

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

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: **October 31, 2016**

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: **000-55036**

VALUESETTERS INC.

(Exact name of registrant as specified in its charter)

Utah

(State or other jurisdiction of
incorporation or organization)

87-0409951

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

159 Meadow Street

Naugatuck, CT 06770

(Address of principal executive offices)

(203) 525-0450

(Registrant's telephone number, including area code)

Indicate by check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities and 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 (§232.405 of this chapter) 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.

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

As of February 17, 2017, the Company had 508,000,000 shares of its common stock, par value \$0.001 per share, issued and outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Valuesetters Inc.
Condensed Balance Sheets
(Unaudited)

	<u>October 31, 2016</u>	<u>April 30, 2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,152	\$ 843
Prepaid expenses	82,511	152,992
Other current assets	—	2,017
Total current assets	<u>83,663</u>	<u>155,852</u>
Non-current prepaid expenses	—	6,015
Equipment and software, net of accumulated depreciation	349,302	539,832
Total assets	<u>\$ 432,965</u>	<u>\$ 701,699</u>
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable		
Trade	\$ 287,850	\$ 290,389
Related party	31,680	31,680
Accrued expenses	385,236	332,792
Deferred revenue	2,017	2,017
Notes payable – related parties	15,100	15,100
Secured note payable to related party	1,174,611	—
Current portion of long-term debt	533,066	—
Loan payable – bank	41,427	42,747
Demand notes payable	50,190	59,190
Total current liabilities	<u>2,521,177</u>	<u>764,915</u>
Long-term notes payable	—	533,066
Long-term related party note payable	20,000	20,000
Long-term secured note payable to related party	—	1,167,700
	<u>2,541,177</u>	<u>2,485,681</u>
Stockholders' deficit:		
Common stock, \$.001 par value; 900,000,000 shares authorized, 508,000,000 shares issued and outstanding	508,000	508,000
Capital in excess of par value	661,039	661,039
Accumulated deficit	<u>(3,277,251)</u>	<u>(2,953,021)</u>
Total stockholders' deficit	<u>(2,108,212)</u>	<u>(1,768,982)</u>
Total liabilities and stockholders' deficit	<u>\$ 432,965</u>	<u>\$ 701,699</u>

See Accompanying Notes to the Financial Statements

VALUESETTERS, INC.
Condensed Statements of Operations
(Unaudited)

	For the Six Months Ended		For the Three Months Ended	
	Oct. 31, 2016	Oct. 31, 2015	Oct 31, 2016	Oct 31, 2015
Revenues	\$ 9,673	\$ 39,372	\$ 5,932	\$ 15,763
Costs and expenses:				
Cost of services	—	115,484	—	109,608
Depreciation	190,530	190,530	95,265	95,265
Selling, general and administrative	82,180	162,075	42,745	57,728
Total costs and expenses	275,710	468,089	138,010	262,601
Loss from operations	(266,037)	(428,717)	(132,078)	(93,845)
Other income (expense):				
Interest expense	(58,193)	(57,040)	(29,219)	(28,576)
Total other income (expense)	(58,193)	(57,040)	(29,219)	(28,576)
Net loss	\$ (324,230)	\$ (485,757)	\$ (161,297)	\$ (275,414)
Basic earnings (loss) per share	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ 0.00
Diluted earnings (loss) per share	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding:				
Basic	508,000,000	504,086,957	508,000,000	506,086,022
Diluted	508,000,000	504,086,957	508,000,000	506,086,022

See Accompanying Notes to the Financial Statements

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VALUESETTERS, INC.
Condensed Statements of Cash Flows
(Unaudited)

