

Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10-Q

VOYAGER ENTERTAINMENT INTERNATIONAL INC  
Form 10-Q  
May 14, 2008

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2008.

OR

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

FOR THE TRANSITION FROM \_\_\_\_\_ TO \_\_\_\_\_.

COMMISSION FILE NUMBER 000-333151

VOYAGER ENTERTAINMENT INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada  
-----  
(State or other jurisdiction of  
incorporation or organization)

45-0420093  
-----  
(I.R.S. Employer  
Identification No.)

4483 West Reno Avenue, Las Vegas, Nevada  
-----  
(Address of principal executive offices)

89119  
-----  
(Zip code)

Issuer's telephone number: (702) 221-8070

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

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

# Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10-Q

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of May 14, 2008, there were 124,577,287 outstanding shares of the Registrant's Common Stock, \$.001 par value.

## TABLE OF CONTENTS

	Page
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements	4
Item 2. Management's Discussion and Analysis	13
Item 3. Quantitative and Qualitative Disclosures of Market Risk	14
Item 4. Controls and Procedures	
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings	15
Item 1a. Risk Factors	15
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	15
Item 3. Defaults Upon Senior Securities	15
Item 4. Submission of Matters to a Vote of Security Holders	15
Item 5. Other Information	15
Item 6. Exhibits	15
SIGNATURES	16

## PART I FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)  
MARCH 31, 2008

VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED CONSOLIDATED BALANCE SHEET  
(UNAUDITED)

March 31, 2008  
-----

Dec  
-----

Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10-Q

ASSETS

CURRENT ASSETS

Cash	\$	35,168	\$
Prepaid assets		1,374	
Deferred financing costs		50,000	
Advances - related party		500,000	
		-----	
Total current assets		586,542	

FIXED ASSETS, net of accumulated depreciation of  
\$38,421 and \$36,211, respectively

8,426

Total assets

\$ 594,968

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	1,173,914	\$
Accrued expenses - related party		1,320,000	
Note payable		1,855,000	
Due to related parties		150,000	
Loans and settlement payable		878,239	
		-----	
Total current liabilities		5,377,153	
		-----	

Total liabilities

5,377,153

COMMITMENTS & CONTINGENCIES

-

STOCKHOLDERS' DEFICIT

Preferred stock: \$.001 par value; authorized 50,000,000 shares			
Series A - 1,500,000 designated, none outstanding			-
Series B - 10,000,000 designated, 1,000,000 outstanding			1,000
Common stock: \$.001 par value; authorized 200,000,000 shares;			
issued and outstanding: 121,577,287 and 123,577,287 respectively			121,577
Additional paid-in capital			12,565,251
Deferred construction costs paid with common stock			(154,688)
Loan collateral paid with common stock			(750,000)
Receivable for return of stock related to canceled acquisition			-
Common stock payable			75,000
Accumulated deficit during the development stage			(16,640,325)
			-----

Total stockholders' deficit

(4,782,185)

Total liabilities and  
stockholders' deficit

\$ 594,968

See accompanying notes to these condensed consolidated financial statements.

# Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10-Q

(A DEVELOPMENT STAGE COMPANY)  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended March 31, 2008	March 31, 2007
	-----	-----
Revenues	\$ -	\$ -
Operating expenses:		
Professional and consulting fees	143,416	216,832
Project costs	2,777	2,648
Depreciation	2,210	915
Settlement expense	-	375,000
Other expense	30,601	31,855
	-----	-----
	179,004	627,250
Operating loss	(179,004)	(627,250)
Other income (expense):		
Interest income	43,750	78
Interest expense	(65,691)	(169,286)
	-----	-----
	(21,941)	(169,208)
Net loss	(200,945)	(796,458)
Preferred stock dividends	-	-
Net loss allocable to common stockholders	\$ (200,945)	\$ (796,458)
	=====	=====
Net loss per common share - basic and diluted	\$ (0.00)	\$ (0.01)
	=====	=====
Weighted average number of common shares outstanding	122,170,694	114,165,127
	=====	=====

See accompanying notes to these condensed consolidated financial statements.

VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	March 31, 2008	March 31, 2007
	-----	-----
Cash Flows from Operating Activities:		

Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10-Q

Net Loss	\$	(200,945)	\$	(796,458)
Adjustments to reconcile net loss to net cash used by operating activities:				
Depreciation		2,210		915
Issuance of common stock for services		-		473,000
Issuance of common stock for nullification fee		-		-
Issuance of common stock for accrued bonus		-		-
Interest expense from the issuance of common stock		-		-
Accretion of debt issuance costs		-		112,500
Changes in assets and liabilities:				
Prepaid assets		420		-
Accounts payable and accrued expenses		46,407		19,034
Accrued expenses - related party		70,000		95,000
Accrued settlement obligation		-		-
		-----		-----
Net cash used in operating activities		(81,908)		(96,009)
Cash flows used in Investing Activities:				
Payments to acquire fixed assets		-		-
Proceeds from Note Receivable		-		-
		-----		-----
Net cash used in investing activities		-		-
Cash flows provided by Financing Activities:				
Proceeds from notes payable, short term debt		25,000		100,000
Payment on notes payable, short term debt		-		-
Proceeds from the sale of preferred stock		-		-
Proceeds from the sale of common stock		50,000		-
Payments for loan fees		-		-
Payments for financing costs		-		(50,000)
		-----		-----
Net cash provided by financing activities		75,000		50,000
Net increase (decrease) in cash		(6,908)		(46,009)
Cash, beginning of year		42,076		76,241
		-----		-----
Cash, end of year	\$	35,168	\$	30,232
		=====		=====
Cash paid for:				
Interest	\$	-	\$	43,750
Income Taxes	\$	-	\$	-

See accompanying notes to these condensed consolidated financial statements.

VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)  
(CONTINUED)

Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10-Q

	March 31, 2008 -----	March 31, 2007 -----
Supplemental schedule of non-cash Investing and Financing Activities:		
Common stock issued for financing costs	\$ -	\$ -
Common stock issued for loan collateral	\$ -	\$ -
Deferred construction costs, adjusted	\$ (28,125)	\$ 309,375
	-----	-----
Conversion of preferred shares	\$ -	\$ -
Common stock issued as acquisition deposit	\$ -	\$ -
Common stock cancelled due to business Combination cancellation	\$ 375,000	\$ -
Common stock payable	\$ 75,000	\$ -

See accompanying notes to these condensed consolidated financial statements.

VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

Note 1. Basis of Presentation and Organization and  
Significant Accounting Policies

Basis of Presentation and Organization  
-----

The accompanying Condensed Consolidated Financial Statements of Voyager Entertainment International, Inc. (the "Company") should be read in conjunction with the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007. Significant accounting policies disclosed therein have not changed except as noted below.

The accompanying Condensed Consolidated Financial Statements and the related footnote information are unaudited. In the opinion of management, they include all normal recurring adjustments necessary for a fair presentation of the condensed consolidated balance sheets of the Company at March 31, 2008 and the condensed consolidated results of its operations and cash flows for the three months ended March 31, 2008 and 2007. Results of operations reported for interim periods are not necessarily indicative of results for the entire year.

Voyager Entertainment International, Inc. (the "Company"), a North Dakota corporation formerly known as Dakota Imaging, Inc. on January 31, 1991, is in the entertainment development business with plans to develop the world's tallest Observation Wheel on the Las Vegas strip area. During April 2002, the Company changed its name from Dakota Imaging, Inc. to Voyager Entertainment International, Inc. and adopted a new fiscal year. On June 11, 2003, the Company became a Nevada Corporation.

