VGTEL, INC.

FORM 10-Q
(Quarterly Report)

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Sector	Consumer Cyclicals
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2014

VGTEL, INC.

(Exact name of Registrant as specified in its charter)

New York	**000-52983**	**01-0671426**
(State of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

400 Rella Blvd., Suite 174 Suffern, NY	**10901**
(Address of principal executive offices)	(Zip Code)

(212) 201-0576
(Registrant's telephone number)

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 (§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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Smaller Reporting Company

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	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 9, 2015, there were 27,075,203 shares of Common Stock outstanding.

FORM 10-Q
QUARTERLY PERIOD ENDED December 31, 2014
INDEX

PART I - FINANCIAL INFORMATION

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements, including statements regarding our future results of operations and financial position, business strategy and plans and our objectives for future operations. The words “may,” “will,” “should,” “could,” “expect,” “anticipate,” “believe,” “estimate,” “intend,” “continue” and other similar expressions are intended to identify forward-looking statements. We have based these forward looking statements largely on current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short term and long-term business operations and objectives, and financial needs. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those discussed in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended March 31, 2014 and Part II, Item 1A of this Quarterly Report on Form 10-Q, as well as in our condensed consolidated financial statements, related notes, and the other financial information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission, or the SEC. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances, except as required by the federal securities laws. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward looking statements.

As used herein, “VGTel,” “VGTL,” “we,” “our,” the “Company” and similar terms refers to VGTel, Inc., unless the context indicates otherwise.

ITEM 1. FINANCIAL STATEMENTS

VGTel, Inc.
Consolidated Balance Sheet
(Unaudited)

	December 31, 2014	March 31, 2014
Assets		
Current Assets:		
Cash and cash equivalents	$ 43,199	$ 113,186
Investments	617,909	176,609
Accounts receivable	53,885	-
Prepaid expenses	22,789	-
Total Current Assets	737,782	289,795
Property and Equipment, net	219,678	-
Other assets	1,650	-
Total Assets	$ 959,110	$ 289,795
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 565,115	$ 440,968
Accounts Payable to related parties	48,375	21,333
Short Term Debt	1,028,408	531,084
Derivative liabilities	451,117	-
Total current liabilities	2,093,015	993,385
COMMITMENTS AND CONTINGINCIES		
Stockholders' Deficit		
Preferred Stock, $.001 par value, Authorized 10,000,000 shares, none issued		
Common Stock, $.0001 par value, Authorized 200,000,000 shares, issued and Outstanding 27,075,203 and 22,180,652 as of December 31, 2014 and March 31, 2014, respectively	2,709	2,218
Additional paid-in Capital	8,181,126	7,423,448
Accumulated deficit	(9,317,740)	(8,129,256)
Total Stockholders' Deficit	(1,133,905)	(703,590)
Total Liabilities and Stockholders' Deficit	$ 959,110	$ 289,795

The accompanying notes are an integral part of these unaudited financial statements.

VGTel, Inc.
Consolidated Statement of Operations
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2014	**2013**	**2014**	**2013**
REVENUE	$ -	$ 5,514	$ -	$ 9,101
OPERATING EXPENSES:				
General and Administrative	22,990	25,069	70,578	61,738
Officer's Compensation & Rent	131,903	32,420	192,820	77,480
Professional, Legal, and Consulting Services	45,762	18,896	189,866	68,515
Depreciation	145	-	338	-
Loss on sale of assets	-	-	-	37,500
Total Operating Expenses	200,800	76,385	453,602	245,233
(Gain) loss on settlement of debt	-	966,903	(2,188)	966,903
(Gain) loss on derivative	(95,198)	-	193,497	-
Amortization of debt discount	148,025		434,500	
Interest Expense	31,592	7,307	109,073	18,023
NET INCOME (LOSS)	$ (285,219)	$ (1,045,081)	$ (1,188,484)	$ (1,221,058)
Income (Loss) per share Basic and Diluted	$ (0.01)	$ (0.05)	$ (0.05)	$ (0.06)
Weighted average number of shares outstanding -Basic and Diluted	23,615,903	21,867,069	23,072,252	21,478,362

The accompanying notes are an integral part of these unaudited financial statements.

