $2,019,397, respectively.

NOTE 6 – NOTES PAYABLE NON-CONVERTIBLE

On October 22, 2018, the Company issued a secured promissory note for $50,000, bearing interest at a rate of 8% per annum, with maturity date of December 31, 2018. The maturity date was extended multiple times and most recently, subsequent to January 31, 2024, the lender agreed to extend the maturity until July 31, 2024. The promissory note is secured by a Pledge and Escrow Agreement, whereby the Company agreed to pledge rights to collateral due under a certain agreement. The principal outstanding balance as of January 31, 2024 and July 31, 2023 was $50,000.

Credit Agreement and Notes

Pursuant to the Credit Agreement (as defined in Note 2), Post Road provided Verve Cloud with a secured loan of up to $20,000,000 (the "Loan"), with initial loans of $10,500,000 pursuant to the issuance of a Term Loan A Note and $3,500,000 pursuant to the issuance of a Term Loan B Note, each funded on November 17, 2020, and an additional $6,000,000 in loans, in increments of $1,000,000, as requested by Verve Cloud before the 18 month anniversary of the initial funding date to be lent pursuant to the issuance of a Delayed Draw Term Note. After payment of transaction-related expenses and closing fees of $964,000, net proceeds to the Company from Term Loan A Note and Term Loan B Note totaled $13,036,000. The Company recorded these discounts and cost of $964,000 as a discount to the Notes, which discount was amortized as interest expense over the term of the notes.

During the year ended July 31, 2023, the total debt discount for the Term Loan A Note and the Term Loan B Note was fully amortized.

The loans under the original Term Loan A Note had a maturity date of November 17, 2024, and an interest rate of LIBOR (with a minimum rate of 1.5%) plus twelve percent (12%). The loans were non-amortized (interest only payments) through the maturity date and contained an option for the Company to pay interest in kind ("PIK") for up to five percent (5%) of the interest rate in year one, four percent (4%) in year two and three percent (3%) in year three. The original Term Loan A Note was amended and restated and replaced by the Amended and Restated Term Loan A Note (the "A&R Term Loan A Note") issued by the Operating Subsidiaries in favor of Post Road on December 20, 2021 as indicated below.

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

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

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

The A&R Term Loan A Note has a maturity date of November 17, 2024, and an interest rate of Term SOFR (with a minimum rate of 3.5%) plus twelve percent (12%). The principal balance and accrued PIK interest outstanding on the A&R Term Loan was $27,478,203 and $23,879,060 as of January 31, 2024 and July 31, 2023, respectively, and had accrued PIK interest outstanding of $5,309,688 and $1,710,545, respectively.

On February 4, 2022, Verve Cloud and Post Road entered into a Joinder and Second Amendment to Credit Agreement (the “Joinder and Second Amendment”) in connection with which Verve Cloud issued a Term Loan C Note. Pursuant to the Joinder and Second Amendment, Post Road provided Verve Cloud with a secured loan of $10,000,000. The proceeds of $10,000,000 were used to fund the acquisition of Next Level Internet, Inc. (“Next Level” or “NLI”) and for general corporate and working capital purposes as well as professional fees and other fees and expenses with respect to the transactions contemplated by the Joinder and Second Amendment. At issuance the Company recognized $250,000 in OID and $220,000 in debt issuance. The total unamortized debt discount was $0 and $0 as of January 31, 2024 and July 31, 2023, respectively. The principal balance on the Term Loan C Note was $12,811,262 and $11,128,264, respectively, as of January 31, 2024 and July 31, 2023 and had accrued PIK interest outstanding of $2,811,262 and $1,128,264, respectively. Term Loan C Note had a maturity date of August 4, 2023, which was subsequently amended to mature on November 2, 2023, again amended to mature on December 31, 2023, and again amended to mature on November 17, 2024 at an interest rate of Term SOFR (with a minimum rate of 3.5%) plus twelve percent (12%).

For further details regarding the Credit Agreement, as amended through November 17, 2024 please see Note 2, “Management Plans to Continue as a Going Concern” to the consolidated financial statements.

Promissory Notes – Next Level Internet Acquisition

On February 4, 2022, as per the acquisition of Next Level, the Company entered into two unsecured promissory notes (the "Unsecured Adjustable Promissory Notes") for $1,800,000 and $200,000, respectively. The notes are payable in eight equal quarterly installments in the aggregate amount of $250,000 each commencing on June 4, 2022, through and including March 7, 2024, with a base annual interest rate of 0% and a default annual interest rate of 18%. The amount owed is subject to change based on certain revenue milestones required to be achieved by Next Level. At issuance, the Company fair valued the notes and recognized a debt discount of $241,000 which is amortized over the term of the notes. The Company amortized $73,278 to interest expense during the six months ended January 31, 2024. Total unamortized debt discount on the notes as of January 31, 2024 and July 31, 2023 was $143,298 and $60,250, respectively. The total principal balance outstanding as of January 31, 2024 and July 31, 2023 on the Unsecured Adjustable Promissory Notes was $1,719,585 and $1,500,000, respectively.

On January 3, 2023, the Company amended its forbearance agreement with the Noteholders and agreed to pay the deferred payment, together with interest at the rate of 18% per annum (based upon the number of days elapsed between the date the deferred payment is scheduled for payment under the Notes and the date the deferred payment is actually paid and a year of 360 days) and extension fees of $7,500 on or before February 28, 2023 (the period from the effective date through February 28, 2023). This deferral of payment resulted in an additional principal added to the balance of $26,125, which consisted of the extension fee of $7,500 and interest expense of $18,625.

On February 28, 2023, the Company extended the payment date for the September 4, 2022 installment to be due by April 30, 2023 in exchange for a $15,000 amendment fee to be added to the outstanding principal balance. This deferral of payment resulted in an additional principal added to the balance of $39,000, which consisted of the extension fee of $15,000 and interest expense of $24,000. The $39,000 balance was paid on March 15, 2023.

On March 7, 2023, the Company extended the payment date for the March 7, 2023 installment to be due by April 30, 2023 in exchange for a $7,500 amendment fee to be added to the outstanding principal balance. This deferral of payment resulted in an additional principal added to the balance of $8,500, which consisted of the extension fee of $7,500 and interest expense of $1,000. The $8,500 balance was paid on March 15, 2023.

On May 1, 2023, the Company extended the payment date for the September 4, 2022 installment to be due by May 31, 2023 in exchange for payment of accrued interest between March 15, 2023 and April 30, 2023 of $5,750.00 which was paid on May 10, 2023.

On May 1, 2023, the Company extended the payment date for the March 7, 2023 installment to be due by May 31, 2023 in exchange for payment of accrued interest between March 15, 2023 and April 30, 2023 of $5,750.00 which was paid on May 10, 2023.

On June 1, 2023, the Company and the Noteholders agreed to extend the due date for the principal payment along with accrued interest due on May 31, 2023 to June 30, 2023.

In November 2023, the maturity date and principal payments on the Note were extended to December 31, 2023.

On February 4, 2022, as part the acquisition of NLI, the Company entered into two unsecured convertible promissory notes (the "Unsecured Convertible Promissory Notes") for $1,800,000 and $200,000, respectively. The Notes are payable in eight equal quarterly installments in the aggregate amount of $250,000 with the first payment commencing on April 30, 2022, through and including January 31, 2024. The Notes have a base annual interest rate of 10% and a default annual interest rate of 18%. The Sellers have a one-time right to convert all or a portion of the Convertible Notes commencing on the six-month anniversary of the notes being issued and ending 30 days after such six-month anniversary. The conversion price means an amount equal to the volume weighted average price per share of Stock on the Nasdaq Stock Market for the ten (10) consecutive trading days on which the conversion notice is received by the Company. However, if the stock is not then listed for trading on the Nasdaq Stock Market, the Conversion Price shall be the volume weighted average transaction price per share reported by the OTC Reporting Facility for the ten (10) consecutive trading days immediately preceding the date on which such Conversion Notice is received by the Company. At inception of the Notes, the Company recognized the fair market value of the conversion on the notes of $2,382,736, and recognized $117,264 in debt discount, which was amortized over the conversion period. During the year ended July 31, 2023, the conversion option on the Notes ended, and the Company recognized $466,086 as other income for the settlement of the conversion option. During the year ended July 31, 2023, the Company made principal payments totaling $791,375. On multiple occasions, the lenders agreed to forbear the principal payment of $250,000 and extend the maturity date on the Note.

During the quarter ended January 31, 2024, the Company transferred the principal balance for the Unsecure Convertible Promissory Notes of $1,119,996 to the balance of the Unsecured Adjustable Promissory Notes which resulted from the conversion feature ending during the last fiscal year ended July 31, 2023. During the six months ended January 31, 2024, $119,996 was added to the principal balance for default interest for missing principal payments on the Notes.

On January 6, 2024, the Company and Noteholders entered into an Extension and Forbearance Agreement for the Unsecured Adjustable and Convertible Promissory Notes where the Noteholders agreed to (1) forbear from exercising any rights and remedies it may have under the Notes and applicable law arising from the Forbearance Defaults until December 31, 2024 (the "Forbearance Period") and (2) extend the due date of all payments that are either currently due and payable or will become due and payable during the Forbearance Period to the Forbearance Termination Date (the "Maturity Extension"). As consideration for this agreement, the Noteholder received a fee in an amount equal to 3.0% of the principal amount of the Notes outstanding as of December 31, 2023, which was added to the principal balance on the Note. The Company accrued $339,581 of default interest expense during the six months ended January 31, 2024, which was added to the principal balance of the Note.

NOTE 7 – RELATED PARTY TRANSACTIONS

On December 31, 2021, as a result of the of the acquisition of Skynet's assets, the two sellers became related parties as they continued to be involved as consultants for 12 months to manage the customer relationship. The Company will pay $100,000 to each of the consultants on an annual basis. As of January 31, 2024 and July 31, 2023, there were no outstanding balances owed to the consultants. Part of the Purchase Price of $600,000 (the "Earn-out Amount") was retained by the Company and will be paid to sellers in six equal quarterly payments. An additional $100,000 (the "Holdback Amount") was retained by the Company and will be paid to sellers in accordance with the Skynet asset purchase agreement. The total balance outstanding on the Holdback amount as of January 31, 2024 and July 31, 2023 was $103,000 and $100,000, respectively. The Company amortized $0 and $19,842 of debt discount as interest expense during the six months ended January 31, 2024 and 2023, respectively. The total debt discount outstanding as of January 31, 2024 and July 31, 2023, was $1,349 and $0, respectively. The total balance outstanding on the Earn-out Amounts as of January 31, 2024 and July 31, 2023 was $412,000 and $400,000, respectively. On January 13, 2024 the maturity date on the Note was extended to December 31, 2024. As consideration for this extension agreement, the Noteholder received a fee in an amount equal to 3.0% of the principal amount of the Notes outstanding as of December 31, 2023, which was added to the principal balance on the Note.

Acquisition Payable – Skynet

As part of the acquisition of Skynet's assets, the Company will pay the seller a $1,000,000 (the "Share Payment") by issuance of restricted shares of the Company's common stock to the owners. On September 1, 2022, the Company and the sellers amended the Asset Purchase Agreement. In accordance with the amended agreement, the Share Payment will be made via the issuance of shares on the earlier of (i) the effective date of that certain Registration Statement on Form S-1 filed by the Company with the Securities and Exchange Commission on August 11, 2021 (in which case the stock will be valued at the price set forth in the prospectus that is a part of such Registration Statement, without underwriter discounts) and (ii) April 30, 2023 (in which case the stock will be valued at the average of the last transaction price on the OTCQB for each of the 10 trading days immediately preceding such issuance date). On December 5, 2022 and March 9, 2023, the Asset Purchase Agreement was amended. The payments due were originally extended until the closing of the merger with MEOA which was expected to close during the second quarter of calendar year 2023. On June 15, 2023, Digerati terminated the Business Combination Agreement with MEOA. On November 22, 2023, the maturity date on the Note was extended to December 31, 2023. On January 13, 2024, the maturity date was extended to December 31, 2024. As a condition of the extension of the maturity date, a 3% fee was added to the principal balance of the Note. The total principal balance outstanding on the acquisitions payable as of January 31, 2024 and July 31, 2023 was $1,030,000 and $1,000,000, respectively. The total debt discount outstanding as of January 31, 2024 and July 31, 2023, was $2,699 and $0, respectively.

