

Digerati Technologies, Inc.
Form DEF 14A
July 30, 2014

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

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

Digerati Technologies, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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| (1) | Title of each class of securities to which transaction applies: |
| (2) | Aggregate number of securities to which transaction applies: |
| (3) | Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined): |
| (4) | Proposed maximum aggregate value of transaction: |
| (5) | Total fee paid: |

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

Dear Shareholder:

We are pleased to invite you to attend Digerati's Annual Meeting of Shareholders, which will be held at 9:00 a.m., Central Daylight Time, on September 15, 2014, at 10777 Westheimer, Suite 1100, Houston, Texas. Details regarding admission to the meeting and the business to be conducted are more fully described in the accompanying Notice of Annual Meeting and Proxy Statement.

The accompanying Notice of Annual Meeting and Proxy Statement describe the matters to be acted upon at the Meeting. Your attendance is important, regardless of the number of shares you hold.

Shareholders of record at the close of business on July 24, 2014 are entitled to notice of, and to vote at, the Meeting and any adjournments thereof.

Your vote is important. Whether or not you plan to attend the Meeting, we hope you will vote as soon as possible. You may vote on the Internet, by telephone, or by completing and mailing the enclosed proxy card. Information about each of these voting methods is set forth in the accompanying Notice of Annual Meeting and Proxy Statement.

On behalf of everyone at Digerati, we thank you for your ongoing interest and investment in the company.

Sincerely,

Arthur L. Smith
President and Chief Executive Officer

THIS PROXY STATEMENT AND PROXY CARD ARE
BEING DISTRIBUTED ON OR ABOUT JULY 31, 2014.

DIGERATI TECHNOLOGIES, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
September 15, 2014

TO THE SHAREHOLDERS:

The Annual Meeting of Shareholders of Digerati Technologies, Inc., a Nevada corporation, will be held on September 15, 2014, at 9:00 a.m., Central Daylight Time, at 10777 Westheimer, Suite 1100, Houston, Texas, for considering and acting upon the following proposals:

1. Election of a board of directors consisting of two persons.
2. Non-binding advisory vote to approve executive compensation.
3. Non-binding advisory vote on the frequency of future votes on executive compensation.
4. Ratification of the selection of LBB & Associates Ltd., LLP as Digerati's independent registered public accounting firm for the fiscal year ending July 31, 2014.
5. Transaction of such other business as may properly come before the Meeting or any adjournments or postponements thereof.

Shareholders of record at the close of business on July 24, 2014 are entitled to notice of, and to vote at, the Meeting and any adjournments or postponements thereof.

All shareholders as of the close of business on the record date are cordially invited to attend the Meeting in person, but whether or not you plan to attend, we urge you to review these materials carefully and to vote by Internet, telephone or by submitting your proxy card as promptly as possible.

By Order of the Board of Directors,

Arthur L. Smith
President, Chief Executive Officer and
Secretary

San Antonio, Texas
July 31, 2014

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(i)

DIGERATI TECHNOLOGIES, INC.
3463 Magic Drive, Suite 355
San Antonio, TX 78229

INTERNET AVAILABILITY OF PROXY MATERIAL

These proxy materials, including the Proxy Statement, Form of Proxy and Annual Report on Form 10-K for the fiscal year ended July 31, 2013, are being made available to the shareholders of Digerati Technologies, Inc., a Nevada corporation (“Digerati”) at <http://www.proxyvote.com>. If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials, unless specifically requested. If you would like to receive a printed copy of the proxy materials you should follow the instructions for requesting such materials included in the Notice of Internet Availability of Proxy Materials.

SOLICITATION OF PROXIES

The accompanying proxy is solicited by the Board of Directors of Digerati, for use at the Annual Meeting of Shareholders (the “Meeting”) to be held at 9:00 a.m., Central Daylight Time on September 15, 2014 at 10777 Westheimer, Suite 1100, Houston, Texas, and at any adjournment or postponement thereof.

The cost of soliciting proxies will be borne by Digerati. In addition to solicitation by mail, Digerati’s directors, officers and employees may solicit proxies by telephone or otherwise and Digerati will reimburse brokers or other persons holding shares in their names or in the names of their nominees for their charges and expenses in forwarding proxies and proxy material to the beneficial owners of such shares. It is anticipated that the mailing of this Proxy Statement will commence on or about July 31, 2014.

VOTING SECURITIES AND THE PRINCIPAL HOLDERS THEREOF

Only shareholders of record at the close of business on July 24, 2014, the record date, will be entitled to vote. At July 24, 2014, there were outstanding 1,977,626 shares of Digerati’s Common Stock, \$0.01 par value per share (the “Common Stock”). Each share of Common Stock is entitled to one vote on each matter that is properly brought before the Meeting.