As used in these Notes to the Consolidated Financial Statements, the terms the "Company", "we", "us", "our" and similar terms refer to Voyager Entertainment

## Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10-Q

International, Inc. and, unless the context indicates otherwise, its consolidated subsidiaries. The Company's wholly owned subsidiaries include Voyager Ventures, Inc. ("Ventures"), a Nevada corporation, Outland Development, LLC ("Outland"), a Nevada Limited Liability Corporation, and Voyager Entertainment Holdings, Inc. ("Holdings"), a Nevada corporation. Voyager Ventures, Inc. has been a dormant company and was discontinued as of December 31, 2007. All organizational costs had been paid by the parent.

These Condensed Consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

### Going Concern

-----

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. However, the Company has not begun generating revenue, is considered a development stage company, has experienced recurring net operating losses, had a net loss of \$200,945 and \$796,458 for the three months ended March 31, 2008 and 2007, and a working capital deficiency of \$4,790,611 at March 31, 2008. These factors raise substantial doubt about the Company's ability to continue as a going concern. These 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 result from this uncertainty.

### RECLASSIFICATION

Certain reclassifications, which have no effect on net loss, have been made in the prior period financial statements to conform to the current presentation. Specifically, we have presented the 2007 nullification expense separate from professional and consulting fees.

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Fair Value Accounting

-----

In September 2006, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of FAS 157 were adopted January 1, 2008. In February 2008, the FASB staff issued Staff Position No. 157-2 "Effective Date of FASB Statement No. 157" ("FSP FAS 157-2"). FSP FAS 157-2 delayed the effective date of FAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The provisions of FSP FAS 157-2 are effective for the Company's fiscal year beginning January 1, 2009.

FAS 157 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

VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

## Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10-Q

the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are described below:

- Level 1      Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2      Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3      Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

In February 2007, the FASB issued FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("FAS 159"). FAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value, with the objective of improving financial reporting by mitigating volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The provisions of FAS 159 were adopted January 1, 2008. The Company did not elect the Fair Value Option for any of its financial assets or liabilities, and therefore, the adoption of FAS 159 had no impact on the Company's consolidated financial position, results of operations or cash flows.

### Note 2. Stockholder's Equity

The authorized common stock of the Company consists of 200,000,000 shares of common stock with par value of \$0.001 and 50,000,000 shares of preferred stock. For our preferred stock we have designated two series: 1,500,000 shares of Series A Preferred Stock and 10,000,000 shares of Series B Preferred Stock both with a par value of \$0.001.

In 2006, we issued a certificate for 2,000,000 shares and a separate certificate for 3,000,000 shares for the total 5,000,000 shares required under the agreement Western Architectural acquisition. On February 7, 2008, the share certificate for 3,000,000 shares was sent to the Company as part of the 2,500,000 shares required to be returned under the March 30, 2007 nullification agreement for this rescinded acquisition. We have accounted for the 500,000 excess shares as a common stock payable due for \$75,000 to Western at March 31, 2008.

In March 2008, the Company issued 1,000,000 shares of common stock for \$50,000 cash or \$0.05.

No preferred share transactions occurred as of March 31, 2008.

### Note 3. Related Party Transactions and Acquisitions

#### Related Party Transactions

-----

During the quarters ended March 31, 2008 and 2007, the Company paid consulting fees of approximately \$35,000 per month to Synthetic Systems, LLC, for a total of \$105,000 in each year. Synthetic Systems is jointly owned by our Chief Executive Officer and Secretary. The Company also paid to Synthetic Systems LLC., office rent expenses of approximately \$9,100 and \$8,800 and furniture and equipment lease of \$3,450 or \$1,150 per month as of March 31, 2008 and 2007, respectively.