NOTE 8 – CONVERTIBLE NOTES PAYABLE

As of January 31, 2024 and July 31, 2023, convertible notes payable consisted of the following:

CONVERTIBLE NOTES PAYABLE NON-DERIVATIVE	**January 31, 2024**	**July 31, 2023**
On October 13, 2020, the Company entered into a variable convertible promissory note with an aggregate principal amount of $330,000, an annual interest rate of 8%, and an original maturity date of October 13, 2021. In connection with the execution of the Note, the Company issued 1,000,000 shares of our common stock to the Noteholder, and recognized $211,426 of debt discount related to the original issue discount, relative fair market value of shares, and the intrinsic value of the conversion feature of the Note, which was amortized over the term of the Note. The maturity date was extended multiple times and during the last fiscal year, the lender agreed to extend the maturity until July 31, 2023. On January 29, 2024, the maturity date on the Note was extended to December 31, 2024. (See below variable conversion terms No.1). (1) (2) (3) (5)	$ 178,448	$ 173,250
On January 27, 2021, the Company entered into a variable convertible promissory note with an aggregate principal amount of $250,000, an annual interest rate of 8%, and a maturity date of January 27, 2022. In connection with the execution of the Note, the Company issued 500,000 shares of our common stock to the Noteholder, and at the time of issuance, the Company recognized the relative fair market value of the shares of $24,368 as debt discount and $44,368 as debt discount for the intrinsic value of the conversion feature, which both were amortized to interest expense during the term of the Note. The Noteholder may elect to convert up to 100% of the principal amount outstanding and any accrued interest on the Note into common stock at any time after 180 days of funding the Note. The conversion price shall be the greater of $0.05 or 75% of the lowest daily volume weighted average price ("VWAP") for the ten (10) trading day period immediately preceding the conversion date. The Noteholder shall, in its sole discretion, be able to convert any amounts due hereunder at a twenty-five percent (25%) discount to the per share price of the Qualified Uplisting Financing. The maturity date was extended multiple times. On February 1, 2023, the lender agreed to extend the maturity until July 30, 2023. As consideration for the extension on the Note, the Company agreed to add $50,000 to the principal amount outstanding and issued 300,000 shares of common stock with a market value of $26,460, both of which, were charged to interest expense. The Company analyzed the Note and determined that it does not require to be accounted as a derivative instrument. During January 2024, the Noteholder converted $125,000 of the principal amount to 2,500,000 shares of common stock. On January 11, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (2) (3) (5)	261,250	375,000

On April 14, 2021, the Company entered into a variable convertible promissory note with an aggregate principal amount of $250,000, an annual interest rate of 8%, and a maturity date of April 14, 2022. In connection with the execution of the Note, the Company issued 500,000 shares of our common stock to the Noteholder, at the time of issuance, the Company recognized the relative fair market value of the shares of $63,433 as debt discount, and it will be amortized to interest expense during the term of the Note. Additionally, the Company recognized $96,766 as debt discount for the intrinsic value of the conversion feature, and it will be amortized to interest expense during the term of the Note. The Noteholder may elect to convert up to 100% of the principal amount outstanding and any accrued interest on the Note into common stock at any time after 180 days of funding the Note. The Conversion Price shall be the greater of $0.15 or 75% of the lowest daily volume weighted average price (“VWAP”) for the ten (10) trading day period immediately preceding the conversion date. The maturity date has been extended multiple times. On April 14, 2023, the lender agreed to extend the maturity until October 14, 2023. As consideration for the extension on the Note, the Company agreed to add $50,000 to the principal amount outstanding and issued 300,000 shares of common stock with a market value of $23,670, both of which, were charged to interest expense. On January 11, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (2) (3) (5)	386,250	375,000
On August 31, 2021, the Company entered into a variable convertible promissory note with an aggregate principal amount of $75,000, an annual interest rate of 8% (and a default interest rate of 20%), and a maturity date of August 31, 2022. In connection with the execution of the Note, the Company issued 150,000 shares of our common stock to the Noteholder, and at the time of issuance, the Company recognized the relative fair market value of the shares of $13,635 as debt discount, which will be amortized to interest expense during the term of the promissory note. The Noteholder may elect to convert up to 100% of the principal amount outstanding and any accrued interest on the Note into common stock at any time after 180 days of funding the Note. The Conversion Price shall be the greater of $0.15 or 75% of the lowest daily volume weighted average price (“VWAP”) for the ten (10) trading day period immediately preceding the conversion date. The Noteholder may elect to convert up to 100% of the principal plus accrued interest into the common stock into a qualified uplist financing at a 25% discount. The maturity date has been extended multiple times. On February 28, 2023, the lender agreed to extend the maturity until August 31, 2023. As consideration for the extension on the Note, the Company agreed to add $18,000 to the principal amount outstanding and issued 100,000 shares of common stock with a market value of $8,200, both of which, were charged to interest expense. On January 11, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (2) (3) (5)	111,240	108,000
On September 29, 2021, the Company entered into a variable convertible promissory note with an aggregate principal amount of $75,000, an annual interest rate of 8%, a default interest rate of 20%, and a maturity date of September 29, 2022. In connection with the execution of the Note, the Company issued 150,000 shares of our common stock to the Noteholder, at the time of issuance, the Company recognized the relative fair market value of the shares of $10,788 as debt discount, and it will be amortized to interest expense during the term of the promissory note. The Noteholder may elect to convert up to 100% of the principal amount outstanding and any accrued interest on the Note into common stock at any time after 180 days of funding the Note. The Conversion Price shall be the greater of $0.15 or 75% of the lowest daily volume weighted average price (“VWAP”) for the ten (10) trading day period immediately preceding the conversion date. The Noteholder may elect to convert up to 100% of the principal plus accrued interest into the common stock into a qualified uplist financing at a 25% discount. The maturity date has been extended multiple times. On March 29, 2023, the lender agreed to extend the maturity until September 29, 2023. As consideration for the extension on the Note, the Company agreed to add $18,000 to the principal amount outstanding and issued 100,000 shares of common stock with a market value of $7,970, both of which, were charged to interest expense. On January 11, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (2) (3) (5)	111,240	108,000

On October 22, 2021, the Company entered into a variable convertible promissory note with an aggregate principal amount of $150,000, an annual interest rate of 8% (and a default interest rate of 20%), and a maturity date of October 22, 2022. In connection with the execution of the Note, the Company issued 300,000 shares of our common stock to the note holder, and at the time of issuance, the Company recognized the relative fair market value of the shares of $13,965 as debt discount, which will be amortized to interest expense during the term of the promissory note. The Noteholder may elect to convert up to 100% of the principal amount outstanding and any accrued interest on the Note into common stock at any time after 180 days of funding the Note. The Conversion Price shall be the greater of $0.15 or 75% of the lowest daily volume weighted average price ("VWAP") for the ten (10) trading day period immediately preceding the conversion date. The Noteholder may elect to convert up to 100% of the principal plus accrued interest into the common stock into a qualified uplist financing at a 25% discount. The maturity date has been extended multiple times. On April 29, 2023, the lender agreed to extend the maturity until October 29, 2023. As consideration for the extension on the Note, the Company agreed to add $30,000 to the principal amount outstanding and issued 180,000 shares of common stock with a market value of $12,582, both of which, were charged to interest expense. On January 11, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (2) (3) (5)	216,300	210,000
On February 4, 2022, as part the acquisition of NLI, the Company entered into two unsecured convertible promissory notes (the "Unsecured Convertible Promissory Notes") for $1,800,000 and $200,000, respectively. The Notes are payable in eight equal quarterly installments in the aggregate amount of $250,000 with the first payment commencing on April 30, 2022, through and including January 31, 2024. The Notes have a base annual interest rate of 10% and a default annual interest rate of 18%. The Sellers have a one-time right to convert all or a portion of the Convertible Notes commencing on the six-month anniversary of the notes being issued and ending 30 days after such six-month anniversary. The conversion price means an amount equal to the volume weighted average price per share of Stock on the Nasdaq Stock Market for the ten (10) consecutive trading days on which the conversion notice is received by the Company. However, if the stock is not then listed for trading on the Nasdaq Stock Market, the Conversion Price shall be the volume weighted average transaction price per share reported by the OTC Reporting Facility for the ten (10) consecutive trading days immediately preceding the date on which such Conversion Notice is received by the Company. At inception of the Notes, the Company recognized the fair market value of the conversion on the notes of $2,382,736, and recognized $117,264 in debt discount, which was amortized over the conversion period. During the year ended July 31, 2023, the conversion option on the Notes ended, and the Company recognized $466,086 as other income for the settlement of the conversion option. During the year ended July 31, 2023, the Company made principal payments totaling $791,375. On May 1, 2023, lenders agreed to forbear the principal payment of $250,000 originally due on April 30, 2023 to May 31, 2023. On June 1, 2023, the Company and the Noteholders agreed to extend the due date for the principal payment along with accrued interest due on May 31, 2023 to June 30, 2023. During the six months ended January 31, 2024 an additional $119,996 was added to the principal balance for default interest for missing principal payments on the Notes. On January 6, 2024, the maturity date on the Note was extended to December 31, 2024. During the quarter ended January 31, 2024, the Company transferred the principal balance $1,119,996 to the Unsecured Adjustable Promissory Notes as result of the convertible feature which ended during the last fiscal year ended July 31, 2023. See Note 6 for additional detail. (3)	-	1,000,000

On January 21, 2022, the Company entered into a variable convertible promissory note with an aggregate principal amount of $230,000, an annual interest rate of 8%, and a maturity date of October 21, 2022. After payment of transaction-related expenses and closing fees of $26,300, net proceeds to the Company from the Note totaled $203,700. Additionally, the Company recorded $26,300 as a discount to the Note and amortized over the term of the Note. In connection with the execution of the Note, the Company issued 300,000 shares of our common stock to the Noteholder and recorded $30,446 as debt discount and amortized over the term of the Note. Until the earlier of 6 months or the Company listing on Nasdaq or NYSE American, the Noteholder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount into fully paid and nonassessable shares of common stock. The Note Conversion Price shall equal the greater of $0.15 or 25% discount to up-listing price or offering/underwriting price concurrent with the Company listing on Nasdaq or NYSE American, subject to adjustment as provided in the Note. Upon the occurrence of an Event of Default, the outstanding balance shall immediately increase to 125% of the Outstanding Balance immediately prior to the occurrence of the Event of Default and a daily penalty of $500 will accrue until the default is remedied. The maturity date has been extended multiple times. On January 30, 2023, the lender agreed to extend the maturity until May 30, 2023. In connection with the extension of the maturity date on the Note, the Company agreed to increase the principal balance by $30,000 and issued 300,000 shares of common stock with a fair market value of $26,910, both of which, were charged to interest expense. On May 30, 2023, the Company and the Noteholders agreed to extend the due date for the principal payment due on May 30, 2023 to September 30, 2023. In exchange for the extension of the due date, $30,000 was added to the principal and the Company issued 300,000 shares of common stock with a fair market value of $26,700. On January 23, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (2) (3) (5)	329,600	320,000
On January 21, 2022, the Company entered into a variable convertible promissory note with an aggregate principal amount of $230,000, an annual interest rate of 8%, and a maturity date of October 21, 2022. After payment of transaction-related expenses and closing fees of $26,300, net proceeds to the Company from the Note totaled $203,700. Additionally, the Company recorded $26,300 as a discount to the Note and amortized over the term of the Note. In connection with the execution of the Note, the Company issued 300,000 shares of our common stock to the Not holder and recorded $30,446 as debt discount and amortized over the term of the Note. Until the earlier of 6 months or the Company listing on Nasdaq or NYSE American, the Noteholder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount into fully paid and nonassessable shares of common stock. The Note Conversion Price shall equal the greater of $0.15 or 25% discount to up-listing price or offering/underwriting price concurrent with the Company listing on Nasdaq or NYSE American, subject to adjustment as provided in the Note. Upon the occurrence of an Event of Default, the outstanding balance shall immediately increase to 125% of the Outstanding Balance immediately prior to the occurrence of the Event of Default and a daily penalty of $500 will accrue until the default is remedied. The maturity date has been extended multiple times. On January 30, 2023, the lender agreed to extend the maturity until May 30, 2023. In connection with the extension of the maturity date on the Note, the Company agreed to increase the principal balance by $30,000 and issued 300,000 shares of common stock with a fair market value of $26,910, both of which, were charged to interest expense. On May 30, 2023, the Company and the Noteholders agreed to extend the due date for the principal payment due on May 30, 2023 to September 30, 2023. In exchange for the extension of the due date, $30,000 was added to the principal and the Company issued 300,000 shares of common stock with a fair market value of $26,700. On January 23, 2024, the maturity date of the Note was extended to December 31, 2024. (1) (2) (3) (5)	329,600	320,000
On July 27, 2022, the Company entered into a variable convertible promissory note with an aggregate principal amount of $165,000, an annual interest rate of 8%, and a maturity date of April 27, 2023. After payment of transaction-related expenses and closing fees of $19,500, net proceeds to the Company from the Note totaled $145,500. Additionally, the Company issued 300,000 shares of our common stock to the Noteholder. The Company recorded the $19,500 and the relative fair market value of the shares of $22,093 as debt discount and amortized to interest expense over the term of the Note. Until the earlier of 6 months or the Company listing on Nasdaq or NYSE American, the note holder shall be entitled to convert any portion of the outstanding and unpaid conversion amount into fully paid and nonassessable shares of common stock. The Note conversion price shall equal the greater of $0.10 or 25% discount to up-listing price or offering/underwriting price concurrent with the Company listing on Nasdaq or NYSE American, subject to adjustment as provided in the Note. The maturity date has been extended multiple times. On April 25, 2023, the lender agreed to extend the maturity until July 31, 2023. In connection with the extension of the maturity date on the Note, the Company agreed to increase the principal balance by $30,000 and issued 300,000 shares of common stock with a fair market value of $21,000, both of which, were charged to interest expense. On January 23, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (2) (3) (5)	200,850	195,000