Admission to the Meeting

Only Digerati shareholders may attend the Meeting. Proof of ownership of Digerati Common Stock, along with personal identification (such as a driver’s license or passport), must be presented to be admitted to the Meeting. If your shares are held in the name of a bank, broker or other holder of record and you plan to attend the Meeting in person, you must bring a brokerage statement or other proof of ownership to be admitted to the Meeting. No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Meeting.

Registered Shareholders

Registered shareholders (shareholders who own Digerati shares in their own names on the books of Digerati’s transfer agent) may vote their shares or submit a proxy to have their shares voted by one of the following methods:

- By Telephone. You may submit a proxy by telephone (from the U.S. and Canada only) using the toll-free number listed on the proxy card. Please have your proxy card in hand when you call.

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By Internet. You may submit a proxy electronically on the Internet by following the instructions provided on your proxy card.

- By Mail. You may indicate your vote by completing, signing and dating your proxy card and returning it in the business reply envelope.
- In Person. You may vote in person at the Meeting by completing a ballot; however, attending the Meeting without completing a ballot will not count as a vote.

Street-name Shareholders

Street-name shareholders (shareholders who own shares beneficially in the name of a bank, broker or other holder of record on the books of Digerati's transfer agent) may generally vote their shares or submit a proxy to have their shares voted by one of the following methods:

- By telephone or by Internet, as indicated on your Voting Instruction Form. Please refer to your Voting Instruction Form or other information forwarded by your bank, broker or other holder of record to determine whether you may submit a proxy electronically on the Internet or by telephone, following the instructions on the Voting Instruction Form or other information provided by the record holder.
- By Mail. You may indicate your vote by completing, signing and dating your Voting Instruction Form and returning it in the business reply envelope.
- In Person with a Proxy from the Record Holder. A street-name shareholder who wishes to vote in person at the Meeting will need to obtain a legal proxy from its bank, broker or other holder of record. Please consult the Voting Instruction Form or other information sent to you by your bank, broker or other holder of record to determine how to obtain a legal proxy to vote in person at the Meeting.

Revoking Your Vote

If you are a registered shareholder, you may revoke your vote at any time before your shares are voted at the Meeting by:

- timely submitting a proxy with new voting instructions using the Internet or telephone voting system;
- timely delivering a valid, later-dated executed proxy card;
- voting in person at the Meeting by completing a ballot; however, attending the Meeting without completing a ballot will not revoke any previously submitted proxy; or
- timely filing an instrument of revocation with the Secretary of Digerati Technologies, Inc. at 3463 Magic Drive, Suite 355, San Antonio, Texas 78229

If you are a street-name shareholder and you vote by proxy, you may change your vote by submitting new voting instructions to your bank, broker or other holder of record in accordance with that entity's procedures.

Vote Required for Approval

The presence, in person or by proxy, of shareholders entitled to cast at least one-third of the outstanding shares of Common Stock is necessary to constitute a quorum for the transaction of business. All proxies received will be voted in accordance with the instructions of the shareholder. Shares held in street name will be voted in accordance with the instructions given by the beneficial owner to their broker or nominee. Where the beneficial owner does not give instructions to their broker or nominee, the broker or nominee may return a proxy without indicating how the shares are to be voted (a "broker non-vote"). Broker non-votes will be counted for purposes of determining whether a quorum is present and will be voted in accordance with the recommendations of the Board of Directors set forth below with respect to each proposal.

Election of Directors: In the election of directors, every shareholder has the right to vote each share of stock owned by such shareholder on the record date for as many persons as there are directors to be elected. Cumulative voting is not permitted. To be elected, a director-nominee must receive a plurality of the votes cast at the meeting. Only votes cast FOR a nominee will be counted. Shares of common stock of shareholders withholding the authority to vote for any nominee will be counted as present at the Meeting for the purpose of determining whether a quorum is present but will not be counted as votes cast for such purposes and therefore will have no effect on the results of the election. The Board of Directors unanimously recommends that you vote “FOR” each of the two nominees for director listed in these proxy materials.

Advisory Vote to Approve Executive Compensation: The affirmative vote of a majority of the votes cast by the shareholders entitled to vote thereon, present in person or represented by proxy at the Meeting, is required for approval. Abstentions will be counted as present at the Meeting for the purpose of determining whether a quorum is present and will have the same effect as a vote against this proposal. The vote is non-binding on the Board of Directors but will be considered by the Board of Directors in connection with the executive compensation paid during the current fiscal year. The Board of Directors unanimously recommends that you vote “FOR” approval of Digerati’s Executive Compensation.