As previously disclosed in our 2007 Form 10-KSB, on May 30, 2002, the Company executed a Contractor Agreement with Western Architectural Services, LLC



## Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10-Q

("Western") where Western would provide to the Company certain architectural services for the Las Vegas Observation Wheel Project in exchange for which the Company issued 2,812,500 shares of restricted common stock to Western. Although he was not an affiliate of the Company upon execution of the Contractor Agreement, Western's Chief Executive Officer is currently an executive officer, director and significant stockholder of the Company. We have accounted for these shares as Deferred Construction Costs in these financial statements.

Western plans to sell the amount of common stock at the time before and during the contract to purchase supplies and pay subcontractors. At the time the contract was issued the shares of the Company were trading at \$6.50 per share, our current stock price is trading significantly below that amount. If at the time Western performs the services contracted and the share price is below \$6.50 per share, the Company will be required to issue additional shares to Western in order for the contract to be fulfilled. Western's Chief Executive Officer is currently an affiliate of the Company which will also limit the amount of shares that can be sold based on the trading volume and shares outstanding in accordance with Rule 144 of the Securities Act of 1933. As of March 31, 2008, we have

VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

marked these shares to market in accordance with EITF No. 96-18 "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services", Issue 3, using the period end closing price of our stock. The change in valuation was debited to additional-paid in capital due to the deferred construction cost nature of these shares.

As of March 31, 2008, we have received \$100,000 from Western and \$50,000 from Tracy Jones. The amounts are unsecured, carry no interest and are due demand.

### Acquisitions

-----

On April 10, 2006, we entered into a Unit Purchase (Buy-Sell) Agreement ("Agreement") to acquire all the outstanding units of Western Architectural Services, LLC ("Western") in exchange for a total of 5,000,000 shares of Voyager's common stock ("Shares"). On September 11, 2006, Voyager believed it had fully completed the necessary due diligence pursuant to the Agreement and consequently delivered the Shares consideration as required for the final closing. Upon further evaluation of Voyager's due diligence of Western pursuant to Section 2.02 of the Agreement, it has been determined that the existing limited liability company ("LLC") operating agreement of Western would need to be modified in order for Voyager to continue the existing operations of Western.

On March 30 2007, Voyager and Western were not able to come to acceptable terms with regards to the needed changes to the LLC operating agreement. The Agreement was cancelled since the transaction did not meet all the requirements of Section 2.02 of the Agreement and was deemed as if the acquisition transaction was never closed.

As a result, the acquisition was nullified effective March 30, 2007. As a result of the nullification of the acquisition transaction, 2,500,000 shares of common stock are to be returned to the Company for cancellation and returned to the

## Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10-Q

treasury. The remaining 2,500,000 shares were accounted for as a fee for the nullification in our statement of operations as of March 31, 2007. The shares were valued at fair value of \$0.15 per shares for a total value of \$375,000.

In 2006, we issued a certificate for 2,000,000 shares and a separate certificate for 3,000,000 shares for the total 5,000,000 shares required under the agreement. On February 7, 2008, the share certificate for 3,000,000 shares was sent to the Company as part of the 2,500,000 shares required to be returned under the March 30, 2007 nullification agreement. We have accounted for the 500,000 excess shares as a common stock payable due for \$75,000 to Western at March 31, 2008.

### Note 4. Fair Value

In accordance with FAS 157 the table below sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by FAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Fair Value at March 31, 2008				
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Deferred construction costs	\$ 154,688	\$ 154,668	\$ -	\$ -
	\$ 154,688	\$ 154,668	\$ -	\$ -
<b>Liabilities:</b>				
None	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -

### Note 5. Subsequent Events

Subsequent to quarter end we issued 3,000,000 shares for services valued at \$121,000 or \$0.04 per share.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this report. References in this section to "Voyager Entertainment International, Inc.," the "Company," "we," "us," and "our" refer to Voyager Entertainment International, Inc. and our direct and indirect subsidiaries on a consolidated basis unless the context indicates otherwise.

This interim report contains forward looking statements relating to our Company's future economic performance, plans and objectives of management for future operations, projections of revenue mix and other financial items that are based on the beliefs of, as well as assumptions made by and information currently known to, our management. The words "expects, intends, believes, anticipates, may, could, should" and similar expressions and variations thereof are intended to identify forward-looking statements. The cautionary statements set forth in this section are intended to emphasize that actual results may

## Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10-Q

differ materially from those contained in any forward looking statement.

### EXECUTIVE SUMMARY AND OVERVIEW

During the next 12 months, we are continuing our efforts on the development of the Observation Wheel in Las Vegas, Nevada; however, actual production will not commence until we have sufficient capital for construction and marketing. As of the year ending December 31, 2007, the Company did not have enough cash on hand to continue operations through the next year. However, from time-to-time the officers of the Company loan funds to provide for operations. There can be no guarantees that the Company's officers and directors will continue to loan funds to the Company on an ongoing basis. However, if we do not receive a substantial amount of funding it will be unlikely we can continue operations.

We have been successful in the past in selling our common stock in private transactions to provide for minimal operations. We plan to seek additional funding through debt transactions and the sale of our common stock either privately or publicly. There can be no guarantees we will continue to be successful in completing those transactions. The primary expenses for the Company consist of consulting fees that are primarily paid by the issuance of our common stock.

We are not the traditional Company that has the standard research and development expenses. As a result, most of our research and development expenses consist of presentation materials and architectural designs. Upon funding of the project the initial expense will be engineering and architectural.

Our primary costs consist mainly of professional and consulting, legal and accounting fees along with those fees paid to related parties, rent expenses and printing expenses. As the project is being developed we are incurring additional architectural and travel related fees. If this project is successful there will be a significant increase in expenses for all aspects of the construction process to include an additional office set up, additional employees and continual travel.

We plan to focus primarily on the development of the Observation Wheel in Las Vegas over the next 12 months. Other than presentation materials, if a suitable site is acquired and selected, the primary focus will be on completing engineering and starting the construction of an Observation Wheel.

For additional detailed discussion regarding the Company's business and business trends affecting the Company and certain risks inherent in the Company's business, see "Item 6: Management's Discussion and Analysis or Plan of Operations" in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007.

### DEVELOPMENT OF OUR BUSINESS

Voyager Entertainment International, Inc., formerly named Dakota Imaging, Inc., was incorporated in North Dakota on January 31, 1991. Effective February 8, 2002, the Company completed a reverse triangular merger between Dakota Subsidiary Corp. ("DSC"), a wholly owned subsidiary of the Company, and Voyager Ventures, Inc., a Nevada Corporation ("Ventures"), whereby the Company issued 3,660,000 shares of its Series A preferred stock in exchange for 100% of Ventures' outstanding common stock. Pursuant to the terms of the merger, DSC merged with and into Ventures and ceased to exist, and Ventures became a wholly-owned subsidiary of the Company.

On April 2, 2002, we amended our Certificate of Incorporation to change our name from Dakota Imaging, Inc. to Voyager Entertainment International, Inc.

## Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10-Q

In June 2003, the Company reincorporated in the State of Nevada. The reincorporation became effective in the states of North Dakota and Nevada on June 23, 2003, the date the Certificate of Merger was issued by the Secretary of State of North Dakota.

Voyager Ventures, Inc. has been a dormant company since 2002 and was discontinued as of December 31, 2007.

### CRITICAL ACCOUNTING POLICIES

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on the results we report in our financial statements, which we discuss under the heading "Results of Operations" following this section of our MD&A. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Our most critical accounting estimates include the assessment of value of our deferred construction costs.

We believe the following critical accounting policy reflects our most significant estimates and assumptions used in the preparation of our consolidated financial statements:

#### STOCK BASED COMPENSATION

On January 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123(R), "Accounting for Stock-Based Compensation", to account for compensation costs under our stock option plans. We previously utilized the intrinsic value method under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (as amended).

We use the fair value method for equity instruments granted to non-employees and will use the Black Scholes model for measuring the fair value of options, if issued. The stock based fair value compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

We do not have any of the following:

- \* Off-balance sheet arrangements.
- \* Certain trading activities that include non-exchange traded contracts accounted for at fair value.
- \* Relationships and transactions with persons or entities that derive benefits from any non-independent relationships other than related party transactions discussed herein.

#### RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2008 ("2008") COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2007 ("2007")

Results of operations consist of the following:

	March 31, 2008	March 31, 2007	\$ Change	%Change
Revenue	\$ -	\$ -	\$ -	- %
General and administrative expenses	179,004	627,250	(448,246)	(71)%
Operating loss	\$(179,004)	\$(627,250)	\$(448,246)	(71)%

## Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10-Q

As of March 31, 2008, we have not constructed an Observation Wheel and therefore have not generated revenues.

The decrease in general and administrative expenses of 71% is due primarily to a 46% decrease in consultant fees of \$110,000, as of March 31, 2008 compared to \$203,000 as of March 31, 2007. Additionally, we recognized a non-reoccurring nullification fee expense due to the cancelled Western Architectural merger in the first quarter of 2007. All other costs in the first quarter of 2008 remained relatively consistent when compared to March 31, 2007.

### LIQUIDITY AND CAPITAL RESOURCES

We plan to focus primarily on the development of the Observation Wheel in Las Vegas the next 12 months.

	March 31, 2008	December 31, 2007	\$ Change	%C
Cash	\$ 35,168	\$ 42,076	\$ (6,908)	( )
Accounts payable and accrued expenses	\$ 2,493,914	\$ 2,377,508	\$ 116,406	( )
Total current liabilities	\$ 5,377,153	\$ 5,235,747	\$ 141,406	( )
Cash proceeds from the sale of common stock	\$ 50,000	\$ 390,000	\$ (340,000)	( )

We have financed our operations during the quarter primarily through the use of cash on hand, issuance of stock for cash and aging of our payables. As of March 31, 2008, we had total current liabilities of \$5,377,152 compared to \$5,235,747 as of December 31, 2007. The increase in total current liabilities is primarily due to an increase in Due to Related Parties of \$70,000, Accrued Expenses of approximately \$25,000 and Accrued Interest of approximately \$22,000. These items increased as our lack of cash has resulted in longer aging of payables and need for additional cash infusion. We had no long term liabilities during any of these periods.

Cash decreased 16% as of March 31, 2008 due to payment of some of our payables throughout the first quarter of 2008.

We issued 1,000,000 shares of common stock for \$50,000 cash in the first quarter of 2008.

We had \$35,168 cash on hand as of March 31, 2008 compared to \$42,076 as of December 31, 2007. We will continue to need additional cash during the following twelve months and these needs will coincide with the cash demands resulting from our general operations and implementing our business plan. There is no assurance that we will be able to obtain additional capital as required, or obtain the capital on acceptable terms and conditions.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

### ITEM 4. CONTROLS AND PROCEDURES.

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer of our disclosure controls and procedures (as defined in Rule 13a -15(e) and Rule 15d-15(e) of the Exchange Act). Based upon

## Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10-Q

this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. There was no change in our internal controls or in other factors that could affect these controls during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### PART II

#### OTHER INFORMATION

##### ITEM 1 - LEGAL PROCEEDINGS

None.

##### ITEM 1A. RISK FACTORS

There have been no material changes from the Risk Factors described in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2007.

##### ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In March 2008, the Company issued 1,000,000 shares of common stock for \$50,000 cash or \$0.05.

##### ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

###### Line of Credit

-----

On November 19, 2002, the Company entered into a line of credit financing agreement which entitled the Company to borrow from a creditor up to an aggregate of \$2,500,000. Advances under this line of credit are based on achievement of certain milestones pursuant to the agreement. Upon the receipt of funds, the Company was required to issue up to 1,500,000 shares of its common stock on a pro rata basis.

The Company borrowed \$605,000 against this line of credit and issued 1,500,000 shares. The balance payable under this line of credit was due on April 15, 2003 and was secured by all of the Company's assets.

The original line of credit bore interest at the rate of 12% per annum. This line of credit has expired and no principal or accrued interest has been paid back. Consequently, during the year ended December 31, 2003, the Company agreed to pay 100% interest related to this line of credit. Interest of \$605,000 has been accrued and included in accrued expenses in the accompanying consolidated financial statements.

As of December 31, 2007 and 2006, the total obligation including loans of \$605,000, and accrued interest of \$605,000, amounted to \$1,210,000. The debt holder has agreed to be repaid from those funds received by the Company at its next project funding. If the Company does not receive significant project funding it will not be able to repay the debt. As collateral for the Loan and Security Agreement the debt holder filed a UCC-1 against the assets and intellectual property of the Company giving the debt holder the right to institute foreclosure proceedings against the Company. Foreclosure proceedings could be instituted at any time if the debt holder believes that he will not be

## Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10-Q

repaid. As of the date of these financial statements the debt holder has not indicated any intentions to institute foreclosure proceedings.

### Diversified Lending

-----

On September 5, 2006, the Company entered into a note payable with Diversified Lending Group, Inc. for \$1,250,000. The Company is a joint tenant with Western in this debt which bears interest of 14% and is due within one year from the date of the note. As of December 31, 2007, Western paid directly to Diversified Lending Group, Inc. six months of interest for the original loan. We have accounted for this as both interest income and interest expense of \$87,500. As stated in the agreement, the Company could extend the Maturity Date of the loan one time for a period of six months, which the Company exercised for a fee of 3% of the loan amount or \$37,500 (Western Architecture paid to the Company \$18,750 as their part of the loan extension). As of March 31, 2008, management is negotiating with the note holder to extend the terms of the note. Although management has ongoing negotiations to extend the terms of the agreement, technically per the agreement we are in default.

### ITEM 4 - SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

None.

### ITEM 5 - OTHER INFORMATION

#### (1) Committees and financial reviews.

The board of directors has not established an audit committee. In addition, we do not have any other compensation or executive or similar committees. We will not, in all likelihood, establish an audit committee until such time as we increase our revenues, of which there can be no assurance. We recognize that an audit committee, when established, will play a critical role in our financial reporting system by overseeing and monitoring management's and the independent auditor's participation in the financial reporting process.

Until such time as an audit committee has been established, the board of directors will undertake those tasks normally associated with an audit committee to include, but not by way of limitation, the (i) review and discussion of the audited financial statements with management, and (ii) discussions with the independent auditors with respect to the matters required to be discussed by the Statement On Auditing Standards No. 61, "Communications with Audit Committees", as may be modified or supplemented.

### ITEM 6 - EXHIBITS.

(a) The following exhibits are filed with this report.

- 31.1 Certification by Chief Executive and Financial Officer pursuant to Sarbanes Oxley Section 302.
- 32.1 Certification by Chief Executive and Financial Officer pursuant to 18 U.S. C. Section 1350

### 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

Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10-Q

undersigned thereunto duly authorized.

VOYAGER ENTERTAINMENT INTERNATIONAL, INC.

-----  
(Registrant)

Dated May 14, 2008

By: /s/ Richard Hannigan

-----  
Richard Hannigan,  
President/Director

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated

By: /s/ Richard Hannigan, Sr.

-----  
Richard Hannigan, Sr.  
President/CEO/Director  
May 14, 2008

By: /s/ Myong Hannigan

-----  
Myong Hannigan  
Secretary/Treasurer/Director  
May 14, 2008

By: /s/ Tracy Jones

-----  
Tracy Jones  
COO/Director  
May 14, 2008