On September 12, 2022, the Company entered into a variable convertible promissory note with an aggregate principal amount of $75,000, an annual interest rate of 8%, and a maturity date of September 12, 2023. In connection with the execution of the Note, the Company issued 150,000 shares of our common stock to the note holder, at the time of issuance, the Company recognized the relative fair market value of the shares of $15,880 as debt discount, and it will be amortized to interest expense during the term of the promissory Note. The Noteholder may elect to convert up to 100% of the principal amount outstanding and any accrued interest on the Note into common stock at any time after 180 days of funding the Note. The Conversion Price shall be the greater of $0.15 or 75% of the lowest daily volume weighted average price ("VWAP") for the ten (10) trading day period immediately preceding the conversion date. The Noteholder may elect to convert up to 100% of the principal plus accrued interest into shares of common stock into a qualified uplist financing at a 25% discount. On January 11, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (3) (5)	77,250	75,000
On October 3, 2022, the Company entered into a variable convertible promissory note with an aggregate principal amount of $165,000, an annual interest rate of 8%, and a maturity date of July 3, 2023. After payment of transaction-related expenses and closing fees of $19,500, net proceeds to the Company from the Note totaled $145,500. Additionally, the Company issued 300,000 shares of our common stock to the note holder. The Company recorded the $19,500 and the relative fair market value of the shares of $32,143 as debt discount and amortized to interest expense over the term of the Note. The Company recognized $117,857 debt discount related to beneficial conversion feature and will be amortized to interest expense over the term of Note. Until the earlier of 6 months or the Company listing on Nasdaq or NYSE American, the Noteholder shall be entitled to convert any portion of the outstanding and unpaid conversion amount into fully paid and nonassessable shares of common stock. The Note conversion price shall equal the greater of $0.10 or 25% discount to up-listing price or offering/underwriting price concurrent with the Company listing on Nasdaq or NYSE American, subject to adjustment as provided in the Note. On January 23, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (3) (5)	169,950	165,000
On October 27, 2022, the Company entered into a variable convertible promissory note with an aggregate principal amount of $38,500, an annual interest rate of 8%, and a maturity date of July 26, 2023. After payment of transaction-related expenses and closing fees of $3,500, net proceeds to the Company from the Note totaled $25,000. Until the earlier of 6 months or the Company listing on Nasdaq or NYSE American, the Noteholder shall be entitled to convert any portion of the outstanding and unpaid conversion amount into fully paid and nonassessable shares of common stock. The Note conversion price shall equal the greater of $0.10 or 25% discount to up-listing price or offering/underwriting price concurrent with the Company listing on Nasdaq or NYSE American, subject to adjustment as provided in the Note. On January 23, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (3) (5)	39,655	38,500
On October 27, 2022, the Company entered into a variable convertible promissory note with an aggregate principal amount of $71,500, an annual interest rate of 8%, and a maturity date of July 26, 2023. After payment of transaction-related expenses and closing fees of $6,500, net proceeds to the Company from the Note totaled $65,000. Additionally, the Company issued 200,000 shares of our common stock to the Noteholder. The Company recorded the $6,500 and the relative fair market value of the shares of $38,768 as debt discount and amortized to interest expense over the term of the Note. The Company recognized $40,888 debt discount related to beneficial conversion feature and will be amortized to interest expense over the term of Note. Until the earlier of 6 months or the Company listing on Nasdaq or NYSE American, the Noteholder shall be entitled to convert any portion of the outstanding and unpaid conversion amount into fully paid and nonassessable shares of common stock. The Note conversion price shall equal the greater of $0.10 or 25% discount to up-listing price or offering/underwriting price concurrent with the Company listing on Nasdaq or NYSE American, subject to adjustment as provided in the Note. On January 23, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (3) (5)	73,645	71,500

On October 31, 2022, the Company entered into a variable convertible promissory note with an aggregate principal amount of $350,000, an annual interest rate of 14%, and a maturity date of February 28, 2023. Net proceeds to the Company from the Note totaled $350,000. In the event that any payment is not made when due, either of principal or interest, and whether upon maturity or as a result of acceleration, interest shall thereafter accrue at the rate per annum equal to the lesser of (a) the maximum non-usurious rate of interest permitted by the laws of the State of Texas or the United States of America, whichever shall permit the higher rate or (b) twenty percent (20%) per annum, from such date until the entire balance of principal and accrued interest on this Note has been paid. At any time after sixty (60) days following the date hereof, Payee may elect to convert a percentage of the amount of principal and accrued interest outstanding on the Note into common stock of Debtor, in accordance with the following terms: (i) If prior to uplist to Nasdaq or NYSE, Payee may convert up to 50% of the amount outstanding on the Note into common stock. In such event, the price per share of common stock applicable to such conversion (the "Applicable Conversion Price") shall be the greater of: (a) the Variable Conversion Price or (b) the Fixed Conversion Price. The "Variable Conversion Price" shall be equal to a 20% discount to the average closing price for common stock for the five (5) Trading Day period immediately preceding the Conversion Date. The Fixed Conversion Price shall equal $0.10; and (ii) If following the Uplist, Payee may convert up to 100% of the amount outstanding on the Note into shares of common stock. In such event, the Applicable Conversion Price shall be the greater of: (a) the post-Uplist Variable Conversion Price (i.e., if less than 5 days after the Uplist, then the average of the days available since the Uplist up to 5) or (b) the Fixed Conversion Price. On March 30, 2023, the maturity date was extended to May 30, 2023. In connection with the extension, the Company issued 2,500,000 warrant shares to the Noteholder and recognized the fair market value of the warrant shares of $170,000 as debt extension fee. On January 6, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (2) (3) (6)	360,500	350,000
On November 22, 2022, the Company entered into a convertible promissory note with an aggregate principal amount of $1,670,000, an annual interest rate of 10%, and a maturity date of November 22, 2023. The Company recorded $90,975 in transaction-related expenses and closing fees and $250,500 of original issue discount to the Note. After payment of transaction-related expenses and closing fees and original issue discount, net proceeds to the Company from the Note totaled $1,328,525 In connection with the execution of the Note, the Company issued 2,100,000 shares of our common stock and 10,500,000 warrant shares to the Noteholder at the time of issuance. The Company recognized the relative fair market value of the shares of common stock and warrant shares of $640,877 as debt discount. Additionally, the Company recognized $687,648 as debt discount for the intrinsic value of the conversion feature. All debt discount will be amortized to interest expense during the term of the Note. As amended on March 24, 2023, the Noteholder shall have the right, on or before the earlier of (i) the closing of the SPAC Transaction (as defined in that certain business combination agreement between the Company, Minority Equality Opportunities Acquisition Inc., and MEOA Merger Sub, Inc. dated on or around August 30, 2022 (the "SPAC Agreement", and the transaction contemplated under the SPAC Agreement, the "SPAC Transaction")) or (ii) March 22, 2023, to convert all or any portion of the Principal Amount and interest (including any Default Interest) into fully paid and non-assessable shares of common stock. The Note conversion price shall equal $0.0956 subject to adjustment as provided in the note. On April 24, 2023, the Noteholder agreed to extend the due date for the first principal payment to May 22, 2023. In connection with the extension of the due date of the first principal on the Note, the Company agreed to increase the principal balance by $20,000. On January 24, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (2) (3) (6)	1,673,592	1,670,000
On December 12, 2022, the Company entered into a convertible promissory note with an aggregate principal amount of $117,647, annual interest rate of 10% and a maturity date of December 12, 2023. The Company recorded $17,647 as original issue discount to the Note, which resulted in net proceeds of $100,000. In connection with the execution of the note, the Company issued 148,295 shares of our common stock and 741,475 warrant shares to the Noteholder at the time of issuance. The Company recognized the relative fair market value of the common stock and warrant shares of $41,685 as debt discount. Additionally, the Company recognized $58,315 as debt discount for the intrinsic value of the conversion feature. All debt discount will be amortized to interest expense during the term of the Note. The Noteholder shall have the right, on any calendar day, at any time on or following the earlier of (i) April 12, 2023 or (ii) sixty (60) calendar days after the Closing Date (as defined in that certain business combination agreement between the Company, Minority Equality Opportunities Acquisition Inc., and MEOA Merger Sub, Inc. dated on or around August 30, 2022 (the "SPAC Agreement", and the transaction contemplated under the SPAC Agreement, the "SPAC Transaction"), to convert all or any portion of the Principal Amount and interest (including any Default Interest) into fully paid and non-assessable shares of common stock. The Note conversion price shall equal $0.0956, subject to adjustment as provided in the note. On January 11, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (3) (6)	123,489	119,897

On December 20, 2022, the Company entered into a convertible promissory note with an aggregate principal amount of $176,471, an annual interest rate of 10%, and a maturity date of December 20, 2023. The Company recorded $5,000 in deferred finance costs and $26,471 of original issue discount to the Note. After payment of transaction-related expenses, net proceeds to the Company from the Note totaled $145,500. In connection with the execution of the Note, the Company issued 221,909 shares of our common stock and 1,109,545 warrant shares to the Noteholder at the time of issuance. The Company recognized the relative fair market value of the common stock and warrant shares of $59,374 as debt discount. Additionally, the Company recognized $79,014 as debt discount for the intrinsic value of the conversion feature. All debt discount will be amortized to interest expense during the term of the Note. The Noteholder shall have the right, on any calendar day, at any time on or following the earlier of (i) April 12, 2023 or (ii) sixty (60) calendar days after the closing of the Merger, to convert all or any portion of the Principal Amount and interest (including any Default Interest) into fully paid and non-assessable shares of common stock. The Note conversion price shall equal to $0.0956, subject to adjustment as provided in the Note. In connection with the extension of the principal payment due date on the Note, the Company agreed to increase the principal balance by $10,000. On January 24, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (2) (3) (6)	192,065	186,471
On December 22, 2022, the Company entered into a convertible promissory note with an aggregate principal amount of $188,235, annual interest rate of 10% and a maturity date of December 22, 2023. The Company recorded $10,000 in transaction-related expenses and closing fees and $28,235 of original issue discount to the Note. After payment of transaction-related expenses and closing fees and original issue discount, net proceeds to the Company from the Note totaled $150,000. In connection with the execution of the note, the Company issued 236,703 shares of our common stock and 1,183,515 warrant shares to the holder at the time of issuance. The Company recognized the relative fair market value of the common stock and warrant shares of $66,679 as debt discount. Additionally, the Company recognized $83,321 as debt discount for the intrinsic value of the conversion feature. All debt discount will be amortized to interest expense during the term of the promissory note. The Holder shall have the right, on any calendar day, at any time on or following the earlier of (i) April 22, 2023 or (ii) sixty (60) calendar days after the Closing Date of the Merger, to convert all or any portion of the Principal Amount and interest (including any Default Interest) into fully paid and non-assessable shares of common stock. The Note conversion price shall equal $0.0956, subject to adjustment as provided in the Note. On March 22, 2023, the Noteholder agreed to extend the maturity date until June 22, 2023 or the closing of the Company's business combination with MEOA. In connection with the extension of the maturity date on the Note, the Company agreed to increase the principal balance by $3,750. On January 29, 2024, the maturity date and principal payments on the Note were extended to December 31, 2024. (1) (2) (3) (6)	157,745	191,985
On January 13, 2023, the Company entered into a convertible promissory note with an aggregate principal amount of $110,000, an annual interest rate of 10%, and a maturity date of October 13, 2023. The Company recorded $10,000 in original issue discount to the Note. After payment of the original issue discount, net proceeds to the Company from the Note totaled $100,000. In connection with the execution of the Note, the Company issued 138,000 shares of our common stock shares to the Noteholder at the time of issuance. The Company recognized the relative fair market value of the shares of common stock of $11,177 as debt discount. Additionally, the Company recognized $21,507 as debt discount for the intrinsic value of the conversion feature. All debt discount will be amortized to interest expense during the term of the Note. The Noteholder shall have the right, on any calendar day, at any time on or following the earlier of (i) May 12, 2023 or (ii) sixty (60) calendar days after listing on Nasdaq or the New York Stock Exchange to convert any portion of the outstanding and unpaid Conversion into fully paid and nonassessable shares of common stock, at the Conversion Price. The Note conversion price shall equal $0.10, subject to adjustment as provided in the Note. On January 23, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (3) (5)	113,300	110,000

On January 24, 2023, the Company entered into a convertible promissory note with an aggregate principal amount of $660,000, an annual interest rate of 10%, and a maturity date of May 24, 2023. The Company recorded $60,000 in original issue discount to the Note. After payment of the original issue discount, net proceeds to the Company from the Note totaled $600,000. In connection with the execution of the Note, the Company issued 660,000 shares of our common stock shares to the Noteholder at the time of issuance. The Company recognized the relative fair market value of the shares of Common stock of $53,850 as debt discount. Additionally, the Company recognized $104,610 as debt discount for the intrinsic value of the conversion feature. All debt discount will be amortized to interest expense during the term of the promissory note. The Payee may elect to convert up to 100% of the Principal Amount outstanding on the Note into common stock of Debtor or any shares of capital stock or other securities of the Debtor into which such common stock shall hereafter be changed or reclassified at any time on the earlier of (i) one hundred and twenty (120) calendar days following the funding of this Note or (ii) sixty (60) calendar days after the Closing Date as defined in that certain business combination agreement between the Debtor, Minority Equality Opportunities Acquisition Inc., and MEOA Merger Sub, Inc. dated on or around August 30, 2022 (the "Conversion Shares"). The Note conversion price shall equal $0.10, subject to adjustment as provided in the Note. On September 6, 2023, the Noteholder agreed to extend the maturity date until September 24, 2023. As consideration with the execution of the Note, the Company issued 495,000 shares of our common stock to the Noteholder. On January 8, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (2) (3) (6)	679,800	660,000
On January 24, 2023, the Company entered into a convertible promissory note with an aggregate principal amount of $660,000, an annual interest rate of 10%, and a maturity date of May 24, 2023. The Company recorded $60,000 in original issue discount to the Note. After payment of the original issue discount, net proceeds to the Company from the Note totaled $600,000. In connection with the execution of the Note, the Company issued 660,000 shares of our common stock shares to the Noteholder at the time of issuance. The Company recognized the relative fair market value of the shares of Common stock of $53,850 as debt discount. Additionally, the Company recognized $104,610 as debt discount for the intrinsic value of the conversion feature. All debt discount will be amortized to interest expense during the term of the promissory note. The Payee may elect to convert up to 100% of the Principal Amount outstanding on the Note into common stock of Debtor or any shares of capital stock or other securities of the Debtor into which such common stock shall hereafter be changed or reclassified at any time on the earlier of (i) one hundred and twenty (120) calendar days following the funding of this Note or (ii) sixty (60) calendar days after the Closing Date as defined in that certain business combination agreement between the Debtor, Minority Equality Opportunities Acquisition Inc., and MEOA Merger Sub, Inc. dated on or around August 30, 2022 (the "Conversion Shares"). The Note conversion price shall equal $0.10, subject to adjustment as provided in the Note. On September 6, 2023, the Noteholder agreed to extend the maturity date until September 24, 2023. As consideration with the execution of the Note, the Company issued 495,000 shares of our common stock to the Noteholder. On January 8, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (2) (3) (6)	679,800	660,000
On March 7, 2023, the Company entered into a convertible promissory note with an aggregate principal amount of $110,000, annual interest rate of 10% and a maturity date of December 7, 2023. The Company recorded $10,000 of original issue discount to the Note. After payment of original issue discount, net proceeds to the Company from the Note totaled $100.000. In connection with the execution of the Note, the Company issued 300,000 shares of our common stock at the time of issuance. The Company recognized the relative fair market value $38,850 for shares of common stock to debt discount, which will be amortized to interest expense during the term of the Note. The Noteholder shall have the right, on any calendar day, at any time on or following the earlier of (i) July 7, 2023 or (ii) sixty (60) calendar days after listing on Nasdaq or the New York Stock Exchange to convert any portion of the outstanding and unpaid Conversion Amount into fully paid and nonassessable shares of common stock at the Conversion Price of $0.10, subject to adjustment as provided in the Note. On January 23, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (3) (5)	113,300	110,000

On March 17, 2023, the Company entered into a convertible promissory note with an aggregate principal amount of $192,000, annual interest rate of 10% and a maturity date of March 17, 2024. The Company recorded $17,160 in transaction-related expenses and closing fees and $28,800 of original issue discount to the Note. After payment of transaction-related expenses and closing fees and original issue discount, net proceeds to the Company from the Note totaled $146,040. In connection with the execution of the note, the Company issued 241,500 shares of our common stock and 1,207,186 warrant shares to the Noteholder at the time of issuance. The Company recognized the relative fair market value $8,140 for the common shares and $62,481 for the warrant shares, both of which, were considered to be debt discount. Additionally, the Company recognized $47,806 as debt discount for the intrinsic value of the conversion feature. All debt discount will be amortized to interest expense during the term of the promissory note. The Holder shall have the right, on any calendar day, at any time on or following the earlier of (i) July 17, 2023 or (ii) sixty (60) calendar days after the closing date of the Merger to convert all or any portion of the then outstanding and unpaid principal amount and interest (including any Default Interest) into fully paid and non-assessable shares of common stock, as such common stock exists on the Issue Date. The Note conversion price shall equal $0.0956, subject to adjustment as provided in the Note. On January 24, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (3) (6)	195,592	192,000
On April 14, 2023, the Company entered into a convertible promissory note with an aggregate principal amount of $275,000, an annual interest rate of 10%, and a maturity date of October 11, 2023. The Company recorded $25,000 in original issue discount to the Note. After payment of the original issue discount, net proceeds to the Company from the Note totaled $250,000. In connection with the execution of the Note, the Company issued 358,000 shares of our common stock shares to the note holder at the time of issuance. The Company recognized the relative fair market value of the common shares of $28,354 as debt discount. All debt discount will be amortized to interest expense during the term of the promissory note. The note holder may elect to convert up to 50% of the principal amount outstanding and any accrued interest on the Note into common stock at any time, on the date of the debtor's up-list transaction on the NASDAQ. The Note conversion price shall equal $0.10 subject to adjustment as provided in the Note. On January 5, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (3) (6)	283,250	275,000
On May 9, 2023, the Company entered into a convertible promissory note with an aggregate principal amount of $55,000, an annual interest rate of 8%, and a maturity date of February 9, 2024. The Company recorded $5,000 in original issue discount to the Note. After payment of the original issue discount, net proceeds to the Company from the Note totaled $50,000. In connection with the execution of the Note, the Company issued 300,000 shares of our common stock shares to the note holder at the time of issuance. The Company recognized the relative fair market value of the common shares of $16,390 as debt discount. The Company recognized $15,560 debt discount related to beneficial conversion feature. All debt discount will be amortized to interest expense during the term of the promissory note. The Noteholder shall be entitled to convert any portion of the outstanding and unpaid conversion amount into fully paid and nonassessable shares of our common stock at the conversion price below. The Note conversion price shall equal the greater of $0.10 (ten) cents or 25% discount to up-listing price or offering/underwriting price concurrent with the Company listing on Nasdaq or NYSE American subject to adjustment as provided in the Note. On January 23, 2024, the maturity date on the Note was extended to December 31, 2024. (1) (3) (5)	56,650	55,000
Total convertible notes payables non-derivative:	**$ 7,114,361**	**$ 8,114,603**

CONVERTIBLE NOTES PAYABLE - DERIVATIVE

On July 27, 2020, the Company entered into a variable convertible promissory note with an aggregate principal amount of $275,000, an annual interest rate of 8%, and a maturity date of March 27, 2021. On January 17, 2023, the Note was amended so that the Holder shall be entitled, at any time, to convert any portion of the outstanding and unpaid Conversion Amount into fully paid and nonassessable shares of common stock the Note Conversion Price shall equal the greater of $0.05 (five) or 25% discount to up-listing price or offering/underwriting price concurrent with the Company listing on Nasdaq or NYSE American, subject to adjustment as provided in this Note. If an Event of Default occurs, the Conversion Price shall be the lesser of (a) $0.05 or (b) 75% of the lowest traded price in the prior fifteen trading days immediately preceding the Notice of Conversion. The maturity date has been extended multiple times. On March 30, 2023, the lender agreed to extend the maturity date until June 30, 2023. In connection with the extension of the maturity date on the Note, the Company agreed to increase the principal balance by $30,000, which was charged to interest expense, and issued 250,000 shares of common stock with a market value of $19,225. The Company evaluated the amendment and accounted for these changes as an extinguishment of debt. On January 23, 2024, the maturity date on the Note was extended to December 31, 2024. (2) (4) (5)	390,000	390,000
On January 31, 2021, the Company entered into a variable convertible promissory note with an aggregate principal amount of $80,235, annual interest rate of 8% and a maturity date of February 17, 2022. Until the earlier of 6 months or the Company listing on Nasdaq or NYSE American, the Holder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount into fully paid and nonassessable shares of common stock the Note Conversion Price shall equal the greater of $0.05 (five) or seventy-five percent (75%) of the lowest daily volume weighted average price ("VWAP") over the ten (10) consecutive trading day period ending on the trading day immediately prior to the applicable conversion date (the "Variable Conversion Price"); provided, however, that the Holder shall, in its sole discretion, be able to convert any amounts due hereunder at a twenty-five percent (25%) discount to the per share price of the Qualified Uplisting Financing of over $4MM. If, no later than December 31, 2021, the Borrower shall fail to uplist to any tier of the NASDAQ Stock Market, the New York Stock Exchange or the NYSE MKT, the conversion price under the Note (and the Exchange Note) will be adjusted to equal the lesser of (i) $0.05 per share; or (ii) seventy-five percent (75%) of the lowest VWAP (as defined in the Note and Exchange Note) in the preceding twenty (20) consecutive Trading Days. As a result, the Company recognized derivative liability for the convertible note of $59,413. During the last fiscal year, the holder agreed to extend the maturity date until July 31, 2023. On January 29, 2024, the maturity date on the Note was extended to December 31, 2024. (2) (4) (5)	149,872	149,872
On April 15, 2021, the Company entered into a variable convertible promissory note with an aggregate principal amount of $113,000, an annual interest rate of 8%, and a maturity date of January 15, 2022. After payment of transaction-related expenses and closing fees of $13,000, net proceeds to the Company from the Note totaled $100,000. Additionally, the Company recorded $13,000 as a discount to the Note and amortized over the term of the note. In connection with the execution of the Note, the Company issued 100,000 shares of our common stock to the note holder, at the time of issuance, the Company recognized the relative fair market value of the shares of $14,138 as debt discount, and it will be amortized to interest expense during the term of the promissory note. Until the earlier of 6 months or the Company listing on Nasdaq or NYSE American, the Holder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount into fully paid and nonassessable shares of common stock. The Note Conversion Price shall equal the greater of $0.15 (fifteen) or 25% discount to up-listing price or offering/underwriting price concurrent with the Company listing on Nasdaq or NYSE American., subject to adjustment as provided in the Note. If an Event of Default occurs, the Conversion Price shall be the lesser of (a). $0.15 or (b). seventy-five percent of the lowest traded price in the prior fifteen (15) consecutive trading day period ending on the trading day immediately prior to the applicable conversion date (the "Variable Conversion Price"). Outstanding Balance shall immediately increase to 125% of the Outstanding Balance immediately prior to the occurrence of the Event of Default and a daily penalty of $500 will accrue until the default is remedied. The Company recognized derivative liability for the convertible note of $64,561, of which $42,822 was recorded as debt discount and amortized over the term of the Note. The maturity date has been extended multiple times since inception. On March 30, 2023, the lender agreed to extend the maturity until June 30, 2023. In connection with the extension of the maturity date on the Note, the Company agreed to increase the principal balance by $25,000, which was charged to interest expense, and issued 150,000 shares of common stock with a market value of $11,995. On January 23, 2024, the maturity date on the Note was extended to December 31, 2024. (2) (4) (5)	233,000	233,000

On October 10, 2022, the Company entered into a variable convertible promissory note with an aggregate principal amount of $275,000, annual interest rate of 8% and a maturity date of April 10, 2023. After payment of transaction-related expenses and closing fees of $25,000, net proceeds to the Company from the note totaled $250,000. The Company recorded the $25,000 as debt discount and amortized to interest expense over the term of the note. Until the earlier of 6 months or the Company listing on Nasdaq or NYSE American, the note holder shall be entitled to convert any portion of the outstanding and unpaid conversion amount into fully paid and nonassessable shares of common stock. The note conversion price shall equal the greater of $0.15 or 25% discount to up-listing price or offering/underwriting price concurrent with the Company listing on Nasdaq or NYSE American, subject to adjustment as provided in the note. Any Principal Amount or interest on this Note which is not paid when due shall bear interest at the rate the lesser of (a) twenty-four percent (24%) per annum from the due date thereof until the same is paid ("Default Interest"); or (b) the maximum rate allowed by law. During the last fiscal year, the holder agreed to extend the maturity date until July 31, 2023. As compensation for the extension of the maturity date, $13,750 was added to the principal balance of the Note. On January 29, 2024, the maturity date on the Note was extended to December 31, 2024, which added $50,000 to the principal balance of the Note as compensation for the extension of the maturity date. (2) (4) (5)	338,750	288,750
Total convertible notes payable - derivative:	**$ 1,111,622**	**$ 1,061,622**
Total convertible notes payable derivative and non-derivative	**8,225,983**	**9,176,225**
Less: debt discount	**(460,352)**	**(959,922)**
Total convertible notes payable, net of discount	**7,765,631**	**8,216,303**
Less: current portion of convertible notes payable	**(7,765,631)**	**(8,216,303)**
Long-term portion of convertible notes payable	**$ -**	**$ -**

Additional terms No.1: The Holder of the Note originally dated October 13, 2020 with a balance of $178,448 as of January 31, 2024, shall have the right to convert any portion of the outstanding and unpaid principal balance into fully paid and nonassessable shares of common stock. The conversion price (the "Conversion Price") shall equal $0.05 (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 total unamortized discount on the convertible notes as of January 31, 2024 and July 31, 2023 was $460,352 and $959,922, respectively. The total principal balance outstanding as of January 31, 2024 and July 31, 2023 was $8,225,983 and $9,176,225 respectively. During the six months ended January 31, 2024 and 2023, the Company amortized $974,422 and $612,911, respectively, of debt discount as interest expense.

(1) The Company determines at each reporting period if any default provisions and other requirements triggered a variable conversion price and if the note needs to be classified as a derivative instrument.

(2) The Company evaluated the amendment(s) and accounted for these changes as an extinguishment of debt.

(3) The Company analyzed the Note and determined that it does not require to be accounted as a derivative instrument.

(4) 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.

(5) The conversion price was amended to be $0.05 for 40% of the outstanding principal balance at December 31, 2023 and a 3% fee was applied as consideration of the Extension and Forbearance Agreement dated January 2024.

(6) The conversion price was amended to be $0.05 for 20% of the outstanding principal balance at December 31, 2023 and a 3% fee was applied as consideration of the Extension and Forbearance Agreement dated January 2024.

The future principal payments for the Company’s convertible debt are as follows:

Future Principal Payments

Year ended July 31,		**Amount**
2024	$	7,765,631
2025		-
Total future payments:	$	7,765,631

NOTE 9 – LEASES

The leased properties have a remaining lease term of five to sixty months as of January 31, 2024. At the option of the Company, it can elect to extend the term of the leases. See table below:

Location		**Annual Rent**	**Lease Expiration Date**	**Business Use**	**Approx. Sq. Ft.**
8023 Vantage Dr., Suite 660, San Antonio, Texas 78230	$	49,136	Sep-27	Executive offices	2,843
10967 Via Frontera, San Diego, CA 92127	$	369,229	Mar-26	Office space	18,541
7218 McNeil Dr., FL-1, Austin, TX 78729	$	21,000	Mar-24	Network facilities	25
9701 S. John Young Parkway, Orlando, FL 32819	$	25,440	May-26	Network facilities	540
8333 NW 53rd St, Doral, FL 33166	$	14,021	Jul-25	Wireless internet network	100
100 SE 2nd Street, Miami, FL 33131	$	36,466	Jan-24	Wireless internet network	100
9517 Fontainebleau Blvd., Miami, FL 33172	$	11,907	Aug-24	Wireless internet network	100

The Company has not entered into any sale and leaseback transactions during the quarter ended January 31, 2024.

On May 17, 2022, the Company extended the office and wireless internet network leases in Coral Gables, Florida. The Company accounted for the extension as a lease modification. The Company used the discount rate of 4% and recognized $482,865 as a day one Right-of-Use asset and liability. These leases are identified in the table above. The leases expire in December 2027, and at the option of the Company, the leases can be extended for various periods ranging from one to five years, with a base rent at the prevailing market rate at the time of the renewal.

In February 2022, as part of the acquisition of NLI, the Company secured an office lease, with a monthly base lease payment of $30,222. The lease expires in March 2026. At the option of the Company, the lease can be extended for two additional five-year terms, with a base rent at the prevailing market rate at the time of the renewal. The Company is not reasonably certain that it will exercise the renewal option.

In December 2021, as part of the acquisition of Skynet’s assets, the Company assumed an office lease in San Antonio, Texas. In May 2022, the lease was extended until September 2027, and at the option of the Company, the lease can be extended for a period of five years, with a base rent at the prevailing market rate at the time of the renewal. The Company accounted for the extension as a lease modification.

Effective December 31, 2023, the Company vacated its office located in Ft. Myers, Florida. As consideration, the Company agreed to pay the landlord $75,000 divided in three $25,000 installments due within 90 days.

Effective December 31, 2023, the Company vacated its office located in Coral Gables, Florida. The Company signed a Consent to Assignment and Assumption of Lease with LD Telecommunications, Inc. (“LDT”). As consideration, the Company agreed to assign its security deposit of $12,000 to LTD.

Amounts recognized as of July 31, 2023 and January 31, 2024 for operating leases are as follows:

ROU Asset	July 31, 2023	$ 1,911,639
Amortization		$ (299,103)
Cancellation - Asset		$ (561,931)
ROU Asset	January 31, 2024	$ 1,050,605
Lease Liability	July 31, 2023	$ 1,981,976
Amortization		$ (318,814)
Cancellation - Liability		$ (561,931)
Lease Liability	January 31, 2024	$ 1,101,231
Lease Liability	Short term	$ 527,424
Lease Liability	Long term	$ 573,807
Lease Liability	Total:	$ 1,101,231
Operating lease cost:		$ 318,543
Cash paid for amounts included in the measurement of lease labilities:		
Operating cashflow from operating leases:		$ 318,543
Weighted-average remain lease term-operating lease:		2.7 years
Weighted-average discount rate		5.0%

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

Period Ending July 31,	**Lease Payments**
2024	$ 353,335
2025	506,331
2026	340,867
2027	58,424
2028	6,481
Total:	$ 1,265,438
Less: amounts representing interest	164,207
Present value of net minimum operating lease payments	$ 1,101,231

NOTE 10 – EQUIPMENT FINANCING

The Company entered into various financing agreements for equipment purchased. Under the term of the agreements, assets with a cost of approximately $897,745, were financed under various financing agreements during the six months ended January 31, 2024. The equipment financing is net of costs associated with the assets such as maintenance, insurance and property taxes are for the account of the Company. The equipment financing agreements are between twelve (12) months and sixty (60) months, with the first payments starting July 1, 2022, and monthly principal and interest payments of up to $3,600. The interest rate under the financing agreement is 5.0% per annum.

Amounts recognized as of July 31, 2023 and January 31, 2024 for equipment financing are as follows:

ROU Asset	July 31, 2023	$	577,566
Amortization		$	(254,014)
Addition - Asset		$	897,745
ROU Asset	January 31, 2024	$	1,221,297
Equipment Financing	July 31, 2023	$	581,505
Amortization		$	(355,186)
Addition - Equipment Financing		$	897,745
Equipment Financing	January 31, 2024	$	1,124,064
Equipment Financing	Short term	$	527,377
Equipment Financing	Long term	$	596,687
Equipment Financing	Total:	$	1,124,064

The future payments under the equipment financing agreements are as follows:

Year		**Amount**
2024	$	279,930
2025		498,557
2026		389,012
2027		52,542
2028		1,141
Total future payments:	$	1,221,182
Less: amounts representing interest		97,118
Present value of net minimum equipment financing payments	$	1,124,064
Lease cost:		
Amortization of ROU assets	$	254,014
Interest on lease liabilities		46,663
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cashflow from equipment financing:	$	46,663
Financing cashflow from equipment financing:		355,186
Weighted-average remaining lease term - equipment financing:		2.3 years
Weighted-average discount rate		5.0%

NOTE 11 – EQUITY

During the six months ended January 31, 2024, the Company issued 990,000 shares of common stock as consideration for the extension of maturity dates for the convertible promissory notes. The Company recognized the fair market value of the common shares of approximately $42,000 as interest at the time of each extension.

During the six months ended January 31, 2024, the Company issued 3,558,437 shares of common stock in connection with the conversion of $168,500 of convertible promissory notes.

During the six months ended January 31, 2024, the Company issued 8,161,944 shares of common stock to various Noteholders for the exchange of 14,000,246 warrants.

During the six months ended January 31, 2024, one of our vendors converted $120,000 of amounts owed to them by the Company into 1,255,230 shares of common stock.

NOTE 12 – SUBSEQUENT EVENTS

Amendment to Credit Agreement

On February 2, 2024 (with effect from December 31, 2023), the Verve Cloud Nevada Parties, Digerati and Post Road entered into a Third Forbearance Agreement and Amendment to Loan Documents which (a) extends the maturity date of our Term Loan C Note with Post Road from December 31, 2023, to November 17, 2024 (which is also the maturity date of the other loans outstanding under the Credit Agreement), (b) provides that Post Road and the other lenders under the Credit Agreement shall forbear through November 17, 2024 from exercising their rights and remedies under the loan documents and applicable law with respect to the Specified Defaults and (c) amends certain other provisions of the Credit Agreement. The Third Forbearance Agreement replaces the Second Forbearance Agreement, which expired in accordance with its terms on December 31, 2023.

Promissory Note Extensions

On February 2, 2024 (with effect from December 31, 2023), the Company amended its past due promissory note with TV Fund VII, LLP, which extends the maturity date to July 31, 2024. The lender agreed to forbear from exercising any rights and remedies they may have under the conditions of their respective note until the forbearance termination date.

Entry into Loan and Security Agreement with Thermo Communications Funding, LLC

On February 2, 2024, the Verve Cloud Nevada Parties entered into a loan and security agreement (the “Revolving Credit Agreement”) among the Verve Cloud Nevada Parties, Thermo Communications Funding, LLC, as agent for the lenders parties thereto (in such capacity, the “Revolving Agent”), and the lenders named therein (the “Revolving Lenders”), which provides for a revolving credit facility in an aggregate amount not to exceed the lesser of (a) a borrowing base calculated based on the Verve Cloud Nevada Parties’ eligible accounts receivable balance and (b) $2,000,000 (the “Revolving Facility”) evidenced by a promissory note (the “Revolving Note”).

Pursuant to the Revolving Credit Agreement, amounts borrowed under the Revolving Credit Facility are secured by liens on the same assets that serve as collateral for the obligations under the Credit Agreement, consisting of substantially all of the assets of the Verve Cloud Nevada Parties, subject to an intercreditor agreement, dated as of February 2, 2024, among Post Road, the Revolving Agent and the Revolving Lenders (the “Intercreditor Agreement”).

Amounts outstanding under the Revolving Note bear interest at a floating rate per annum equal to the greater of (a) the Wall Street Journal prime rate (currently 8.50%) plus 2.75% and (b) 10.50%. In addition, the Verve Cloud Nevada Parties are required to pay a monthly monitoring fee of $10,000 to the Revolving Agent. The Revolving Credit Agreement contains customary representations and warranties, events of default and covenants in favor of the Revolving Agent and Revolving Lenders.

The Revolving Facility may be terminated in whole, but not in part, by paying outstanding amounts thereunder plus a premium equal to (a) within six months of the effectiveness of the Revolving Credit Agreement, 1% of the maximum amount of the Revolving Note, multiplied by the number of months remaining until maturity, divided by 12 and (b) thereafter, 0.5% of the maximum amount of the Revolving Note, multiplied by the number of months remaining until maturity, divided by 12. No premium is payable if the Revolving Facility is terminated within 30 days of its stated maturity date. The Revolving Facility matures on February 2, 2025.

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 (the "Exchange Act"). "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.

The following is a discussion of the unaudited interim consolidated financial condition and results of operations of Digerati for the three and six months ended January 31, 2024 and 2023. 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, 2023, filed with the Securities and Exchange Commission on November 24, 2023. For purposes of the following discussion, fiscal 2024 or 2024 refers to the year that will end on July 31, 2024, and fiscal 2023 or 2023 refers to the year ended July 31, 2023.

Overview

Digerati Technologies, Inc., a Nevada corporation (including our subsidiaries, "we," "us," "Company" or "Digerati"), through its operating subsidiaries, (i) Verve Cloud, Inc. (formerly known as T3 communications, Inc.), a Nevada corporation ("Verve Cloud Nevada"), (ii) Verve Cloud, Inc. (formerly known as Shift8 Networks, Inc.), a Texas corporation ("Verve Cloud Texas"), (iii) T3 Communications, Inc., a Florida corporation ("T3 Communications"), (iv) Nexogy, Inc., a Florida corporation ("Nexogy") and (v) NextLevel Internet, Inc., a California corporation ("Next Level" and, together with Verve Cloud Nevada, Verve Cloud Texas, T3 Communications and Nexogy, the "Operating Subsidiaries"), which, as of June 1, 2023, operate as a single business unit under the Verve Cloud name and have locations in Texas, Florida and California, provides cloud services specializing in Unified Communications as a Service ("UCaaS") and broadband connectivity 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 Wide Area Network ("WAN") or Software-defined Wide Area Network ("SD WAN") solutions. Digerati Technologies, Inc. was incorporated in the State of Nevada in 1994.

We 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 Internet Protocol ("IP")/private branch exchange ("PBX"), video conferencing, mobile applications, Voice over Internet Protocol ("VoIP") transport, Session Initiation Protocol ("SIP") trunking, and customized VoIP services all delivered ***Only in the Cloud*™**. Our broadband connectivity solutions for the delivery of digital oxygen are designed for reliability, business continuity and to optimize bandwidth for businesses using the Company's cloud communication services and other cloud-based applications.

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

The adoption of cloud communication services is being driven by the convergence of several market trends, including the increasing costs of maintaining installed legacy communications systems, the fragmentation resulting from use of multiple on-premise systems, and the proliferation of personal smartphones used in the workplace. Today, businesses are increasingly looking for an affordable path to modernizing their communications system to improve productivity, business performance and customer experience. Modernization has also led to businesses adopting other cloud-based business applications, including customer relationship management ("CRM"), payroll, and accounting software, placing an even more important emphasis on reliable Internet connectivity.

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. By providing a variety of comprehensive and scalable solutions, we can cater to businesses of different sizes on a monthly subscription basis, regardless of the stage of development for the business.

Non-GAAP Financial Measures - Reconciliation of Net Income (Loss) to Adjusted EBITDA – OPCO and Adjusted EBITDA – Income

EBITDA from operations, as adjusted ("Adjusted EBITDA - OPCO") and EBITDA from income, as adjusted ("Adjusted EBITDA - Income"), are non-GAAP measures and should be considered in addition to, not as a substitute for, net income (loss), cash flow and other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In addition, these measures do not reflect cash available to fund requirements and excludes items, such as corporate expenses, transactional legal expenses, stock option expense, and depreciation and amortization, which are significant components in assessing the Company's financial performance. The Company believes that the presentation of Adjusted EBITDA - OPCO and Adjusted EBITDA - Income provides useful information regarding the Company's operations and other factors that affect the Company's reported results. Specifically, the Company believes that by excluding certain one-time or non-cash items such as transactional legal fees and depreciation and amortization, as well as potential distortions between periods caused by factors such as financing and capital structures, the Company provides users of its consolidated financial statements with insight into both its operations as well as the factors that affect reported results between periods but which the Company believes are not representative of its operations. As a result, users of the Company's consolidated financial statements are better able to evaluate changes in the financial consolidated results of the Company across different periods.

The following tables provide information regarding certain non-GAAP financial measures for Digerati for the three and six months ended January 31, 2024 and 2023. Management utilizes these metrics to track and forecast revenue trends and expected results from operations:

Consolidated Statement of Operations

(In thousands)

Reconciliation of Net Loss to Adjusted EBITDA
(In thousands)

	Three Months ended Janaury 31,				Six Months ended January 31,			
	2024	2023	Variances	%	2024	2023	Variances	%
OPERATING REVENUES:								
Cloud-based hosted services	$ 7,565	$ 7,941	$ (376)	-5%	$ 15,219	$ 16,071	$ (852)	-5%
Total operating revenues	7,565	7,941	(376)	-5%	15,219	16,071	(852)	-5%
Cost of services (exclusive of depreciation and amortization)	2,660	2,968	(308)	-10%	5,211	5,819	(608)	-10%
Selling, general and administrative expense	4,171	4,435	(264)	-6%	8,348	8,553	(205)	-2%
Stock compensation expense	4	23	(19)	-83%	16	46	(30)	-65%
Legal and professional fees	1,190	1,074	116	11%	2,163	1,630	533	33%
Bad debt	58	40	18	45%	115	69	46	67%
Depreciation and amortization expense	1,129	966	163	17%	1,812	1,919	(107)	-6%
Total operating expenses	9,212	9,506	(294)	-3%	17,665	18,036	(371)	-2%
OPERATING LOSS	(1,647)	(1,565)	(82)	5%	(2,446)	(1,965)	(481)	24%
OTHER INCOME (EXPENSE):								
Loss (gain) on derivative instruments	31	3,849	(3,818)	-99%	(581)	773	(1,354)	-175%
Gain on extinguishment of debt	(99)	-	(99)		(99)	-	(99)	
Other (income) expense	(51)	10	(61)	-610%	(51)	456	(507)	-111%
Interest expense	(2,223)	(2,371)	148	-6%	(5,264)	(4,436)	(828)	19%
Income tax expense	(35)	(27)	(8)	30%	(63)	(77)	14	-18%
Total other income (expense)	(2,377)	1,461	(3,838)	-263%	(6,058)	(3,284)	(2,774)	84%
NET LOSS	(4,024)	(104)	(3,920)	3769%	(8,504)	(5,249)	(3,255)	62%
Less: Net loss attributable to the noncontrolling interests	468	328	140	43%	863	489	374	76%
NET INCOME (LOSS) ATTRIBUTABLE TO DIGERATI’S SHAREHOLDERS	$ (3,556)	$ 224	$ (3,780)	-1688%	$ (7,641)	$ (4,760)	$ (2,881)	61%
Deemed dividend on Series A Convertible preferred stock	-	(4)	4	-100%	-	(8)	8	-100%
NET INCOME (LOSS) ATTRIBUTABLE TO DIGERATI’S COMMON SHAREHOLDERS	$ (3,556)	$ 220	$ (3,776)	-1716%	$ (7,641)	$ (4,768)	$ (2,873)	60%

<u>Reconciliation of Net Income (Loss) to Adjusted EBITDA - OPCO and Adjusted EBITDA - Income</u>

<u>(In thousands)</u>

NET INCOME (LOSS) ATTRIBUTABLE TO DIGERATI'S SHAREHOLDERS, as reported	**$ (3,556)**	**$ 224**	**$ (3,780)**	**-1688%**	**$ (7,641)**	**$ (4,760)**	**$ (2,881)**	**61%**
<u>EXCLUDING NON-CASH ITEMS TRANSACTIONAL COSTS & CORP EXP</u>								
<u>ADJUSTMENTS:</u>								
Stock compensation & warrant expense	4	23	(19)	-83%	16	46	(30)	-65%
Corp Expenses (Net of stock compensation, Legal fees & Transactional cost)	591	408	183	45%	1,062	665	397	60%
Legal, professional fees & transactional costs	1,190	1,372	(182)	-13%	2,028	1,930	98	5%
Depreciation and amortization expense	1,129	966	163	17%	1,812	1,919	(107)	-6%
<u>OTHER ADJUSTMENTS</u>								
Loss (gain) on derivative instruments	(31)	(3,849)	3,818	-99%	581	(773)	1,354	-175%
Gain on derivative instruments	99	-	99		99	-	99	
Other (income) expense	51	(10)	61	-610%	51	(456)	507	-111%
Interest expense	2,223	2,371	(148)	-6%	5,264	4,436	828	19%
Income tax expense	35	27	8	30%	63	77	(14)	-18%
Less: Net loss attributable to the noncontrolling interests	(468)	(328)	(140)	43%	(863)	(489)	(374)	76%
ADJUSTED EBITDA - OPCO	**$ 1,267**	**$ 1,204**	**$ 63**	**5%**	**$ 2,472**	**$ 2,595**	**$ (123)**	**-5%**
ADD-BACKS Expenses								
Corp Expenses (Net of stock compensation, Legal fees & Transactional cost)	591	408	183	45%	1,062	665	397	60%
ADJUSTED EBITDA - INCOME	**$ 676**	**$ 796**	**$ (120)**	**-15%**	**$ 1,410**	**$ 1,930**	**$ (520)**	**-27%**

	Three months ended January 31,				**Six months ended January 31,**			
Other Key Metrics	**2024**	**2023**	**Variances**	**%**	**2024**	**2023**	**Variances**	**%**
Total Customers	4,298	4,464	(166)	-4%	4,298	4,464	(166)	-4%

Three Months ended January 31, 2024 as Compared to the Three Months ended January 31, 2023.

Cloud software and service revenue decreased by $376,000, or 5%, from the three months ended January 31, 2023 as compared to the three months ended January 31, 2024. Our gross margin decreased by $68,000, or 1%, during the quarter ended January 31, 2024. The decrease in revenue is primarily attributed to the decrease in total customers. The Company's total customers decreased by 166 customers, or 4%.

Adjusted EBITDA - OPCO increased by $63,000, or 5%, from the three months ended January 31, 2023 as compared to the three months ended January 31, 2024. The primary reason for the increase in Adjusted EBITDA - OPCO was due to the increase to other adjustments, offset by the decrease in gross margin of $68,000 during the three months ended January 31, 2024. (See table above for the adjustments to Net Income (Loss) attributable to Digerati shareholders.) Adjusted EBITDA - OPCO is not intended to represent cash flows for the periods presented, nor has it been presented as an alternative to operating income or as an indicator of operating performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Adjusted EBITDA - Income decreased by $120,000, or 15%, from the quarter ended January 31, 2023 to the quarter ended January 31, 2024. The primary reason for the decrease in Adjusted EBITDA - Income was due to increases in expenses during the three months ended January 31, 2024, such as the extinguishment of debt, offset by a decrease for interest expense and the decrease in gains on derivative instruments. Adjusted EBITDA - Income is not intended to represent cash flows for the periods presented, nor has it been presented as an alternative to operating income or as an indicator of operating performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Six Months ended January 31, 2024 as Compared to the Six Months ended January 31, 2023.

Cloud software and service revenue decreased by $852,000, or 5%, from the six months ended January 31, 2023 as compared to the six months ended January 31, 2024. Our gross margin decreased by $244,000, or 2%, during the six months ended January 31, 2024. The decrease in revenue is primarily attributed to the decrease in total customers. The Company's total customers decreased by 166 customers, or 4%, from 4,464 during the six months ended January 31, 2023 to 4,298 for the six months ended January 31, 2024, which resulted from the Company focusing on decommissioning unprofitable revenue streams. Going forward, absent future acquisitions, we expect a net increase in our number of customers of 1% to 5% each fiscal year as we focus on improving and expanding our most profitable products and revenue streams.

Adjusted EBITDA - OPCO decreased by $123,000, or 5%, from the six months ended January 31, 2023 as compared to the six months ended January 31, 2024. The primary reason for the decrease in Adjusted EBITDA - OPCO was due to the decrease in expenses and other adjustments, offset by the decrease in gross margin of $244,000 during the six months ended January 31, 2024. (See table above for the adjustments to Net Income (Loss) attributable to Digerati shareholders.)

Adjusted EBITDA - Income decreased by $520,000, or 27%, from the six months ended January 31, 2023 to the six months ended January 31, 2024. The primary reason for the decrease in Adjusted EBITDA - Income was due to the increase in corporate expenses (net of stock compensation, legal fees, and transactional costs) during the six months ended January 31, 2024.

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, fiber, mobile broadband, and Ethernet over copper. We also offer remote network monitoring, data backup and disaster recovery.

Direct Costs:

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

Results of Operations

Three Months ended January 31, 2024 as Compared to the Three Months ended January 31, 2023.

Cloud Software and Service Revenue. Cloud software and service revenue decreased by $376,000, or 5%, from the three months ended January 31, 2023 as compared to the three months ended January 31, 2024. The decrease in revenue is primarily attributed to the decrease in total customers. Our total number of customers decreased from 4,464 for three months ended January 31, 2023 to 4,298 customers for the three months ended January 31, 2024, which resulted from the Company focusing on decommissioning unprofitable revenue streams. Our primary emphasis is to increase our customer base, growing the monthly recuring revenue, and providing exceptional customer support.

Cost of Services (exclusive of depreciation and amortization). The cost of services decreased by $308,000, or 10%, from three months ended January 31, 2023 as compared to the three months ended January 31, 2024. Our total number of customers decreased from 4,464 for the three months ended January 31, 2023 to 4,298 customers for the three months ended January 31, 2024. Our consolidated gross margin decreased by $68,000, or 1%, from the three months ended January 31, 2023 as compared to the three months ended January 31, 2024, which is in line with the decrease of our customer base as mentioned in the previous section.

Selling, General and Administrative (SG&A) Expenses (exclusive of legal and professional fees and stock compensation expense). SG&A expenses decreased by $264,000, or 6%, from three months ended January 31, 2023 as compared to the three months ended January 31, 2024. The three months ended January 31, 2023 included the absorption all of the expenses related to the employees responsible for service delivery for the customer base, technical support, sales, customer service, and administration.

Stock Compensation expense. Stock compensation expenses decreased by $19,000, or 83%, from the three months ended January 31, 2023 as compared to the three months ended January 31, 2024. The decrease to stock-based compensation expense was primarily due to increased vesting of stock options.

Legal and professional fees. Legal and professional fees increased by $116,000, or 11%, from the three months ended January 31, 2023 as compared to the three months ended January 31, 2024, which include legal and professional fees that relate to the amendments of various notes.

Bad debt. Bad debt increased by $18,000, or 45%, from the three months ended January 31, 2023 as compared to the three months ended January 31, 2024. The increase is attributed to the recognition of $40,000 in bad debt for accounts deemed uncollectible during the three months ended January 31, 2023. During the three months ended January 31, 2024, the Company recognized $58,000 in bad debt expense.

Depreciation and amortization. Depreciation and amortization increased by $163,000, or 17%, from the three months ended January 31, 2023 as compared to the three months ended January 31, 2024. The increase is due to the amortization for Right-of-Use assets.

Operating loss. The Company reported an operating loss of $1,565,000 for the three months ended January 31, 2023 as compared to an operating loss of $1,647,000 for the three months ended January 31, 2024. The increase in operating loss of $82,000, or 5%, between periods is explained in the above explanations for expenses.

Gain (loss) on derivative instruments. For the three months ended January 31, 2023, the gain on derivative instruments was $3,849,000 as compared to a gain of $31,000 for the three months January 31, 2024, resulting in a decrease in value of $3,818,000. We are required to re-measure all derivative instruments at the end of each reporting period and adjust those instruments to market, as a result of the re-measurement of all derivative instruments we recognized a gain or loss between periods.