	<u>Six Months Ended October 31, 2016</u>	<u>Six Months Ended October 31, 2015</u>
Operating activities		
Net loss	\$ (324,230)	\$ (485,757)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	76,496	126,496
Depreciation	190,530	190,530
Changes in non-cash working capital balances		
Other assets	2,017	511
Accounts payable	(2,539)	107,381
Accounts payable – related party	—	6,057
Accrued expenses	58,355	53,316
Deferred revenue	—	(14,400)
Cash provided by (used in) operating activities	<u>629</u>	<u>(10,864)</u>
Financing activities		
Payments on bank loan	(1,320)	(1,320)
Payments on related party notes	—	(1,048)
Proceeds from demand note payable	—	8,500
Proceeds from note payable – secured related party	1,000	—
Cash (used in) provided by financing activities	<u>(320)</u>	<u>6,132</u>
Increase (decrease) in cash and cash equivalents during the period	309	(4,732)
Cash and cash equivalents, beginning of the period	843	5,237
Cash and cash equivalents, end of the period	<u>\$ 1,152</u>	<u>\$ 505</u>
Cash paid for:		
Interest	<u>\$ 1,423</u>	<u>\$ 1,431</u>
Income taxes	<u>\$ —</u>	<u>\$ —</u>

See Accompanying Notes to the Financial Statements

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Valuesetters Inc.

Notes To Condensed Financial Statements (Unaudited)

Note 1– Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) for quarterly reports on Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six and three-month period ended October 31, 2016, are not necessarily indicative of the results that may be expected for the year ended April 30, 2017. For further information, refer to the audited financial statements and footnotes thereto in our Annual Report on Form 10-K for the year ended April 30, 2016.

Note 2 – Going Concern Matters and Realization of Assets

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the ordinary course of business. However, the Company has sustained recurring losses from its continuing operations and as of October 31, 2016, had negative working capital of \$2,437,514 and a stockholders’ deficit of \$2,108,212. In addition, the Company is unable to meet its obligations as they become due and sustain its operations. The Company believes that its existing cash resources are not sufficient to fund its continuing operating losses, capital expenditures, lease and debt payments and working capital requirements.

The Company may not be able to raise sufficient additional debt, equity or other cash on acceptable terms, if at all. Failure to generate sufficient revenues, achieve certain other business plan objectives or raise additional funds could have a material adverse effect on the Company’s results of operations, cash flows and financial position, including its ability to continue as a going concern, and may require it to significantly reduce, reorganize, discontinue or shut down its operations.

In view of the matters described above, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company which, in turn, is dependent upon the Company’s ability to meet its financing requirements on a continuing basis, and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in its existence.

Management’s plans include:

1. Seek to raise debt or equity for working capital purposes and to pay off existing debt balances. With sufficient additional cash available to the Company, it can begin to make marketing expenditures and hire people to generate more revenues, and consequently cut monthly operating losses.
2. Continue to look for software niches and other digital products that can be sold via an Internet-based store. Various acquisition opportunities may help us generate the revenues we are seeking and be a quicker path to profitability than organic growth.

There can be no assurance that the Company will be able to achieve its business plan objectives or be able to achieve or maintain cash-flow-positive operating results. If the Company is unable to generate adequate funds from operations or raise sufficient additional funds, the Company may not be able to repay its existing debt, continue to operate its business network, respond to competitive pressures or fund its operations. As a result, the Company may be required to significantly reduce, reorganize, discontinue or shut down its operations. The financial statements do not include any adjustments that might result from this uncertainty.

Note 3 – Income (Loss) Per Common Share

Income (Loss) per common share data was computed as follows:

	<u>Oct. 31, 2016</u>	<u>Oct. 31, 2015</u>
Net income (loss)	\$ (324,230)	\$ (485,757)
Weighted average common shares outstanding	508,000,000	504,086,957
Effect of dilutive securities	<u>—</u>	<u>—</u>
Weighted average dilutive common shares outstanding	508,000,000	504,086,957
Income (Loss) per common share – basic	\$.00	\$ (.00)
Income (Loss) per common share – diluted	<u>\$.00</u>	<u>\$ (.00)</u>

Note 4 – Principal Financing Arrangements

The following table summarizes components of debt as of October 31, 2016 and April 30, 2016:

	<u>Oct. 31, 2016</u>	<u>April 30, 2016</u>	<u>Interest Rate</u>
Secured lender	\$ 1,174,611	\$ 1,167,700	8.0%
Related party notes	15,100	15,100	8.0%
Long-term notes payables	—	533,066	2.0% - 3.0%
Log-term notes payable – related parties	20,000	20,000	2.0% - 3.0%
Other notes payable	50,190	50,190	0.0% - 10.0%
Current portion of long-term debt	533,066	—	3.0%
Due to bank	41,427	42,747	5.5%
Total Debt	<u>\$ 1,834,394</u>	<u>\$ 1,828,803</u>	

As of October 31, 2016 and April 30, 2016, the Company owed its principal lender (“Lender”) \$1,174,611 and \$1,167,700, respectively, under a loan and security agreement (“Loan”) dated April 28, 2011, that was amended on July 26, 2014 to change the maturity date to June 30, 2017. The maximum amount of the Loan is \$1,250,000. The Lender is also the largest shareholder of the Company, owning 227,173,207 shares of common stock, or 45% of the 508,000,000 shares issued and outstanding.

In connection with the financing, the Company has agreed to certain restrictive covenants, including, among others, that the Company may not convey, sell lease, transfer or otherwise dispose of any part of its business or property, except as permitted in the agreement, dissolve, liquidate or merge with any other party unless, in the case of a merger, the Company is the surviving entity, incur any indebtedness except as defined in the agreement, create or allow an lien on any of its assets or collateral that has been pledged to the Lender, make any loans to any person, except for prepaid items or deposits incurred in the ordinary course of business, or make any material capital expenditures

To secure the payment of all obligations to the lender, the Company granted to the lender a continuing security interest and first lien on all of the assets of the Company.

As of October 31, 2016 and April 30, 2016, the Company's related-party unsecured notes payable totaled \$15,100, which is payable to two board members. We also owe \$20,000 to an entity that owns the majority of our largest shareholder. This note accrues interest at a rate of 8% per annum and is due in January 2018. It is classified as long-term debt.

The Company owes JP Morgan Chase Bank \$41,427 and \$42,747 and as of October 31, 2016 and April 30, 2016, respectively. The Company pays approximately \$220 a month in principal payments on the outstanding balance, plus the monthly interest expense, which is calculated at a rate of 5.5% per annum.

Other notes payable totaled \$50,190 and \$50,190 at October 31, 2016 and April 30, 2016, respectively.

The Company owes \$533,066 at October 31, 2016 and April 30, 2016 to two individual note holders. A \$200,000 note is due in September 2017 and accrues interest at an annual rate of 2%. The holder can convert the note into shares of common stock at a price of \$0.01 per share. A second note for \$333,066 accrues interest at 3% per annum and is due in June 2017.

Note 5 – Investments

The Company acquires equity interests in early-stage companies in exchange for management advisory services. Such services and investments in early-stage companies are only recorded if the investment was made in a company that generates revenues the investment is recorded at the value of the services provided by the Company. After an investment is recorded it is evaluated for impairment and an impairment loss is recognized, if appropriate. All of our investments are deemed to be impaired.

Note 6 – Income Taxes

At October 31, 2016, the Company had net operating loss carryforwards for federal income tax purposes of approximately \$1,700,000 that expire in the years 2017 through 2032. The Company has provided an allowance for the full value of the related deferred tax asset since it is more likely than not that none of such benefit will be realized. Utilization of the net operating losses may be subject to annual limitations provided by Section 382 of the Internal Revenue Code and similar state provisions.

Due to the loss for the six and three-month periods ended October 31, 2016 and 2015, the Company has recorded no income tax expense in either of these six and three-month periods.

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Note 7 – Related Party Transactions

The Company's largest shareholder is also its principal lender. As of October 31, 2016 and April 30, 2016, the Company owed its largest shareholder, under a secured lending agreement, \$1,174,611 and \$1,167,700, respectively. The maximum amount of the loan is \$1,250,000, and the loan matures on June 30, 2017. The largest shareholder of the Company owns 227,173,207 shares of common stock, or 45% of the 508,000,000 shares issued and outstanding.

The Company owes a director \$31,680 as of October 31, 2016 and April 30, 2016.

The Company owes a second director \$15,000 as of October 31, 2016 and April 30, 2016.

The Company owes a related party \$20,000 as of October 31, 2016 and April 30, 2016 under a note payable with interest at 8% per annum, with a maturity date of November 18, 2017.

The Company owes its Chief Executive Officer and Chairman of the board of directors \$100 as of October 31, 2016 and April 30, 2016, respectively.

Note 8 – Stockholders' Deficit

The Company is authorized to issue 900,000,000 shares of its common stock, par value \$0.001. 508,000,000 shares were outstanding as of October 31, 2016 and April 30, 2016.

On May 7, 2014, the Company granted 5-year stock options that fully vest over a three year period to three consultants. Each consultant was granted an option to purchase up to 6 million shares of the Company's common stock at a price of \$0.03 per share. On July 24, 2014, the Company signed a three-year consulting agreement in exchange for 6,000,000 shares of common stock. Those shares were issued in the first quarter of fiscal 2016.

In the second quarter of 2016, the Company issued 2,000,000 shares of restricted stock pursuant to a consulting agreement.

Note 9 – Fair Value

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the company has the ability to access at the measurement date.
- Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs are unobservable inputs for the asset or liability.

Under the Fair Value Measurements Topic of the FASB Accounting Standards Codification, we base fair value on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is our policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon management's own estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows that could significantly affect the results of current or future value.

Note 10 – Stock-Based Compensation Plans

The Company entered consulting agreements to issue common stock and options to purchase common stock, and recorded the applicable non-cash expense in accordance with the authoritative guidance of the Financial Accounting Standards Board. For the six month periods ended October 31, 2016 and October 31, 2015, the Company recorded \$76,496 and \$126,496, respectively, in stock-based compensation expense. As of October 31, 2016, there was \$82,511 of prepaid stock-based compensation expense.

Note 11 – Subsequent Events

The Company made additional investments in early-stage companies in exchange for consulting and advisory services. Agreements for non-exclusive advisory services and management consulting services were rendered that provide the Company with equity in Zelgor Inc., MadHat Media Inc, Chronability Inc., Dark LLC, Storeboard Inc, Splyst LLC and Rivetz Corp.

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

This quarterly report on Form 10-Q and other reports filed by the Company from time to time with the U.S. Securities and Exchange Commission (collectively, the “Filings”) contain or may contain forward-looking statements and information that are based upon beliefs of, and information currently available to, the Company’s management as well as estimates and assumptions made by Company’s management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the Filings, the words “anticipate,” “believe,” “estimate,” “expect,” “future,” “intend,” “plan,” or the negative of these terms and similar expressions as they relate to the Company or the Company’s management identify forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to risks, uncertainties, assumptions, and other factors. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our financial statements would be affected to the extent there are material differences between these estimates and actual results. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management’s judgment in its application. There are also areas in which management’s judgment in selecting any available alternative would not produce a materially different result. The following discussion should be read in conjunction with our financial statements and notes thereto appearing elsewhere in this report.

Overview

We are an Internet-based company that seeks free subscribers and revenue-generating subscribers for digital product that we offer to game players and app users. We operate on an automated basis with the belief that Internet operations, customer sign-ups, sales and game playing should occur without requiring a Company employee to participate in the transaction, so that it is possible for the Company to quickly expand in the event the number of subscribers begins to rapidly grow on a viral basis. Our back-office software operates 24 hours a day and can quickly collect money from and deliver games to subscribers. Similarly, we created and license to onedotspport LLC a video-calling product with a dynamic booking system, which collects an upfront credit-card payment, so that fans can book a time to call their favorite athlete. The software allows a fan to reserve and pre-pay for a specific 20-minute period, which the athlete has made available for one-on-one video calls. The athlete confirms the call and when the call is over, the fan receives a photo of the call that can be posted on social media websites. The video call works in a browser via WebRTC technology so that the fan and the athlete do not need a video calling service and do not need to exchange phone numbers. A link is emailed to both video-call participants and they click on the link at the specified time and can speak to and see each other through their mobile phones, laptops, or webcams. The beta site is operational at <https://www.1on1.fans>.

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We intend to license our WebRTC calling product to other companies and other industries and have our licensee perform the sales, marketing and customer support, while our technology runs 24 hours a day. Given our lack of personnel, we offload the labor costs to third-parties and collect a per-call fee for every call that is made.

We intend to employ personnel in such areas as sales, technical support and finance once we have increased our revenues or received an injection of capital that is sufficient to support such personnel.

Beginning in the first quarter of fiscal 2015, we began consulting for small companies and taking an equity stake in the companies in exchange for our services. Although we take an equity stake in most of the early-stage companies that we consult for, we do not always record the investment as an asset on our books. Our policy is to record the investment, based on the value of our services rendered, only in instances where the early-stage company begins generating revenues. If the early-stage company is unable to generate revenues by the time we file our periodic reports, we do not consider our consulting services as revenue to our company.

It is our strategy to purchase part or all of early-stage companies and cross pollinate the ideas, technology and expertise within these companies to enhance the operations, profits and market share of all the entities, at an affordable price.

One such company that we own equity in, as a result of our consulting services, is NetCapital Systems LLC. This company owns a Title III JOBS Act funding portal, and as of today is only one of 22 FINRA approved crowdfunding portals, allowed to sell securities in startup companies to non-accredited investors, via the Internet. We continue to consult for NetCapital (see <https://netcapital.com>) and have invested in additional early-stage companies that we met through NetCapital by providing our consulting services. We believe our investment and future revenue potential from our relationship with NetCapital is significant.

We also consulted for Zelgor, a mobile phone game, similar to Pokémon Go, which builds massive multiplayer online social games on top of the real world map. It combines elements of classic arcade games and GPS technology, and Valuesettters currently owns 5% of Zelgor. See <http://www.zelgor.com>.

Our limited operating history and the uncertain nature of our future operations and the markets we address or intend to address make prediction of our future results of operations difficult. Our operations may never generate significant revenues, and we may never achieve profitable operations.

Results of Operations

For the Six Months Ended October 31, 2016 Compared to the Six Months Ended October 31, 2015

Our revenues for the six-months ended October 31, 2016 decreased by \$29,699, or 75%, to \$9,673 as compared to \$39,372 reported for the six months ended October 31, 2015. The decrease in revenues is attributable to a decrease in revenues in our telecom business. We have changed this business to a video-calling business that runs on Amazon Web Services, and we are rebuilding our revenue base.

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Selling, general and administrative expenses decreased by \$76,895, to \$85,180 for the six-months ended October 31, 2016 from \$162,075 reported in the six-months ended October 31, 2015. The decrease is primarily attributable to a decrease in stock-based compensation expense from \$126,496 in fiscal 2015 to 76,496 in fiscal 2016. This decrease was partially offset by an increase in the administrative expenses of our telecom application.

Interest expense increased by \$1,153 to \$58,193 for the six-months ended October 31, 2016, as compared to \$57,040 for the six-months ended October 31, 2015. A small increase in borrowings resulted in the increase in interest expense.

For the Three Months Ended October 31, 2016 Compared to the Three Months Ended October 31, 2015

Our revenues for the second quarter of fiscal 2017 decreased by \$9,831, or 62%, to \$5,932 as compared to \$15,763 reported for the second quarter of fiscal 2016. The decrease in revenues is attributable to a decrease in revenues in our telecom business. We have changed this business to a video-calling business that runs on Amazon Web Services, and we are rebuilding our revenue base.

Selling, general and administrative expenses decreased by \$14,983, to \$42,745 for the second quarter of fiscal 2017 from \$57,728 reported in the prior year fiscal period. The decrease is primarily attributable to a cuts in overhead expense in conjunction with the realignment of our telephone operations.

Interest expense increased by \$643 to \$29,219 for the three-months ended October 31, 2016, as compared to \$28,576 for the three-months ended October 31, 2015. Small increases in borrowings lead to the increase in interest expense.

Liquidity and Capital Resources

At October 31, 2016, we had cash and cash equivalents of \$1,152 and negative working capital of \$2,437,514 as compared to cash and cash equivalents of \$843 and negative working capital of \$609,063 at April 30, 2016.

Net cash provided by operating activities amounted to \$629 in the six-months ended October 31, 2016. The net loss of \$324,230 for the six-months ended October 31, 2016 was offset by two non-cash items, depreciation of \$190,530 and stock-based compensation of \$76,496. In addition, there was an increase in accrued expenses of \$58,355. The principal use of cash from operating activities of \$10,864 in the six-months ended October 31, 2015 was the net loss of \$485,757, which was offset by two non-cash items, depreciation of \$190,530 and stock-based compensation of \$126,496.

There was no investing activity in the six-months ended October 31, 2016 and 2015.

Net cash (used in) provided by financing activities aggregated \$(320) and \$6,132 in the six-months ended October 31, 2016 and 2015, respectively. The principal use of cash was payments of bank debt of \$1,320, which was offset by the proceeds of \$1,000 of additional borrowing from our secured lender. The principal source of cash from financing activities in the six-months ended October 31, 2015 was the proceeds from two demand notes of \$8,500.

In the six-months ended October 31, 2016 and 2015, there were no expenditures for capital assets. We do not anticipate any capital expenditures in fiscal 2017.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of our company as a going concern. However, we have sustained net losses from operations during the last several years, and we have very limited liquidity. Management anticipates that we will be dependent, for the near future, on additional capital to fund our operating expenses and anticipated growth and the report of our independent registered public accounting firm expresses doubt about our ability to continue as a going concern. Our operating losses have been funded through borrowings under a line of credit from our largest shareholder.

Although we are not yet profitable and we are not generating cash from operations, we believe we have short-term financing available from our largest shareholder to fund our monthly cash-flow deficit. While we continually look for other financing sources, in the current economic environment, the procurement of outside funding is extremely difficult and there can be no assurance that such financing will be available, or, if available, that such financing will be at a price that will be acceptable to us. Failure to generate sufficient revenues or raise additional capital will have an adverse impact on our ability to achieve our longer-term business objectives, and will adversely affect our ability to continue operating as a going concern.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended, and are not required to provide information under this item.

Item 4. Controls and Procedures.

(a) Disclosure Controls and Procedures.

The Company's management, with the participation of the Company's principal executive officer ("PEO") / principal financial officer ("PFO"), evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on this evaluation, the PEO / PFO concluded that, as of the end of such period, the Company's disclosure controls and procedures were not effective to ensure that information that is required to be disclosed by the Company in the reports it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the Company's management, including the PEO / PFO, as appropriate, to allow timely decisions regarding required disclosure. The material weaknesses in our disclosure controls and procedures consisted of:

- There is a lack of accounting personnel with the requisite knowledge of Generally Accepted Accounting Principles in the US ("GAAP") and the financial reporting requirements of the SEC;
- There are insufficient written policies and procedures to insure the correct application of accounting and financial reporting with respect to the current requirements of GAAP and SEC disclosure requirements; and
- There is a lack of segregation of duties, in that we only had one person performing all accounting-related duties.

(b) Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 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.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

Item 1A. Risk Factors.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended, and are not required to provide information under this item.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

31 [Rule 13a-14\(a\) Certification](#)

32 [Rule 13a-14\(b\) Certification](#)

101.INSXBRL Instance
101.SCHXBRL Schema
101.CALXBRL Calculation
101.DEF XBRL Definition
101.LABXBRL Label
101.PREXBRL Presentation

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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 hereunto duly authorized.

Date: February 17, 2017

VALUESETTERS, INC.

By: /s/ Manuel Teixeira

Manuel Teixeira

Chairman of the Board and Chief Executive Officer

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