

Digerati Technologies, Inc.
Form 10-Q
June 02, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 30, 2016

or

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

For the transition period from _____ to _____

Commission File Number 001-15687

DIGERATI TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Nevada

(State or Other Jurisdiction of
Incorporation or Organization)

74-2849995

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

3463 Magic Drive, Suite 355

San Antonio, Texas

(Address of Principal Executive Offices) (Zip Code)

78229

Registrant's Telephone Number, Including Area Code: **(210) 775-0888**

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting Company

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

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

Edgar Filing: Digerati Technologies, Inc. - Form 10-Q

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:
5,234,165	Common Stock \$0.001 par value	May 23, 2016

DIGERATI TECHNOLOGIES, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTER ENDED APRIL 30, 2016

INDEX

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)	4
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Item 3. Quantitative and Qualitative Disclosures About Market Risk	15
Item 4. Control and Procedures	15

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings	16
Item 1A. Risk Factors	16
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	16
Item 3. Defaults Upon Senior Securities	16
Item 5. Other Information	16
Item 6. Exhibits	16

SIGNATURES	18
-------------------	----

DIGERATI TECHNOLOGIES, INC.

CONTENTS

PAGE 4	CONSOLIDATED BALANCE SHEETS AS OF APRIL 30, 2016 AND AS OF JULY 31, 2015 (UNAUDITED)
PAGE 5	CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2016 AND 2015 (UNAUDITED)
PAGE 6	CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED APRIL 30, 2016 AND 2015 (UNAUDITED)
PAGES 7-11	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DIGERATI TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, unaudited)

	April 30, 2016	July 31, 2015
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$6	\$19
Restricted cash	1,509	-
Accounts receivable, net	2	1
Prepaid and other current assets	33	1
Total current assets	1,550	21
LONG-TERM ASSETS:		
Intangible assets, net	33	44
Property and equipment, net	4	2
Oil and gas property	145	-
Total assets	\$1,732	\$67
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	\$809	\$940
Accounts payable - related parties	18	-
Accrued liabilities	2,945	271
Current portion of long term debt - related party	-	43
Total current liabilities	3,772	1,254
LONG-TERM LIABILITIES:		
Customer deposits	140	138
Total long-term liabilities	140	138
Total liabilities	3,912	1,392

Commitments and contingencies

STOCKHOLDERS' DEFICIT:

Preferred stock, 50,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$0.001, 150,000,000 shares authorized, 5,234,165 and 5,113,030 issued and outstanding, respectively	5	5
Additional paid in capital	75,656	75,634
Subscription receivable	-	(29)
Accumulated deficit	(77,842)	(76,936)
Other comprehensive income	1	1
Total stockholders' deficit	(2,180)	(1,325)
Total liabilities and stockholders' deficit	\$1,732	\$67

See accompanying notes to consolidated financial statements

DIGERATI TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts, unaudited)

	Three months ended April 30,		Nine months ended April 30,	
	2016	2015	2016	2015
OPERATING REVENUES:				
Global VoIP services	\$9	\$7	\$25	\$39
Cloud-based hosted services	47	57	148	173
Total operating revenues	56	64	173	212
OPERATING EXPENSES:				
Cost of services (exclusive of depreciation and amortization)	(1)	46	79	129
Selling, general and administrative expense	250	171	788	610
Legal and professional fees	45	83	176	220
Bad debt	-	4	-	9
Depreciation and amortization expense	4	4	13	12
Total operating expenses	298	308	1,056	980
OPERATING LOSS	(242)	(244)	(883)	(768)
OTHER INCOME (EXPENSE):				
Loss on derivative instruments and disposal of fixed assets	-	-	-	(29)
Gain (loss) on debt extinguishment	-	-	2	(7)
Interest income (expense)	(28)			