Loss on extinguishment of debt. For the three months ended January 31, 2024, the loss on extinguishment of debt was $99,000 which was the result of the amendments to our debt Notes which extended the maturity date to December 31, 2024. In addition, the conversion price per share was amended to $0.05 per share for 40% of the outstanding principal balances for our legacy Noteholders and for 20% for the other Noteholders. Also, our warrant holders exchanged 14,000,246 warrants into 8,161,944 shares of common stock. There was no loss for the extinguishment of debt for the three months January 31, 2023.

Other income (expense). During the three months ended January 31, 2024, the company recognized $51,000 for other expenses. During the three months ended January 31, 2023, the Company recognized other income for $10,000.

Interest expense. Interest expense decreased by $148,000, or 6%, from the three months ended January 31, 2023 to the three months ended January 31, 2024. The Company recognized amortization of debt discount of $567,000 related to the adjustment to the present value of various convertible notes, debt, and warrants. Additionally, the Company recognized $25,000 in interest cash payments to Post Road, accrual of $14,000 for interest expense for various promissory notes as well as $1,617,000 added to the principal balance of various promissory notes, all charged to interest expense as consideration for extension of the maturity dates.

Income tax expense. During the three months ended January 31, 2023, the Company recognized an income tax expense of $27,000 During the three months ended January 31, 2024, the Company recognized an income tax expense of $35,000.

Net loss including noncontrolling interest. Net loss including noncontrolling interest for the three months ended January 31, 2023 was $104,000 as compared to the net loss of $4,024,000 for the three months ended January 31, 2024. The increase in net loss including noncontrolling interest between periods is primarily due to a decrease in the gain on the derivative instruments.

Net income (loss) attributable to Digerati's shareholders. Net loss for the three months ended January 31, 2024 was $3,556,000 as compared to a net income for the three months ended January 31, 2023 of $224,000. The net loss mentioned in the previous paragraph above was reduced by the net loss attributable to the noncontrolling interests.

Deemed dividend on Series A Convertible Preferred Stock. Dividend accrued on convertible preferred stock for the three months ended January 31, 2024 and 2023 was $0 and $4,000, respectively.

Net loss attributable to Digerati's common shareholders. Net loss for the three months ended January 31, 2024 was $3,556,000 compared to a net income for the three months ended January 31, 2023 of $220,000.

Six Months ended January 31, 2024 as Compared to the Six Months ended January 31, 2023.

Cloud Software and Service Revenue. Cloud software and service revenue decreased by $852,000, or 5%, from the six months ended January 31, 2023 as compared to the six months ended January 31, 2024. The decrease in revenue is primarily attributed to the decrease in total customers. Our total number of customers decreased from 4,464 for six months ended January 31, 2023 to 4,298 customers for the six months ended January 31, 2024, which resulted from the Company focusing on decommissioning unprofitable revenue streams.. Our primary emphasis is to increase our customer base, growing the monthly recuring revenue, and providing exceptional customer support.

Cost of Services (exclusive of depreciation and amortization). The cost of services decreased by $608,000, or 10%, from six months ended January 31, 2023 as compared to the six months ended January 31, 2024. Our total number of customers decreased from 4,464 for the six months ended January 31, 2023 to 4,298 customers for the six months ended January 31, 2024. Our consolidated gross margin decreased by $244,000, or 2%, from the six months ended January 31, 2023 as compared to the six months ended January 31, 2024, which is in line with the decrease of our customer base as mentioned in the previous section.

Selling, General and Administrative (SG&A) Expenses (exclusive of legal and professional fees and stock compensation expense). SG&A expenses decreased by $205,000, or 2%, from six months ended January 31, 2023 as compared to the six months ended January 31, 2024. The six months ended January 31, 2023 included the absorption all of the expenses related to the employees responsible for service delivery for the customer base, technical support, sales, customer service, and administration.

Stock Compensation expense. Stock compensation expenses decreased by $30,000, or 65%, from the six months ended January 31, 2023 as compared to the six months ended January 31, 2024. The decrease to stock-based compensation expense was primarily due to increased vesting of stock options.

Legal and professional fees. Legal and professional fees increased by $533,000, or 33%, from the six months ended January 31, 2023 as compared to the six months ended January 31, 2024, which include legal and professional fees that relate to the various notes amendments.

Bad debt. Bad debt increased by $46,000, or 67%, from the six months ended January 31, 2023 as compared to the six months ended January 31, 2024. The increase is attributed to the recognition $115,000 in bad debts expense for accounts deemed uncollectible during the six months ended January 31, 2024, offset by the recognition of bad debts expense during the six months ended January 31, 2023.

Depreciation and amortization. Depreciation and amortization decreased by $107,000, or 6%, from the six months ended January 31, 2023 as compared to the six months ended January 31, 2024. The decrease is primarily attributed to assets being fully amortized/depreciated, offset by the increase amortization for Right-of-Use assets.

Operating loss. The Company reported an operating loss of $1,965,000 for the six months ended January 31, 2023 as compared to an operating loss of $2,446,000 for the six months ended January 31, 2024. The increase in operating loss of $481,000, or 24%, between periods is explained in the above explanations for expenses.

Gain (loss) on derivative instruments. For the six months ended January 31, 2023, the gain on derivative instruments was $773,000 as compared to a loss of $581,000 for the three months January 31, 2024, resulting in an decrease in value of $1,354,000. We are required to re-measure all derivative instruments at the end of each reporting period and adjust those instruments to market, as a result of the re-measurement of all derivative instruments we recognized a gain or loss between periods.

Loss on extinguishment of debt. For the six months ended January 31, 2024, the loss on extinguishment of debt was $99,000 which was the result of the amendments to our debt Notes which extended the maturity date to December 31, 2024. In addition, the conversion price per share was amended to $0.05 per share for 40% of the outstanding principal balances for our legacy Noteholders and for 20% for the other Noteholders. Also, our warrant holders exchanged 14,000,246 warrants into 8,161,944 shares of common stock. There was no loss for the extinguishment of debt for the six months January 31, 2023.

Other income (expense). During the six months ended January 31, 2024, the company recognized $51,000 for other expense. During the six months ended January 31, 2023, the Company recognized other income for $456,000, which included the recognition of a gain on a settlement of conversion premium from a convertible note for $434,000.

Interest expense. Interest expense increased by $828,000, or 19%, from the six months ended January 31, 2023 to the six months ended January 31, 2024. The Company recognized amortization of debt discount of $1,056,000 related to the adjustment to the present value of various convertible notes and debt. Additionally, the Company recognized $46,000 in interest cash payments to Post Road, accrual of $515,000 for interest expense for various promissory notes and $42,000 fair value of shares issued as well as $4,061,000 added to the principal balance of various promissory notes, all charged to interest expense as consideration for extension of the maturity dates.

Income tax expense. During the six months ended January 31, 2023, the Company recognized an income tax expense of $77,000. During the six months ended January 31, 2024, the Company recognized an income tax expense of $63,000.

Net loss including noncontrolling interest. Net loss including noncontrolling interest for the six months ended January 31, 2023 was $5,249,000 as compared to the net loss of $8,504,000 for the six months ended January 31, 2024. The increase in net loss including noncontrolling interest between periods is primarily due to a net increase in operating expense and the net total of other expenses such as interest expenses.

Net loss attributable to Digerati's shareholders. Net loss for the six months ended January 31, 2024 was $7,641,000 as compared to a net loss for the six months ended January 31, 2023 of $4,760,000. The net loss mentioned in the previous paragraph above was reduced by the net loss attributable to the noncontrolling interests.

Deemed dividend on Series A Convertible Preferred Stock. Dividend accrued on convertible preferred stock for the six months ended January 31, 2024 and 2023 was $0 and $8,000, respectively.

Net loss attributable to Digerati's common shareholders. Net loss for the six months ended January 31, 2024 was $7,641,000 compared to a net loss for the six months ended January 31, 2023 of $4,768,000.

Liquidity and Capital Resources

Cash Position: We had a consolidated cash balance of approximately $769,000 and $924,000 as of January 31, 2024 and July 31, 2023, respectively. Net cash provided by operating activities during the six months ended January 31, 2024 was approximately $334,000, primarily as a result of operating expenses, that included $16,000 in stock compensation expense, bad debt expense of $115,000, amortization of right-of-use assets of $553,000, amortization of debt discount of $1,056,000, loss of conversion of warrants of $99,000, depreciation and amortization expense of $1,397,000, loss on derivative liability of $581,000, common stock issued for debt extension charged to interest expense of $42,000, accompanied by the change in operating assets and liabilities which resulted in a net increase of $4,979,000.

Cash used in investing activities during the six months ended January 31, 2024 was $134,000, which was used for the acquisition of equipment.

Cash used in financing activities during the six months ended January 31, 2024 was $355,000 which included principal payments on equipment financing and borrowings from convertible debt, net of original issuance costs and discounts.

Overall, our net operating, investing, and financing activities during the six months ended January 31, 2024 resulted in a net decrease in cash and cash equivalents for $155,000.

Digerati's consolidated financial statements for the six months ended January 31, 2024 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 $129,325,000 and a working capital deficit of approximately $72,131,000 which raises substantial doubt about Digerati's ability to continue as a going concern.

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

The Company anticipates issuing additional equity, entering into additional convertible notes and/or obtaining other indebtedness to secure the funding required to meet these cash needs. 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, the Company may not be able to meet its interest payments, capital expenditures and operational needs. As a result, the Company will be required to negotiate with its lender the terms of the current financing agreements, in addition to postponing the timing of deployment of its capital expenditures and extending the timing of the operational cash needs.

The Credit Agreement contains customary representations, warranties, and indemnification provisions. The Credit Agreement also contains affirmative and negative covenants with respect to the operation of the business and properties of the loan parties as well as financial performance.

Below are key financial covenant requirements, (measured quarterly) for the fiscal quarter ended January 31, 2024:

- Minimum–Allowed - Liquidity of $750,000
- Minimum–Allowed – Fixed Charge Coverage Ratio of 1.25 to 1.00
- Maximum Allowed - Churn of 3.00% at any time

As of January 31, 2024, the Company was in compliance with the financial covenants under the Credit Agreement, which were based on the amended financial covenants as set forth in the Third Forbearance Agreement effective February 2, 2024.

The Operating Subsidiaries' obligations under the Credit Agreement are secured by first priority security interests in (a) the equity interests of the Operating Subsidiaries (other than Verve Cloud Nevada), pursuant to the Pledge Agreement, dated November 17, 2020 (the "Pledge Agreement"), made by Verve Cloud Nevada in favor of Post Road Administrative and (b) substantially all of the other assets of the Operating Subsidiaries, pursuant to the Guaranty and Collateral Agreement, dated November 17, 2020, subsequently amended on December 31, 2021, February 4, 2022, December 15, 2022, and February 3, 2023 (the "Guaranty and Collateral Agreement"), among the Operating Subsidiaries and Post Road Administrative.

During the period beginning on August 1, 2021, and ending on January 31, 2024, the Company and Post Road entered into several amendments and other modifications to the Credit Agreement. Specifically:

- On December 15, 2022, Post Road agreed to forbear from exercising its remedies in connection with the Company's failure to comply with the financial covenants in the Credit Agreement as of the last day of the fiscal quarter ended October 31, 2022, as well as certain other specified defaults, until December 23, 2022.

- On February 3, 2023, Digerati, the Operating Subsidiaries and Post Road entered into a Consent, Limited Waiver and Fourth Amendment to Credit Agreement and Amendment to Notes (the "Fourth Amendment"). Among other things, the Fourth Amendment (a) conditionally revised each of the six financial covenants set forth in the Credit Agreement (related to maximum leverage, minimum liquidity, minimum EBITDA, maximum capital expenditures, minimum interest coverage (a provision that replaced the minimum fixed charge coverage ratio provision), and maximum churn), (b) conditionally waived all then-existing events of default under the Credit Agreement and (c) modified the interest rates payable under the Credit Agreement. In addition, the Fourth Amendment provided that none of the revised financial covenants (other than minimum liquidity of $1,000,000, which was tested and met as of January 31, 2023) would be tested as of the last day of the fiscal quarter ended January 31, 2023 so long as no additional events of default occurred prior to such date. The conditional revisions to the financial covenants and the conditional waivers of existing events of default in the Fourth Amendment were contingent on the consummation of the Merger with MEOA by February 28, 2023 (the "Merger Outside Closing Date"). If the Merger was not consummated by the Merger Outside Closing Date, the terms of the financial covenants would revert to the terms in effect immediately prior to the Fourth Amendment and the existing events of default would continue unwaived. The Merger Outside Closing Date was, as described below, extended several times, but the termination of the Business Combination Agreement with MEOA has effectively nullified the revisions to the financial covenants and conditional waivers set forth in the Fourth Amendment.

- On March 13, 2023, Digerati, the Operating Subsidiaries, and Post Road entered into the Fifth Amendment to Credit Agreement, which specifically extended the Merger Outside Closing Date from February 28, 2023, to April 28, 2023.

- On April 3, 2023, Digerati, the Operating Subsidiaries, and Post Road entered into a Sixth Amendment to its Credit Agreement (the "Sixth Amendment"), which (a) deferred the cash interest otherwise due and payable on April 1, 2023, to May 1, 2023, and (b) increased the net principal amount of additional convertible notes the Company was permitted by the Credit Agreement to have outstanding from $3,000,000 to $3,500,000.

- On May 1, 2023, Digerati, the Operating Subsidiaries, and Post Road entered into a Seventh Amendment to Credit Agreement (the "Seventh Amendment"), pursuant to which the Merger Outside Closing Date was extended from April 28, 2023, to May 31, 2023, or such later date as agreed to in writing by Post Road in its sole discretion.

- On August 16, 2023, Digerati, the Operating Subsidiaries and Post Road entered into a letter agreement, pursuant to which Post Road agreed that all accrued interest that was originally due and payable in cash by the Operating Subsidiaries on April 3, 2023, May 1, 2023, June 1, 2023, July 3, 2023 and August 1, 2023 would, instead, be added to the outstanding principal balances of Term Loan A and Term Loan C, as applicable, under the Credit Agreement on the effective date of the letter agreement, and due on the maturity dates of such loans, along with all other principal and interest amounts thereunder.

- On November 22, 2023 (with effect from November 2, 2023), Digerati, the Operating Subsidiaries, and Post Road entered into a Second Forbearance Agreement, Amendment to Loan Documents and Limited Consent, which (a) extended the maturity date of our Term Loan C Note with Post Road from November 2, 2023, to December 31, 2023, (b) provided that Post Road and the other lenders under the Credit Agreement shall forbear through December 31, 2023 from exercising their rights and remedies under the loan documents and applicable law with respect to (i) certain existing events of default under the loan documents and (ii) certain events of default that are expected to arise before December 31, 2023, and (c) amended certain provisions of the Credit Agreement and the other loan documents to allow the company to incur up to an additional $2,000,000 of working capital financing.

Additionally, on February 2, 2024 (with effect from December 31, 2023), Digerati, the Operating Subsidiaries, and Post Road entered into a Third Forbearance Agreement and Amendment to Loan Documents which (a) extends the maturity date of our Term Loan C Note with Post Road from December 31, 2023, to November 17, 2024 (which is also the maturity date of the other loans outstanding under the Credit Agreement), (b) provides that Post Road and the other lenders under the Credit Agreement shall forbear through November 17, 2024 from exercising their rights and remedies under the loan documents and applicable law with respect to the Specified Defaults and (c) amends certain other provisions of the Credit Agreement. The Third Forbearance Agreement replaces the Second Forbearance Agreement, which expired in accordance with its terms on December 31, 2023, see Note 12 - Subsequent Events to the Consolidated Financial Statements.

We have been successful in raising debt and equity capital in the past and as described in Notes 6, 7, and 8 to the financial statements. We have financing efforts in place to continue to raise cash through debt and equity offerings. Although we have successfully completed financings and reduced expenses in the past, we cannot assure you that our plans to address these matters in the future will be successful. The Company will continue to work with various funding sources to secure additional debt and equity financings. However, Digerati cannot offer any assurance that it will be successful in executing the aforementioned plans to continue as a going concern.

Management believes that available resources as of January 31, 2024, will not be sufficient to fund the Company's operations, debt service and corporate expenses over the next 12 months. The Company's ability to continue to meet its obligations and to achieve its business objectives is dependent upon, among other things, raising additional capital, issuing stock-based compensation to certain members of the executive management team in lieu of cash, and/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 $1,300,000 per month, including wages, rent, utilities, corporate expenses, and legal professional fees associated with potential acquisitions. As described elsewhere herein, we are not generating sufficient cash from operations to pay for our corporate and ongoing operating expenses, or to pay our current liabilities. As of January 31, 2024, our total liabilities were approximately $75,765,000, which included $4,707,000 in derivative liabilities. We will continue to use our available cash on hand to cover our deficiencies in operating expenses.

Critical Accounting Policies and Estimates

In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses, and the related disclosures. We base our assumptions, estimates, and judgments on historical experience, current trends, and other factors believed to be relevant at the time the consolidated financial statements are prepared. Because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. We believe the assumptions, estimates, and judgments described in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates" in the Annual Report on Form 10-K for the fiscal year ended July 31, 2023 have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. Since July 31, 2023, there have been no changes in these policies or estimates that have had a material impact on our results of operations or financial position.

Item 3. Quantitative and Qualitative Disclosures About Market Risks.

Not Applicable.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this quarterly report on Form 10-Q for the quarter ended January 31, 2024, 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 to reasonably assure: (i) that the information required to be disclosed by us in reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) that such information is 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 Exchange Act 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.

From time to time, the Company may become a defendant in litigation arising out of the ordinary course of business. As of January 31, 2024, the Company is not party to any material pending legal proceedings.

Item 1A. Risk Factors.

Not Applicable

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

There were no unregistered sales of the Company's equity securities during the quarter ended January 31, 2024 that were not previously reported in a Current Report on Form 8-K except as follows. The sales and issuances of the securities described below were made pursuant to the exemptions from registration contained into Section 4(a)(2) of the Securities Act of 1933, as amended (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. None of the securities were sold through an underwriter and accordingly, there were no underwriting discounts or commissions involved.

During the three months ended January 31, 2024, the Company issued 3,558,437 shares of common stock to two convertible Noteholders in connection with the conversion of $168,500 of convertible promissory notes.

During the three months ended January 31, 2024, the Company issued 8,161,944 shares of common stock to various Noteholders for the exchange of 14,000,246 warrants with a conversion price of $0.583 per warrant.

On November 9, 2023, a vendor to the Company converted $120,000 of amounts owed to them by the Company into 1,255,230 shares of common stock.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not Applicable

Item 5. Other Information.

During the three months ended January 31, 2024, no director or officer of the Company adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Number	Description
10.1	Second Forbearance Agreement, Amendment to Loan Documents and Limited Consent, dated November 22, 2023 with effect from November 2, 2023, by and among Verve Cloud, Inc. (formerly known as T3 Communications, Inc.), the guarantors named therein, Digerati Technologies, Inc., Post Road Administrative LLC, and Post Road Special Opportunity Fund II LP (filed as Exhibit 10.44 to the Annual Report on Form 10-K filed on November 24, 2023).
10.2	Form of Extension and Forbearance Agreement, dated as of November 22, 2023, between Digerati Technologies, Inc. and the noteholder named therein (filed as Exhibit 10.45 to the Annual Report on Form 10-K filed on November 24, 2023).
10.3	Third Forbearance Agreement and Amendment to Loan Documents and Limited Consent, dated as of February 2, 2024, among Verve Cloud, Inc. (Nevada), Verve Cloud, Inc. (Texas), T3 Communications, Inc., Nexogy, Inc. and Next Level Internet, Inc., the lenders parties thereto and Post Road Administrative LLC, as administrative agent for the lenders, and acknowledged by and agreed to by Digerati Technologies, Inc. (filed as Exhibit 10.1 to the Current Report on Form 8-K filed on February 8, 2024).
10.4	Loan and Security Agreement, dated as of February 2, 2024, among Aegis Venture Fund, LLC, as a lender, Thermo Communications Funding, LLC, as a lender and as agent for itself and the other lenders, Verve Cloud, Inc. (Nevada), Verve Cloud, Inc. (Texas), Nexogy, Inc., T3 Communications, Inc. and Next Level Internet, Inc. (filed as Exhibit 10.2 to the Current Report on Form 8-K filed on February 8, 2024).
10.5	Promissory Note, dated February 2, 2024, made by each of Verve Cloud, Inc. (Nevada), Verve Cloud, Inc. (Texas), Nexogy, Inc., T3 Communications, Inc. and Next Level Internet, Inc., to the order of Thermo Communications Funding, LLC and Aegis Venture Fund, LLC (filed as Exhibit 10.3 to the Current Report on Form 8-K filed on February 8, 2024).
10.6	Intercreditor Agreement, dated as of February 2, 2024, between Post Road Administrative LLC, as administrative and collateral agent for the Post Road Lenders, and Thermo Communications Funding, LLC, as administrative and collateral agent for the AR Lenders, and acknowledged and agreed by Aegis Venture Fund, LLC, Verve Cloud, Inc. (Nevada), Verve Cloud, Inc. (Texas), Nexogy, Inc., T3 Communications, Inc. and Next Level Internet, Inc. (filed as Exhibit 10.4 to the Current Report on Form 8-K filed on February 8, 2024).
10.7	Form of Second Extension and Forbearance Agreement, dated as of February 2, 2024, between Digerati Technologies and the noteholder named therein (filed as Exhibit 10.5 to the Current Report on Form 8-K filed on February 8, 2024).
10.8	Extension and Forbearance Agreement, dated as of February 2, 2024, between Verve Cloud, Inc. and Jeffrey Posner (filed as Exhibit 10.6 to the Current Report on Form 8-K filed on February 8, 2024).
10.9	Extension and Forbearance Agreement, dated as of February 2, 2024, between Verve Cloud, Inc. and The Jerry and Lisa Morris Revocable Trust (filed as Exhibit 10.7 to the Current Report on Form 8-K filed on February 8, 2024).
10.10	Extension and Forbearance Agreement, dated as of February 2, 2024, among SkyNet Telecom, LLC, Verve Cloud, Inc., Digerati Technologies, Inc., the Estate of Paul Golibart and Jerry Ou (filed as Exhibit 10.8 to the Current Report on Form 8-K filed on February 8, 2024).
10.11	Second Extension and Forbearance Agreement, dated as of February 2, 2024, between Digerati Technologies, Inc. and Jefferson Street Capital, LLC (filed as Exhibit 10.9 to the Current Report on Form 8-K filed on February 8, 2024).
10.12	Warrant Exchange Agreement, dated as of February 2, 2024, between Digerati Technologies, Inc. and Jefferson Street Capital, LLC (filed as Exhibit 10.10 to the Current Report on Form 8-K filed on February 8, 2024).
10.13	Amendment to Promissory Notes, dated as of February 2, 2024, between Digerati Technologies, Inc. and Jefferson Steet Capital, LLC (filed as Exhibit 10.11 to the Current Report on Form 8-K filed on February 8, 2024).
10.14	Second Extension and Forbearance Agreement, dated as of February 2, 2024, between Digerati Technologies, Inc. and Mast Hill Fund, L.P. (filed as Exhibit 10.12 to the Current Report on Form 8-K filed on February 8, 2024).
10.15	Warrant Exchange Agreement, dated as of February 2, 2024, between Digerati Technologies, Inc. and Mast Hill Fund, L.P. (filed as Exhibit 10.13 to the Current Report on Form 8-K filed on February 8, 2024).
10.16	Amendment to Promissory Notes, dated as of February 2, 2024, between Digerati Technologies, Inc. and Mast Hill Fund, L.P. (filed as Exhibit 10.14 to the Current Report on Form 8-K filed on February 8, 2024).
10.17	Second Extension and Forbearance Agreement, dated as of February 2, 2024, between Digerati Technologies, Inc. and FirstFire Global Opportunities Fund, LLC (filed as Exhibit 10.15 to the Current Report on Form 8-K filed on February 8, 2024).
10.18	Warrant Exchange Agreement, dated as of February 2, 2024, between Digerati Technologies, Inc. and FirstFire Global Opportunities Fund, LLC (filed as Exhibit 10.16 to the Current Report on Form 8-K filed on February 8, 2024).
10.19	Amendment to Promissory Notes, dated as of February 2, 2024, between Digerati Technologies, Inc. and FirstFire Global Opportunities Fund, LLC (filed as Exhibit 10.17 to the Current Report on Form 8-K filed on February 8, 2024).
31.1*	Certification of our President and Chief Executive Officer, under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of our Chief Financial Officer, under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of our President and Chief Executive Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of our Chief Financial Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

** Furnished herewith

SIGNATURES

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

DIGERATI TECHNOLOGIES, INC.

Date: March 22, 2024	By:	/s/ Craig K. Clement
	Name:	Craig K. Clement
	Title:	Chairman of the Board of Directors & Interim Chief Executive Officer (Duly Authorized Officer and Principal Executive Officer)
Date: March 22, 2024	By:	/s/ Antonio Estrada Jr.
	Name:	Antonio Estrada Jr.
	Title:	Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

Exhibit 31.1

CERTIFICATION

I, Craig K. Clement, certify that:

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

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

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

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

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

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

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

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

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

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

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

March 22, 2024

/s/ Craig K. Clement

Craig K. Clement
Chairman of the Board of Directors &
Interim Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Antonio Estrada, Jr., certify that:

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

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

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

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

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

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

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

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

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

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

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

March 22, 2024

/s/ Antonio Estrada, Jr.

Antonio Estrada, Jr.
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report (the “Report”) of Digerati Technologies, Inc. (the “Company”) on Form 10-Q for the period ending January 31, 2024, as filed with the Securities and Exchange Commission on the date hereof, I, Craig K. Clement, Chairman of the Board of Directors and Interim 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/ Craig K. Clement
Chairman of the Board of Directors &
Interim Chief Executive Officer
March 22, 2024

Exhibit 32.2

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

In connection with the Quarterly Report (the "Report") of Digerati Technologies, Inc. (the "Company") on Form 10-Q for the period ending January 31, 2024, as filed with the Securities and Exchange Commission on the date hereof, I, Antonio Estrada Jr., the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002,

1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By /s/ Antonio Estrada Jr.

Antonio Estrada Jr.
Chief Financial Officer
March 22, 2024