Advisory Vote on Frequency of Advisory Vote on Executive Compensation: The proxy card provides shareholders with the opportunity to choose among three options for the frequency of the advisory vote on executive compensation: every year, every second year or every third year or to abstain from voting on this proposal. The vote is non-binding on the Board of Directors but the option that receives the most votes, though less than a majority of the votes cast, will be considered by the Board of Directors in connection with a determination of the frequency with which an advisory vote on executive compensation is submitted to the shareholders. Abstentions will be counted for the purpose of determining whether a quorum is present but will not be counted as votes cast for any option and will have no effect on the results. The Board of Directors unanimously recommends that you select the “3 YEAR” option.

Ratification of Selection of LBB & Associates Ltd., LLP: The affirmative vote of a majority of the votes cast by the shareholders entitled to vote thereon, present in person or represented by proxy at the Meeting, is required to approve the ratification of LBB & Associates Ltd., LLP as Digerati's independent accountant for the fiscal year ended July 31, 2014. Abstentions will be counted as present at the Meeting for the purpose of determining whether a quorum is present and will have the same effect as a vote against this proposal. The Board of Directors unanimously recommends that you vote "FOR" LBB & Associates Ltd., LLP as Digerati's independent accounting firm for the fiscal year ended July 31, 2014.

Shares of Common Stock held by shareholders who do not return a signed and dated proxy and who do not attend the Meeting in person will not be considered present at the Meeting, will not be counted towards a quorum and will not be entitled to vote on any matter.

Securities Ownership of Certain Beneficial Owners and Management

The following table lists the beneficial ownership of shares of Digerati Common Stock by (i) each person known to Digerati to own more than five percent of the issued and outstanding voting securities, (ii) each current director and nominee, (iii) each executive officer named in the Summary Compensation Table and (iv) all directors and executive officers as a group. Information with respect to officers, directors and their families is as of July 24, 2014 and is based on the books and records of Digerati and information obtained from each individual. Information with respect to other shareholders is based upon the Schedule 13D or Schedule 13G filed by such shareholders with the Securities and Exchange Commission. Unless otherwise stated, each named individual or group has sole voting power and beneficial ownership and the business address of each individual or group is 3463 Magic Drive, Suite 355, San Antonio 78229. All percentages are based upon 1,977,626 shares of Common Stock outstanding as of July 24, 2014.

NAME OF INDIVIDUAL OR GROUP	COMMON STOCK	% OF CLASS
INDIVIDUAL OFFICERS, DIRECTORS AND NOMINEES		
Arthur L. Smith President, Chief Executive Officer Retiring Director	59,800	3.0 %
James J. Davis Retiring Director	-0-	*
William E. McIlwain Retiring Director	31,570	1.6 %
Craig K. Clement Director Nominee	100	*
Maxwell A. Polinsky Director Nominee	4,400	*
Antonio Estrada Jr. Chief Financial Officer	62,300	3.2 %

ALL OFFICERS AND DIRECTORS AS A GROUP	158,170	8.0	%
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* Less than 1%.

DIRECTORS AND EXECUTIVE OFFICERS

The name and business experience of each of the directors and executive officers of Digerati, as of July 24, 2014, is set forth below:

James J. Davis (67), the Chairman of the Board of Directors and a director, is a private investor and management consultant with more than 40 years' experience in financial and administrative roles in public and private companies. He is a founding partner of Pluris Capital Advisors, Inc., a private investment group formed to invest in engineering, consulting and technical service companies serving the energy and industrial infrastructure markets. From 2009 until his retirement in 2013, Mr. Davis was the Chief Financial Officer of Express Energy Services, LLC, a privately equity owned company that provides drilling, completion and decommissioning services in the oil and gas industry. From 2004 to 2007, Mr. Davis was the Vice President and Chief Financial Officer of CapRock Communications, Inc., a private equity owned company that provides broadband satellite communication services to the energy, government, maritime, construction and mining industry in remote locations. Prior to 2007, Mr. Davis served in various senior finance capacities with Parker Drilling Company, MAPCO, Inc., Mesa Petroleum and Gulf Oil Company.

William E. McIlwain (73), a director, was the co-founder and President of Gary Greene, Better Homes and Gardens Real Estate Company until its sale in 2000. Since 2000, Mr. McIlwain has been an independent businessman engaged in providing commercial real estate services and sales of industrial pipe and a private investor with investments in a variety of small cap and startup businesses.