VGTel, Inc.
Consolidated Statement of Cash Flows
(Unaudited)

	Nine Months Ended December 31, 2014	Nine Months Ended December 31, 2013
Cash flows from operating activities:		
Net (Loss)	$ (1,188,484)	$ (1,221,058)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	338	37,500
Loss on derivative	193,497	
(Gain) on settlement of debt	(2,188)	966,903
Stock based compensation	36,250	-
Amortization of debt discount	434,500	3,000
Changes in assets and liabilities:		
Accounts receivable	(53,885)	-
Prepaid expenses and other current assets	(24,439)	-
Accounts payable and accrued liabilities	120,922	2,816
Accounts payable and accrued liabilities – related parties	39,621	(13,000)
Net cash provided by (used) in operating activities	(443,868)	(223,839)
Cash flows from investing activities:		
Purchases of property, equipment, and capitalized software	(220,016)	-
Loan to Digital Gamer Corp.	-	(225,209)
Investment to Ultra 4K Project & films	(441,300)	-
Net cash (used) in investing activities	(661,316)	(225,209)
Cash flows from financing activities:		
Repayment of short term debt	(120,000)	-
Proceeds from short term debt	987,197	441,500
Proceeds from sale of stock	168,000	-
Net cash provided from financing activities	1,035,197	441,500
Net increase (decrease) in cash	(69,987)	(7,548)
Cash and cash equivalents, beginning of period	113,186	30,011
Cash and cash equivalents, end of period	$ 43,199	$ 22,463
Supplemental disclosures:		
Debt extinguished by issuing new debt	50,000	-
Common stock for short term debt and accrued interest	174,667	107,646
Debt discount due to beneficial conversion feature of short term debt	114,165	3,000

The accompanying notes are an integral part of these unaudited financial statements.

NOTE 1 – GENERAL ORGANIZATION AND BUSINESS

Unaudited Interim Financial Information

VGTel, Inc. has prepared the accompanying unaudited interim financial statements pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial reporting. These condensed consolidated financial statements are unaudited and, in the Company's opinion, include all adjustments, consisting of normal recurring adjustments and accruals, necessary for a fair presentation of the Company's balance sheets, statements of operations, and cash flows for the periods presented. Operating results for the periods presented are not necessarily indicative of the results to be expected for the full year ending March 31, 2015. Certain information and disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been omitted in accordance with the rules and regulations of the SEC. These unaudited interim financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2014, as filed with the SEC on July 7, 2014.

NOTE 2 – GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has no established source of revenue. This raises substantial doubt about the Company’s ability to continue as a going concern. Without realization of additional capital, it would be unlikely for the Company to continue as a going concern. The financial statements do not include any adjustments that might result from this uncertainty.

The Company’s activities to date have been supported by equity and convertible debt financing. Management plans to seek funding from its shareholders and other qualified investors to pursue its business plan. In the alternative, the Company may be amenable to a sale, merger or other acquisition in the event such transaction is deemed by management to be in the best interests of the shareholders.

NOTE 3 – INVESTMENTS

In November 2013, the Company entered into the first of a series of agreements with both a production and distribution organization specializing in emerging non-traditional media programming, including, among other things, Giant Screen Films for both large format and digital theaters, and a company engaged in the business of production and post-production of video content for a variety of delivery formats and platforms. The purposes of the agreements are to convert existing films into Ultra High Definition, “4K” or “8K”formats and redistribute the converted films back into the marketplace. The Company has funded the conversion costs for these series of films in exchange for a share of the distribution opportunities for each film converted. As of March 31, 2014, the films were completed. The Company has made a total of $346,109 of advances for the scanning and postproduction of four films. There are no additional investments to be made in these films. Distribution began in the quarter ended June 30, 2014 and revenue began to be generated in July 2014. The revenue is netted on the Statement of Operations against the start-up costs and won’t be recognized as regular revenue until these costs are recovered.

In addition, the Company has invested $349,500 through a wholly-owned subsidiary in the production of three films. Additional investment is contemplated as funding become available. As of December 31, 2014, total balance of investment is $617,909.

NOTE 4 – RELATED PARTY TRANSACTIONS

As of December 31, 2014, there was a $48,375 related party payable owed to officers and $21,333 as of March 31, 2014.

NOTE 5 – NOTES PAYABLE

The Company borrowed $987,197 from third party lenders for the nine months ended December 31, 2014. One note for $200,000 was due September 1, 2014 but has not yet been paid in full. The other notes are due on various dates from March 8, 2015 through September 1, 2015, incur interest at 8% - 12% per annum and are convertible at rates of 55% to 60% of the average from the lowest to the third lowest trading price for the ten to twenty trading days prior to the conversion. Except one note of $75,000 is convertible immediately after issuance, other notes become convertible after 180 days following the issuance of the notes.

The Company borrowed $579,500 from third party lenders for the year ended March 31, 2014. $218,500 of these notes are convertible at $0.10 per share, 180 days after the issuance of the note and contains a reset provision which may decrease the convertible price if the Company issues any dilutive instruments. $100,000 of these notes are convertible at $0.33 per share, 180 days after the issuance of the note and contains a reset provision which may decrease the convertible price if the Company issues any dilutive instruments. $261,000 of these notes payable are convertible at 58% of the average of the lowest 3 trading day prices in the 10 days prior to conversion of the note. These notes become convertible after 180 days of cash receipt. The Company analyzed the conversion option for derivative accounting consideration under ASC 815-15 “Derivatives and Hedging” and determined that the instruments should be classified as a liability once the conversion option becomes effective after 180 days due to there being no explicit limit to the number of shares to be delivered upon settlement of the above conversion options. Additionally, the instruments were evaluated under ASC 470-20 “Debt with Conversion and Other Options” for consideration of any beneficial conversion features. The Company determined the beneficial conversion feature for all convertible notes to be $212,297 which was recognized as a debt discount and will be amortized over the term of the notes.

In addition to the above notes payable, the Company’s subsidiary borrowed $200,000, of which $89,197 was borrowed in the nine months ended December 31, 2014. These notes are for 24 months and carry a 20% interest rate per annum plus 50,000 shares of the Company per $100,000 loaned.

On June 23, 2014, a third party entered into a debt purchase agreement to purchase the Company’s outstanding debt of $50,000 principal and $2,729 accrued interest. In accordance with ASC470-50, this transaction is accounted as debt extinguishment, and the Company recognized a derivative loss $86,844.

During the nine months ended December 31, 2014, short term debt holders converted $174,667 of short term debt and accrued interest into common stock. There were no conversions for the corresponding period of the prior year. In addition, the Company repaid $120,000 and accrued interest to debt holders. No such repayments were made in the prior year.

For the nine months ended December 31, 2014, total derivative loss on debt settlement was $193,497.

As of December 31, 2014 and March 31, 2014, the Company had a short term debt balance of $1,028,408 and $531,084, respectively.

NOTE 6 – FAIR VALUE MEASUREMENTS

As defined in FASB ASC 820, fair value is 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 (exit price). The Company utilized the market data of similar entities in its industry or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Company classifies fair value balances based on the observability of those inputs. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs 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 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reported date and includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category generally include non-exchange-traded derivatives such as commodity swaps, interest rate swaps, options and collars.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

The following table sets forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value as of December 31, 2014.

Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**
LIABILITIES:				
Derivative liability	-	-	$ 451,117	$ 451,117

NOTE 7 – DERIVATIVE INSTRUMENTS

During the nine months ended December 31, 2014, the Company issued debt instruments convertible into common stock at a rates of 55% to 60% of the average from the lowest to the third lowest trading price for the ten to twenty trading days prior to the conversion. The conversion options embedded in these instruments contain no explicit limit to the number of shares to be issued upon settlement and as a result are classified as liabilities under ASC 815. Additionally, the number of shares to be issued upon settlement is indeterminate, all other instruments that can be settled in shares must also be classified as liabilities.

The following table summarizes the changes in the derivative liabilities during the period ended December 31, 2014:

Ending balance as of March 31, 2014	$ -
Additions due to new convertible debt issued	423,298
Additions due to reclassification of other convertible instruments	27,819
Ending balance as of December 31, 2014	$ 451,117

The Company uses the Black Scholes Option Pricing Model to value its derivatives based upon the following assumptions: dividend yield of -0-%, volatility of 144-381%, risk free rate of 0.02-0.23% and an expected term of one month to ten months.

NOTE 8 – EQUITY

In October 2014, the Company has issued 250,000 common stocks to its Chief Executive Officer pursuant to his employment agreement. These shares are booked as stock-based compensation and valued at market price as of the execution date of the agreement in totaling $36,250.

In December 2014, the Company issued total 3,360,000 common stocks at $0.05 per share totaling $168,000.

NOTE 9 – GAIN ON SETTLEMENT OF DEBT

In August 2014, the Company settled a balance of accounts payable $6,688 with a payment of $4,500 and recognized the gain on settlement of debt in amount of $2,188.

NOTE 10 – SUBSEQUENT EVENTS

The Company settled and paid in full the loan balance of $130,000 plus interest in January 2015 for a debt that was due September 2014.

Our Chief Executive Officer resigned in January 2015.

The Company issued 480,110 common shares for conversion of $7,000 note payable in January 2015.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of our financial condition and results of operations should be read together with our condensed consolidated financial statements and related notes included under Part I, Item 1 of this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements about our business and operations. Our actual results may differ materially from those we currently anticipate as a result of many factors, including those we describe under "Risk Factors" and elsewhere in this Quarterly Report.

Overview

VGTel continues to be focused on becoming a participant in multi-platform entertainment with an emphasis on capitalizing on the increasing demand for ultra high definition (UHD) or 4K content. Our strategy includes building and operating facilities that house visualization/restoration technology for scanning and converting films into UHD digital format and then commercially distributing those films to Giant Screen format theaters, OEMs and UHD broadcasters. To date, we have converted the following four films: Adrenaline Rush, Alaska: Spirit of the Wild, Amazing Journeys, and Bears and they are all currently being distributed for UHD broadcast. We have signed agreements and, at our wholly owned subsidiary MPSS, we are in the process of scanning three films: Dinosaurs: Giants of Patagonia, Kilimanjaro: To the Roof of Africa and Zion Canyon: Treasure of the Gods. We are also currently in negotiations to acquire the 4K rights to additional Giant Screen format films. We will monetize and leverage our scanning facilities, opening them up to the marketplace for other entities seeking scanning and restoration services. Lastly, we plan to develop and produce original 4K and 8K content through joint ventures and investment.

We are a New York corporation, incorporated on February 5, 2002 under the name Tribeka Tek, Inc. In January 2006, we changed our corporate name to VGTel, Inc. by filing an amended certificate of incorporation. Our principal executive offices are located at 400 Rella Boulevard, Suite 174, Suffern, New York 10901, and our telephone number at this address is (212) 201-0576. Our website is www.360entertainmentandproductions.com .

Our common stock is traded on the OTCQB marketplace under the symbol "VGTL."

Our Strategy

Our primary objective is to become a participant in the multi-platform entertainment industry. Key elements of our strategy include the following:

- Capitalize on the demand for 4K and 8K content

Our efforts are focused on building and operating scanning laboratories where the company will scan (convert) existing 16mm, 35mm and even 70mm content to UHD 4K and 8K formats. These converted movies will be licensed to a growing market of UHD exhibitors, which include giant screen theaters, commercial broadcast channels and other media platforms.

Our initial step in this market has been to launch Motion Picture Scanning Services, Inc. (MPSS) in Austin, Texas. The MPSS studio is a worldwide resource for digital scanning of theatrical content from its original film format utilizing proprietary new tools, designed from the ground up, for managing, enhancing, archiving and distributing UHD movies.

The MPSS scanning lines will also serve to provide a "rights bank" of UHD content with long-lived revenue streams for the company which could meet and exceed ten year revenue cycles from the initial scanned and converted film content. We plan to continue to work closely with our distribution partner to acquire the 4K/UHD rights for a library of mainstream Giant Screen format films that have historically done well in IMAX theaters. To date, we have signed Scan and Distribution Agreements for seven films and expect that number to increase substantially as we position ourselves to meet the surge in the demand for content by broadcasters set to launch commercial channels throughout 2015.

In addition to conventional broadcasting, our growing library of UHD 4K films can be distributed through a variety of other channels including streaming over the Internet. Through our distribution partner, we have licensed our UHD 4K library of films to DirecTV and Nanotech whose streaming UltraFlix Network App delivers state-of-the-art UHD television experiences to consumers worldwide. Bears 4K has also been licensed to Samsung and Sky Korea and Adrenaline Rush is licensed to the Oregon Museum of Science and Industry. We are currently in negotiations with several major international services that have announced plans to launch 4K channels in 2015. Our library of UHD/4K films will be released on 4K Blu-Ray disc when 4K Blu-ray players are made available to consumers (which, based upon statements from the Blu-ray Disc Association, is anticipated to be the 2015 holiday shopping season).

- Monetize and leverage our scanning facilities

Our core area of focus will be the MPSS studio in Austin, Texas. It is a specially equipped laboratory capable of scanning giant screen 65/70mm film to a digital format and will also be equipped to apply the same UHD resolution technology to the more mainstream 35mm and 16mm film formats. In addition to scanning and converting films for VGTel, the MPSS studio is also available to the broader marketplace for other entities or film owners looking to outsource the conversion/scanning of their 16mm, 35mm and 70mm films with the same technology and processes used for our own films.

- Develop and produce original 4K and 8K content

Additionally, we plan to develop and produce original 4K and 8K content through joint ventures and investment. This original content will be licensed and distributed to giant screen theaters, broadcast media and commercial ventures such as experiential amusement rides, Blu-ray and other media.

- Expand with acquisitions and business development partnerships

We seek to expand our core assets from acquisitions of local and regional businesses, to which we can then apply our expertise, resources and brand to scale the business. During 2015, our focus will be expanded to acquire businesses with proven track records and technology talent that can help us grow our business.

Results of Operations

Three months ended December 31, 2014 compared to three months ended December 31, 2013

Total operating expenses for the three months ended December 31, 2014 was $200,800, as compared to $76,385, for the three-month period that ended December 31, 2013. The increase is due primarily to having hired a full-time CEO and an increase in professional and consultant fees as they relate to the processing of the convertible notes and costs as they relate to an operating, publicly-held company. During the three months ended December 31, 2014, we had $22,990 in administrative expenses, as compared to $25,069 for the three-month period that ended December 31, 2013. During the three-month period ended December 31, 2014 we had $45,762 in professional services expenses as compared to $18,896 for the three months ended December 31, 2013. The increase is as previously described above. During the three months ended December 31, 2014, we had $131,903 in officer compensation and rent expense, as compared to $32,420 for the three-month period that ended December 31, 2013. The increase is due to having hired a full-time CEO.

The Company reported a net loss for the three-month period ended December 31, 2014 of $285,219, as compared to a loss of $1,045,081 for the three month period ended December 31, 2013.

As reflected in the accompanying financial statements, we had an accumulated deficit of $9,317,740, raising substantial doubt about our ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Nine months ended December 31, 2014 compared to nine months ended December 31, 2013

Total operating expenses for the nine months ended December 31, 2014 was $453,602, as compared to $245,233 for the nine-month period that ended December 31 2013. The increase is due to the same reasons for the three-month period. During the nine months ended December 31, 2014, we had $70,578 in administrative expenses, as compared to $61,738 for the nine-month period that ended December 31, 2013. During the nine-month period ended December 31, 2014 we had $189,866 in professional services expenses as compared to $68,515 for the nine months ended December 31, 2013. During the nine months ended December 31, 2014, we had $192,820 in officer compensation and rent expense, as compared to $77,480 for the nine-month period that ended December 31, 2013.

The Company reported a net loss for the nine-month period ended December 31, 2014 of $1,175,694 as compared to $1,221,058 for the nine-month period ended December 31, 2013. The net loss for the nine months ended December 31, 2014 was greatly impacted by the derivative loss of $193,497and the amortization of debt discount of $434,500.

As reflected in the accompanying financial statements, we had an accumulated deficit of $9,317,740, raising substantial doubt about our ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Liquidity and Capital Resources

As of December 31, 2014, the Company had $43,199 in cash, compared to $113,186 as of March 31, 2014.

Net cash used in operating activities was $443,868 for the nine month period ended December 31, 2014, compared to net cash used of $223,839 for the period ended December 31, 2013.

The Company received loans amounting to $987,197 during the nine-month period ended December 31, 2014 as compared to $441,500 during the nine-month period ended December 31, 2013.

The Company intends to meet its long-term liquidity needs through available cash and cash flow, as well as through additional financing from outside sources. Additional issuances of equity or convertible debt will result in dilution to the current shareholders. Further, such securities might have rights, preferences or privileges senior to our common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to execute fully our plan of operations to expand our business, which could significantly and materially restrict our business operations. If additional capital is raised through the sale of additional equity or convertible debt, substantial dilution to our stockholders is likely to occur which may result in a partial or substantial loss to your investment in our common stock.

If the Company fails to raise additional funds to execute its expansion plan, it is likely that the Company will not be able to operate as a viable entity and may be forced to go out of business.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our stockholders.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this Report on Form 10-Q.

Based on this evaluation, our management concluded that, as of December 31, 2014, our disclosure controls and procedures were not effective because of certain deficiencies involving internal controls which constituted a material weakness as discussed below. The material weakness identified did not result in the restatement of any previously reported financial statements or any other related financial disclosures, nor does management believe that it had any effect on the accuracy of our financial statements for the current reporting period. We have identified the following material weakness of our internal controls:

There is a lack of sufficient staff due to the size of the Company which results in a lack of segregation of duties necessary for a good system of internal control.

There is a lack of control processes which provide for multiple levels of supervision and review.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. Based on its evaluation, our Chief Executive Officer and our Chief Financial Officer, concluded that our controls are not effective and there is a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness relates to the monitoring and review of work performed by our limited accounting staff in the preparation of financial statements, footnotes and financial data provided to our independent registered public accounting firm in connection with the annual audit. More specifically, the material weakness in our internal control over financial reporting is due to the fact that:

- The Company lacks proper segregation of duties. We believe that the lack of proper segregation of duties is due to our limited resources.

- The Company does not have a system of processes to allow for multiple levels of supervision and review.

Management has concluded that until we have sufficient financial resources to supplement our accounting personnel, this material weakness will continue. No changes have been made this quarter to internal controls.

This report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this report.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None

ITEM 1A. RISK FACTORS.

In addition to the risk factors previously disclosed in Item 1A to Part I of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2014, the following should be noted:

History of Low Revenue and Net Losses.

For the nine months ended December 31, 2014, the Company had revenue of $0 compared to revenue of $9,101 for the comparable period in 2013. The Company had a net loss of $(1,175,694) for the nine months ended December 31, 2014, compared to a net loss of $(1,221,058) for the comparable period in 2013. The Company's total stockholders' deficit increased to $(1,121,115) as of December 31, 2014, from $(703,590) as of March 31, 2014. No assurance can be given that the Company will ever have significant levels of revenue or net income. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

Future Need for Available Financing.

The Company intends to meet its long-term liquidity needs through available cash and cash flow, as well as through additional financing from outside sources. Additional issuances of equity or convertible securities will result in dilution to current stockholders. Further, such securities might have rights, preferences or privileges senior to the Company's common stock. See, e.g., Note 5 to the Notes to Unaudited Financial Statements with regard the Company's current notes payable. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to execute fully its plan of operations to expand its business, which could significantly and materially restrict the Company's business operations. If additional capital is raised through the sale of additional equity or convertible debt, substantial dilution to stockholders is likely to occur which may result in a partial or substantial loss to your investment in the Company's common stock. The Company presently does not have any arrangements for additional financing, and no potential lines of credit or sources of financing are currently available for the purpose of proceeding with the Company's plan of operations. If the Company fails to raise additional funds to execute its expansion plan, it is likely that the Company will not be able to operate as a viable entity and may be forced to go out of business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The Company borrowed $987,197 from third party lenders for the nine months ended December 31 , 2014. One note for $200,000 was due September 1, 2014, but has only been partially paid. The other notes are due on various dates from April 14, 2015 through September 1, 2015, incur interest at 8% - 12% per annum and are convertible at rates of 55% to 60% of the average from the lowest to the third lowest trading price for the 10 to 20 trading days prior to the conversion. These notes become convertible after 180 days following the issuance of the notes. The Company analyzed the conversion option for derivative accounting consideration under ASC 815-15 "Derivatives and Hedging" and determined that the instrument should be classified as a liability once the conversion option becomes effective after 180 days due to there being no explicit limit to the number of shares to be delivered upon settlement of the above conversion options. The issuance of securities was made in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None

ITEM 4. MINE SAFETY DISCLOSURES.

None

ITEM 5. OTHER INFORMATION.

None

ITEM 6. EXHIBITS.

EXHIBIT INDEX
TO
QUARTERLY REPORT ON FORM 10-Q

Exhibit Number	Description
3.1	Articles of Incorporation. (1)
3.2	Amended Articles of Incorporation. (2)
3.3	Amended Articles of Incorporation. (3)
3.4	Certificate of Assumed Name (DBA). (5)
3.5	By laws. (1)
10.1	Stock Purchase Agreement. (4)
10.2	2011 Equity Incentive Plan. (3)
10.3	Employment Agreement with Peter Shafran. (5)
10.4	Purchase and Sale Agreement with Visual Entertainment Systems, LLC, dated March 28, 2012. (6)
10.5	Letter of Intent with Western Capital Ventures, Inc., dated March 6, 2012. (6)
10.6	Assignment of Distribution Agreement from Western Capital Ventures, dated March 6, 2012. (6)
10.7	Consent to Assignment of Distribution Agreement from Western Capital Ventures, Inc. by Visual Entertainment Systems, LLC, dated March 28, 2012. (6)
10.8	Independent Contractor Agreement with Anthony Gillaizeau, dated March 7, 2012. (6)
10.9	Securities Purchase Agreement dated as of May 14, 2014, between VGTel, Inc. (“VGTel”) and Adar Bays, LLC (“Adar Bays”). (7)
10.10	Form of 8% Convertible Redeemable Note due May 14, 2015 of VGTel to Adar Bays. (7)
10.11	Form of 8% Convertible Redeemable Note due May 14, 2015 (Back End Note) of VGTel to Adar Bays. (7)
10.12	Collateralized Secured Promissory Note dated May 14, 2014, of Adar Bays to VGTel. (7)
10.13	Securities Purchase Agreement dated as of May 14, 2014, between VGTel and LG Capital Funding, LLC (“LG Capital”). (7)
10.14	Form of 8% Convertible Redeemable Note due May 14, 2015 of VGTel to LG Capital. (7)
10.15	Form of 8% Convertible Redeemable Note due May 14, 2015 (Back End Note) of VGTel to LG Capital. (7)
10.16	Collateralized Secured Promissory Note dated May 14, 2014, of LG Capital to VGTel. (7)
31.1	Certification of Neil Fogel, PEO and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Neil Fogel, PEO and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Incorporated by reference to Registration Statement on Form SB-2 filed with the SEC on May 23, 2006.
(2) Incorporated by reference to Current Report on Form 8-K filed with the SEC on January 3, 2011.
(3) Incorporated by reference to Annual Report on Form 10-K for the fiscal year ended March 31, 2011 filed with the SEC on August 17, 2011.
(4) Incorporated by reference to Current Report on Form 8-K/A filed with the SEC on February 11, 2011.
(5) Incorporated by reference to Current Report on Form 8-K filed with the SEC on September 1, 2011.
(6) Incorporated by reference to Current Report on Form 8-K filed with the SEC on April 2, 2012.
(7) Incorporated by reference to Current Report on Form 8-K filed with the SEC on May 19, 2014.

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.

VGTel, Inc.

Date: February 17, 2015

By: */s/ Neil S. Fogel*
Neil S. Fogel
PEO and Chief Financial Officer
(duly authorized officer and principal financial officer)

EXHIBIT 31.1

CERTIFICATION

I, Neil S. Fogel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of VGTel, Inc.

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, 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.

Date: February 17, 2015

By: */s/ Neil S. Fogel*
Neil S. Fogel
PEO and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATIONS PURSUANT
TO 18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of VGTel, Inc. (the "Company") on Form 10-Q for the period ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Neil S. Fogel, PEO and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 17, 2015

By: *<u>/s/ Neil S. Fogel</u>*
Neil S. Fogel
PEO and Chief Financial Officer
(Principal Financial Officer)