Arthur L. Smith (49) is the Chief Executive Officer, President, Secretary and a director. Mr. Smith has over 20 years of public company experience with a comprehensive background in technology and global telecommunications. Over the years, Mr. Smith has developed expertise in broad-based areas that includes corporate finance, fiscal/P&L management, business development, mergers & acquisitions, strategic/tactical planning, sales/operational management, and international business. As a founder of Digerati, he has held various positions within the company, including Chairman, CEO, and President of the company's international subsidiary. He is also co-founder and former Chairman of Globalscape, Inc., a leading provider of Internet-based information exchange solutions and former wholly-owned subsidiary of Digerati. Globalscape was spun-off to the Company's shareholders in 2000 (NYSE: GSB). Mr. Smith was an officer of Digerati at the time it filed for protection under Chapter 11 of the United States Bankruptcy Code on May 30, 2013.

Antonio Estrada (39) is the Chief Financial Officer and Treasurer. Mr. Estrada is a seasoned financial executive with over 15 years of public company and telecommunications industry experience. His experience includes SEC reporting, accounting management, financial reporting, forecasting, strategic planning, grant writing, corporate finance, GAAP accounting, audit, and treasury/cash management. He has served in various roles within Digerati, including International Accounting Manager, Treasurer, Internal Auditor, Controller, Sr. VP of Finance and CFO. Mr. Estrada was an officer of Digerati at the time it filed for protection under Chapter 11 of the United States Bankruptcy Code on May 30, 2013.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the directors and executive officers and persons who own more than 10% of a registered class of equity securities issued by Digerati to file various reports with the Securities and Exchange Commission concerning their holdings of, and transactions in, securities issued by Digerati. Each such person is required to provide copies of the reports filed to Digerati. Based solely on a review of the copies of such forms furnished to Digerati, the Board of Directors believes that none of the officers, directors or owners of 10% of any class of securities issued by Digerati failed to report transactions in securities issued by Digerati or reported such transactions late. Messrs. Arthur L. Smith and Antonio Estrada, both officers of Digerati, have not

filed ownership reports relating to the cancellation of outstanding options and shares of preferred stock pursuant to the Agreed Order Confirming Joint Plan of Reorganization Filed by Plan Proponents entered by the United States Court for the Southern District of Texas, Houston Division in In Re Digerati Technologies, Inc. on April 4, 2014.

CORPORATE GOVERNANCE

Director Independence

For a director to be considered independent according to the standards set forth in Section 303A.02 of the New York Stock Exchange Listed Company Manual (the "NYSE Manual"), the Board of Directors must affirmatively determine that the director has no material relationship with Digerati, either directly or as a partner, shareholder or officer of an organization that has a relationship with Digerati. In addition, the NYSE Manual provides that a director will not be considered independent if, within the preceding three years, the director or an immediate family member (i) was an employee of Digerati, (ii) received more than \$120,000 per year in direct compensation from Digerati, (iii) is affiliated with or employed by a present or former internal or external auditor of Digerati, (iv) employed as an executive officer of another company for which an executive officer of Digerati serves on the compensation committee or (v) is an executive officer or employee that makes payments to or receives payments from Digerati of more than \$1,000,000 or two percent of such other company's gross revenues.

The Board of Directors has determined that Messrs. James J. Davis and William E. McIlwain and all of the nominees for election to the Board of Directors set forth in these proxy materials satisfy the independence requirements in the NYSE Manual. In making the determination of director independence with respect to Mr. McIlwain, the Board of Directors considered the ownership of 1.6% of Digerati's outstanding Common Stock by Mr. McIlwain.

Meetings of the Board of Directors

All actions by the Board of Directors during fiscal 2013 were authorized and approved by written consent of the directors. Since July 31, 2013, the Board of Directors has held seven meetings. All directors were present at every meeting held during the term that they served as a director. Digerati does not have a policy regarding attendance of shareholder meetings by members of the Board of Directors and did not hold an annual meeting of shareholders in 2013.

Nominating Committee of the Board of Directors

Digerati does not have a nominating committee because the size of the Board of Directors is too small to establish separate standing committees. The functions of a nominating committee are performed by the Board of Directors.

The directors consider candidates recommended by other members of the Board of Directors, by executive officers and by one or more substantial, long-term shareholders. In addition, the Board of Directors may seek candidates through a third person recruiter. Generally, shareholders who individually or as a group have held 5% of the outstanding Common Stock for over one year will be considered substantial, long-term shareholders. In considering candidates, the directors take into consideration the needs of the Board of Directors and the qualifications of the candidate. The Board of Directors has not established a set of criteria or minimum qualifications for candidacy and each candidate is considered based on the demonstrated competence and knowledge of the individual. To have a candidate considered by the directors, a shareholder must submit the recommendation in writing and must include the following information: